UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

☐ Registration Statement Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

or

☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2016

or

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

or

☐ Shell Company Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of event requiring this shell company report: _____
For the transition period from _____ to _____

Commission file no.: 001-35920

MAZOR ROBOTICS LTD.

(Exact name of registrant as specified in its charter)

Translation of registrant's name into English: Not applicable

State of Israel
(Jurisdiction of incorporation or organization)

5 Shacham Street
North Industrial Park, Caesarea
3088900 Israel
(Address of principal executive offices)

Sharon Levita
Chief Financial Officer
+972-4-618-7101
Sharon.Levita@MazorRobotics.com
5 Shacham Street
North Industrial Park, Caesarea
3088900 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:

Title of each class:	Name of each exchange on which registered or to be registered:
American Depository Shares each representing 2 Ordinary Shares, par value NIS 0.01 per share(1)	**NASDAQ Global Market**
Ordinary Shares, par value NIS 0.01 per share(2)	

(1) Evidenced by American Depositary Receipts.

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

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

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

Number of outstanding shares of each of the issuer's classes of capital or common stock as of April 27, 2017: 48,092,933 ordinary shares.

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

Yes ☒ No ☐

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

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Yes ☐ No ☐

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

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

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

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

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

U.S. GAAP ☐

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

Other ☐

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

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company.

☐ Yes ☒ No

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INTRODUCTION

Mazor Robotics, an Israeli Company, is a leading innovator that has pioneered surgical guidance systems and complementary products in the spine surgical markets which we believe may provide a safer surgical environment for patients, surgeons and operating room staff. We engage in the development, production and marketing of innovative medical devices for supporting surgical procedures in the fields of orthopedics and neurosurgery. We operate in the fields of image guided surgery and computer-assisted surgery enabling the use of surgical instruments with high precision and minimal invasiveness and aiming to simplify complex and minimally-invasive surgical procedures. We believe that our portfolio of products, including the recently launched Mazor X Surgical Guidance System, or Mazor X, and the Renaissance® Surgical Guidance System, or Renaissance, are transforming spine surgery from freehand procedures to highly accurate, state-of-the-art, guided procedures that raise the standard of care with better clinical results. The Mazor X, Renaissance and SpineAssist (our predecessor to the Renaissance) systems have been used to perform over 24,000 procedures worldwide (over 170,000 implants) in a wide variety of spinal procedures, many of which would not have been attempted without this technology. In 2014 we introduced the Renaissance for brain surgery and in 2015 we introduced the PRO (Predictable Renaissance Operation) product line, which currently includes three solutions designed to support brain procedures, as well as, trauma and lateral spine procedures. We are continuing the development of the Renaissance platform for additional spine and brain surgery procedures. In July 2016, we unveiled the Mazor X system, a transformative guidance platform for spine surgeries and in October 2016, we commercially launched the Mazor X system. The Mazor X was developed with the goal of enhancing predictability and patient benefit, through the combination of analytical tools, multiple-source data, precision guidance, optical tracking, intra-op verification, and connectivity technologies. The Mazor X platform was designed to expand the field of precision guided spine surgery beyond trajectory guidance. In April 2017, we received 510 (k) clearance from the FDA for the Mazor X Align™ software, a spinal deformity correction planning software for the Mazor X system. We intend to commercially release the Mazor X Align in 2017. We are continuing the development of the Mazor X platform for additional spine surgery procedures.

We were incorporated under the laws of the State of Israel on September 12, 2000. Our ordinary shares are listed on the Tel Aviv Stock Exchange, or TASE, under the symbol “MZOR”. In May 2013, our American Depositary Shares, or ADSs, representing our Ordinary Shares, commenced trading on the NASDAQ Capital Market under the trading symbol “MZOR” and are currently traded on the NASDAQ Global Market. Each ADS represents two of our Ordinary Shares.

Unless the context otherwise indicates or requires, "Mazor Robotics", "Mazor," the Mazor Robotics logo and all product names and trade names used by us in this annual report, including Renaissance™ and Mazor X™, are our proprietary trademarks and service marks. These trademarks and service marks are important to our business. Although we have omitted the "®" and "TM" trademark designations for such marks in this annual report, all rights to such trademarks and service marks are nevertheless reserved.

Unless derived from our financial statements or otherwise indicated, U.S. dollar translations of NIS amounts presented in this annual report are translated using a rate of NIS 4.00 to USD 1.00.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this annual report may be deemed to be "forward-looking statements". Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified.

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

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

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

- the outcomes of the agreements with Medtronic plc and its affiliates;
- our ability to promote the new Mazor X System;
- the impact of competition and new technologies;
- general market, political and economic conditions in the countries in which we operate;
- projected capital expenditures and liquidity;
- changes in our strategy;
- government regulations and approvals;
- changes in customers' budgeting priorities;
- litigation and regulatory proceedings; and
- the overall global economic environment; and
- those factors referred to in "Item 3. Key Information - D. Risk Factors", "Item 4. Information on the Company," and "Item 5. Operating and Financial Review and Prospects", as well as in this annual report generally.

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

In addition, the section of this annual report entitled "Item 4. Information on the Company" contains information obtained from independent industry and other sources that we have not independently verified. You should not put undue reliance on any forward-looking statements. Any forward-looking statements in this annual report are made as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITION OF CERTAIN TERMS

In this Form 20-F, unless the context otherwise requires, references to:

- "Mazor Robotics", "Mazor," the "Company", the "registrant", "us", "we" and "our" refer to Mazor Robotics Ltd., an Israeli company, and, unless the context indicates otherwise, the Subsidiaries;
- "ADSs" are to our American Depositary Shares, each representing two of our Ordinary Shares;
- "Companies Law" are to Israel's Companies Law, 5759-1999, as amended;
- "Dollars", "U.S. dollars", "U.S. $" and "$" are to United States Dollars;
- "Exchange Act" are to the United States Securities Exchange Act of 1934, as amended;

- "FDA" are to the United States Food and Drug Administration;
- "IRS" are to the United States Internal Revenue Service;
- "NASDAQ" are to the NASDAQ Global Market;
- "IIA" are to The Israel Innovation Authority, formerly known as the Office of the Chief Scientist of the Ministry of Economy ("OCS");
- "Ordinary Shares", "our shares" and similar expressions refer to our ordinary shares, par value NIS 0.01 per share;
- "SEC" are to the United States Securities and Exchange Commission;
- "Securities Act" are to the United States Securities Act of 1933, as amended;
- "Shekels" and "NIS" are to New Israel Shekels, the Israeli currency;
- "Subsidiaries" are to the U.S. Subsidiary and to Mazor Robotics Pte Ltd., a Singapore company, and a wholly owned subsidiary of Mazor;
- "TASE" are to the Tel Aviv Stock Exchange; and
- "U.S. Subsidiary" are to Mazor Robotics, Inc., a Delaware corporation, and a wholly owned subsidiary of Mazor.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected consolidated financial data for the fiscal years set forth in the table below have been derived from our consolidated financial statements and notes thereto. The selected consolidated statement of income data data for fiscal years 2016, 2015 and 2014, and the selected consolidated statement of financial position data as of December 31, 2016 and 2015, have been derived from our audited consolidated financial statements and notes thereto set forth elsewhere in this Form 20-F. The selected consolidated statement of profit or loss data for fiscal years 2013 and 2012, and the selected consolidated statement of financial position data as of December 31, 2014, 2013, and 2012, respectively, has been derived from other audited consolidated financial statements not included herein. The selected financial data should be read in conjunction with our consolidated financial statements, and are qualified entirely by reference to such consolidated financial statements. Additionally, and as explained in Note 2B to the December 31, 2016 consolidated financial statements, our functional currency is U.S. dollars.

(in thousands except net loss per share data)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Statement of Income Data					
Revenues	$ 36,379	$ 26,096	$ 21,208	$ 19,983	$ 12,175
Cost of sales	$ 10,330	$ 5,827	$ 4,396	$ 4,280	$ 2,893
Gross profit	$ 26,049	$ 20,269	$ 16,812	$ 15,703	$ 9,282
Operating costs and expenses:					
Research and development expenses, net [1]	$ 5,736	$ 6,324	$ 5,776	$ 4,174	$ 2,760
Selling and marketing expenses	$ 33,637	$ 24,947	$ 21,352	$ 15,692	$ 8,887
General and administrative expenses	$ 5,697	$ 4,305	$ 4,392	$ 2,766	$ 1,845
Total operating costs and expenses	$ 45,070	$ 35,576	$ 31,520	$ 22,632	$ 13,492
Operating loss	$ (19,021)	$ (15,307)	$ (14,708)	$ (6,929)	$ (4,210)
Net loss	$ (18,668)	$ (15,385)	$ (15,272)	$ (20,529)	$ (7,064)
Loss per share – Basic and diluted	$ (0.42)	$ (0.36)	$ (0.37)	$ (0.57)	$ (0.29)
Weighted average number of ordinary shares used to calculate basic and diluted loss per share	44,881	42,284	41,808	35,781	24,011

(1) Net of development costs capitalized to intangible assets, in the amount of $2,332 thousand for 2016.

(in thousands)	As of December 31,				
	2016	2015	2014	2013	2012
Statement of Financial Position Data:					
Cash and cash equivalents	$ 14,954	$ 13,519	$ 22,255	$ 19,803	$ 12,797
Short-term investments	$ 37,862	$ 21,687	$ 24,507	$ 45,014	$ 4,156
Long-term investments	$ 9,017	$ 5,023	$ 5,473	$ —	$ —
Total assets	$ 82,725	$ 50,970	$ 60,686	$ 70,889	$ 21,334
Total non-current liabilities	$ 325	$ 299	$ 278	$ 332	$ 4,490
Accumulated loss	$ (121,860)	$ (103,192)	$ (87,807)	$ (72,535)	$ (52,006)
Total equity	$ 64,889	$ 42,400	$ 54,267	$ 64,093	$ 12,820

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Related to Our Business

We are an emerging growth company, and we have incurred significant losses since our inception.

We are an emerging growth company. The future success of our business depends on our ability to continue to develop and obtain regulatory clearances or approvals for innovative and commercially successful products in our field, which we may be unable to do in a timely manner, or at all. Our success and ability to generate revenue or be profitable also depends on our ability to establish our sales and marketing force, generate product sales and control costs, all of which we may be unable to do. Our limited operating history also limits your ability to make a comparative evaluation of us, our products and our prospects.

We have sustained net losses in every fiscal year since our inception in 2000, including a net loss of $18.7 million for the year ended December 31, 2016. As of December 31, 2016, we had total shareholders' equity of $64.9 million and cash and cash equivalents, short term investments and long term investments of approximately $61.8 million. Our accumulated deficit as of December 31, 2016 was $121.9 million. We anticipate that we will continue to incur substantial net losses for at least the next 12 months as we expand our sales and marketing capabilities in the spine and neurosurgery products market, continue our commercialization of Mazor X system and the Renaissance, expand its adoption and clinical implementation, and continue to develop the corporate infrastructure required to sell and market our products and invest in product development. Our losses have had and will continue to have an adverse effect on our shareholders' equity and working capital. Any failure to achieve and maintain profitability would continue to have an adverse effect on our shareholders' equity and working capital and could result in a decline in our share price or cause us to cease operations.

We cannot assure investors that our existing cash and investment balances will be sufficient to meet our future capital requirements.

We believe our existing cash, cash equivalents, investment balances, and interest income we earn on these balances, if any, will be sufficient to meet our anticipated cash requirements through at least the next 12 months. To the extent our available cash, cash equivalents and investment balances are insufficient to satisfy our operating requirements or other strategic needs, we will either need to seek additional sources of funds, including selling additional equity or debt securities or entering into a credit facility. However, we may be unable to obtain additional financing. As a result, we may be required to reduce the scope of, or delay or eliminate, some or all of our current and planned research, development and commercialization activities. We also may have to reduce marketing, customer service or other resources devoted to our products. Any of these actions could materially harm our business and results of operations. Even if we are able to continue to finance our business, the sale of additional equity and debt securities may result in dilution to our current shareholders or may require us to grant a security interest in our assets. If we raise additional funds through the issuance of debt securities, these securities may have rights senior to those of our Ordinary Shares and could contain covenants that could restrict our operations. We may require additional capital beyond our currently forecasted amounts. Any such required additional capital may not be available on reasonable terms, or at all.

In May 2016 we entered into a strategic, two-phase Exclusive Lead Sharing and Distribution Agreement and a Purchase Agreement with Medtronic plc and certain of its affiliates (Medtronic plc together with its affiliates referred to herein as "Medtronic"). If certain milestones defined in the agreements are achieved and the parties elect to proceed, the agreements will enter a second phase. If these milestones are not achieved or if the parties choose not to proceed to the second phase, this could have substantial impact on our business.

The Exclusive Lead Sharing and Distribution Agreement with Medtronic provides for commercial cooperation in promotion of the Mazor X System and co-development activities in the spine field, and the Purchase Agreement provides for a three-tranche equity investment in Mazor (of which the first two tranches were completed during 2016). We believe that the agreements with Medtronic created a lot of visibility for our company and product offerings, as well as helping to validate the vision of guided spine surgery. Through the size of the Medtronic sales force, scope of training programs, marketing campaigns and other activities, Mazor has a strengthened channel to the spine market. Should Medtronic and Mazor not advance their relationship to the second phase of the commercial agreement, it could have a substantial negative impact on our business.

We face competition from large, well-established medical device companies that are likely to launch new navigation and/or robotic–based products, as well as new techniques and devices for minimally invasive approaches in spine surgeries.

Large, well-established medical device companies, such as Zimmer Biomet Holdings Inc., Globus Medical Inc. and Brainlab AG, have robotics products for spine surgeries in different phases of development and/or commercialization. In July 2016, Zimmer Biomet acquired the majority of the outstanding share capital of MedTech SA, developer of the FDA-cleared and CE marked ROSA™ robot. Globus published that it received CE clearance and expects to receive FDA clearance for its surgical robotic positioning platform for spine, brain and trauma markets in the first half of 2017. Brainlab has presented a prototype of an electro-mechanical surgical support arm in some of the major spine conferences in 2016. There have been some scientific reports on performance in cervical spine surgeries by TINAVI Medical Technologies Co., Ltd., a Beijing, China-based medical device company, which offers surgical robotic systems to assist orthopedic surgeons in open and minimally invasive surgeries. The Switzerland-based medical device company, KB Medical, has announced its first clinical case with its AQrate robot. Additionally, there are companies with robotic products that have expressed interest or experimented in spine surgery guidance, such as Stryker Corporation with the Mako system, and Intuitive Surgical Inc. with its da Vinci system. There are also navigation systems that have been marketed over the past two decades in the spine market, though these have gained relatively low market share. These technologies have shown clinical value and could be further developed and marketed with greater success. These companies and many others are actively innovating in the field and some offer their robotic, or navigation systems with intra-operative 3-dimensional imaging systems that are often valuable to hospitals and physicians beyond spine surgeries but also in fields such as trauma, ear, nose and throat, and brain surgeries. Thus, unlike previously, when Mazor Robotics had the only marketable product in the field of spinal guided surgery, there are currently several other players in direct competition, with others competing in a less direct way. Thus, a surgeon interested in computer assisted spine surgery currently has a choice between at least 3 different products with regulatory clearances for spine surgery and several additional guidance systems in advanced development, as well as the "older" navigation systems. We cannot assure that a surgeon will prefer our product over the current and evolving competition.

Many of Mazor's competitors enjoy competitive advantages, including:

- significantly greater name recognition;
- longer operating histories;
- established exclusive relationships with healthcare professionals, customers and third-party payors;
- established distribution networks;
- a more compelling technology with greater clinical value;
- competitive pricing;
- additional lines of products and the ability to offer rebates or bundle products to offer higher discounts or incentives to gain a competitive advantage;
- greater experience in conducting research and development, manufacturing, clinical trials, obtaining regulatory clearance for products and marketing approved products; and
- greater financial and human resources for product development, sales and marketing and patent litigation.

There can be no assurance that we will be able to compete successfully against current or future competitors or that competition will not have a material adverse effect on our future revenues and, consequently, on our business, operating results and financial condition.

We depend on the success of two main products for our revenue, which could impair our ability to achieve profitability.

We expect to derive most of our future revenues from sales of the Mazor X system and Renaissance, or our Surgical Guidance Systems, recurring sales of disposable products required to use the Surgical Guidance Systems in each surgical procedure, and service plans that are sold with our Surgical Guidance Systems. Our future growth and success is dependent on successfully increasing the commercialization of our Surgical Guidance Systems and the adoption of our Surgical Guidance Systems by the end users. If we are unable to achieve increased commercial adoption of our Surgical Guidance Systems, are unable to obtain regulatory clearances or approvals for future products, or experience a decrease in the utilization of our product line or procedure volume, our revenue would be adversely affected and we would not become profitable. If adverse economic, industry or regulatory events or changes occur, we may have to write off inventory as obsolete, which could negatively impact our business and revenue.

If surgeons and hospitals do not broadly adopt the concept of computer assisted spine surgeries and do not perceive such technology and related products as valuable and having significant advantages over the current "freehand" standard-of-care procedures, patients will be less likely to accept or be offered surgery with our Surgical Guidance Systems, and we will fail to meet our business objectives.

Surgeons' and hospitals' perceptions of our technology having significant advantages are likely to be based on a determination that, among other factors, our products are safe, reliable, cost-effective and represent acceptable methods of treatment. Even if we can prove the clinical value of our Surgical Guidance Systems through continued clinical use and clinical studies, surgeons may elect not to use our current and future surgical solutions for any number of other reasons. For example, surgeons may continue to operate freehand simply because such surgeries are already widely accepted. In addition, surgeons may be slow to adopt our current and future surgical solutions because of the perceived liability risks arising from the use of new products. Surgeons may not accept our current and future surgical solutions if we fail to maintain an acceptable level of product reliability or if we encounter regulatory approval or compliance issues. Hospitals may not accept our Surgical Guidance Systems because of the capital expense, which may represent a significant portion of a hospital's capital budget. Our Surgical Guidance Systems may not be cost-efficient if hospitals are not able to perform a significant volume of procedures using them.

If our current and future surgical solutions fail to achieve increased market acceptance for any of these or other reasons or if we are not successful in enforcing the contractual commitment to purchase disposable products exclusively from us, we will not be able to generate the revenue necessary to develop a sustainable business.

We depend on key employees, and if we fail to attract and retain employees with the expertise required for our business and to provide for the succession of senior management, we cannot grow or achieve profitability.

We are dependent on members of our senior management, in particular Ori Hadomi and Eliyahu Zehavi. Our future success will depend in part on our ability to retain our management and scientific teams, to identify, hire and retain additional qualified personnel with expertise in research and development and sales and marketing, and to effectively provide for the succession of senior management. Competition for qualified personnel in the medical device industry is intense and finding and retaining qualified personnel with experience in our industry is very difficult. We believe that there are only a limited number of individuals with the requisite skills to serve in many of our key positions, particularly in Israel, and we compete for key personnel with other medical equipment and software manufacturers and technology companies, as well as research institutions. It is often difficult to hire and retain these persons, and we may be unable to replace key persons if they leave or to fill new positions requiring key persons with appropriate experience. A significant portion of our compensation to our key employees is in the form of stock option grants. A prolonged depression in our stock price could make it difficult for us to retain our employees and recruit additional qualified personnel.

We do not maintain life insurance on any of our personnel. The loss of key employees, the failure of any key employee to perform or our inability to attract and retain skilled employees, as needed, or an inability to effectively plan for and implement a succession plan for key employees could harm our business.

Adverse changes in economic conditions and reduced spending on innovative medical technology may adversely impact our business.

The purchase of our Surgical Guidance Systems is discretionary and requires our customers to make significant initial commitments of capital and other resources. In addition, purchase of our Surgical Guidance Systems requires a commitment to purchase exclusively from us other products and services, including our single-use disposable components. Continuing weak economic conditions or reduction in healthcare technology spending, even if economic conditions improve, could adversely impact our business, operating results and financial condition in a number of ways, including by causing longer sales cycles, lower prices for our products and services and reduced unit sales.

Fluctuations in credit and financial market conditions could delay or prevent our customers from obtaining financing to purchase or lease our Surgical Guidance Systems, which would adversely affect our business, financial condition and results of operations.

Due to the fluctuations in credit markets and currency exchange rates, our customers and overseas distributors may be delayed in obtaining, or may not be able to obtain, necessary financing for their purchases or leases of our Surgical Guidance Systems. Shifts in the world economy that have systemic or local impact might in some instances lead to our customers or overseas distributors postponing ordering of our Surgical Guidance Systems or the shipment and installation of previously ordered systems, cancelling their system orders, or cancelling their agreements with us. An increase in delays and order cancellations of this nature could adversely affect our product sales and revenues and, therefore, harm our business and results of operations.

Long lead times required by certain suppliers could prevent us from meeting the demand for our products, if we don't accurately forecast such demand, which could adversely affect our operating results.

Market uncertainty makes it difficult for us, our customers, our overseas distributors and our suppliers to accurately forecast future product demand trends, which could cause us to order and/or produce excess products that can increase our inventory costs and result in obsolete inventory. Alternatively, this forecasting difficulty could cause a shortage of products, or materials used in our products, that could result in an inability to satisfy demand within a timeframe acceptable by our customers for our products and a resulting material loss of potential revenue.

In addition, some of our suppliers may require extensive advance notice of our requirements in order to produce products in the quantities we desire. This long lead time, which can be up to six months, may require us to place orders far in advance of the time when certain products will be offered for sale, thereby also making it difficult for us to accurately forecast demand for our products, exposing us to risks relating to shifts in consumer demand and trends and adversely affecting our operating results.

Because of the numerous risks and uncertainties associated with the development of medical devices, including future products, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to complete the development of our products and successfully deliver commercial products to the market.

Our future capital requirements will depend on many factors, including but not limited to the following:

- the revenue generated by sales of our current and future products;
- our ability to manage our inventory;
- the expenses we incur in selling and marketing our products and supporting our growth;
- the costs and timing of regulatory clearance or approvals for new products or upgrades or changes to our current products;
- the rate of progress, cost, and success or failure of on-going development activities;
- the emergence of competing or complementary technological developments;
- the costs of filing, prosecuting, defending and enforcing any patent or license claims and other intellectual property rights, or participating in litigation related activities;
- the terms and timing of any collaborative, licensing, or other arrangements that we may establish;
- the acquisition of businesses, products and technologies; and
- general economic conditions and interest rates, including the continuing weak conditions.

Our reliance on third-party suppliers, including single source suppliers, for most of the components of surgical guidance systems could harm our ability to meet demand for our products in a timely and cost effective manner.

We rely on third-party suppliers to manufacture and supply almost all of the components used in our Surgical Guidance Systems, including a number of single source suppliers to provide us with several of the major components of our Surgical Guidance Systems. We currently do not have long-term contracts with most of our suppliers. As a result, some of our suppliers are not required to provide us with any guaranteed minimum production levels, and we cannot guarantee that we will be able to obtain sufficient quantities of key components in the future. In addition, our reliance on third-party suppliers involves a number of risks, including, among other things:

- our suppliers may encounter financial hardships as a result of unfavorable economic and market conditions unrelated to our demand for components, which could inhibit their ability to fulfill our orders and meet our requirements;
- suppliers may fail to comply with regulatory requirements, be subject to lengthy compliance, validation or qualification periods, or make errors in manufacturing components that could negatively affect the efficacy or safety of our products or cause delays in supplying of our products to our customers;
- newly identified suppliers may not qualify under the stringent regulatory standards to which our business is subject;
- we or our suppliers may not be able to respond to unanticipated changes in customer orders, and if orders do not match forecasts, we or our suppliers may have excess or inadequate inventory of materials and components;
- we may be subject to price fluctuations due to a lack of long-term supply arrangements for key components;
- we may experience delays in delivery by our suppliers due to changes in demand from us or their other customers;
- we or our suppliers may lose access to critical services and components, resulting in an interruption in the manufacture, assembly and shipment of our systems;
- our suppliers may be subject to allegations by other parties of misappropriation of proprietary information in connection with their supply of products to us, which could inhibit their ability to fulfill our orders and meet our requirements;
- fluctuations in demand for products that our suppliers manufacture for others may affect their ability or willingness to deliver components to us in a timely manner;
- our suppliers may wish to discontinue supplying components or services to us (e.g., for risk management reasons); and
- we may not be able to find new or alternative components or reconfigure our system and manufacturing processes in a timely manner if the necessary components become unavailable.

If any of these risks materialize, costs could significantly increase and our ability to meet demand for our products could be impacted. If we are unable to satisfy commercial demand for our Surgical Guidance Systems or for our single-use disposable components in a timely manner, our ability to generate revenue would be impaired, market acceptance of our products could be adversely affected, and customers may instead purchase or use alternative products. In addition, we could be forced to secure new or alternative components through a replacement supplier. Securing a replacement supplier could be difficult, especially for complex components such as our Surgical Guidance Systems' components that are manufactured in accordance with our custom specifications. The introduction of new or alternative components may require design changes to our system that may be subject to FDA and other regulatory clearances or approvals. We may also be required to assess the new manufacturer's compliance with all applicable regulations and guidelines, which could further impede our ability to manufacture our products in a timely manner. As a result, we could incur increased production costs, experience delays in deliveries of our products, suffer damage to our reputation and experience an adverse effect on our business and financial results.

The overall size and risk of turnover in our capital and clinical sales teams might impair our ability to generate revenues.

To reach our revenue targets, we need to expand and strengthen our U.S. direct sales force and our foreign sales channels. Developing a sales and marketing infrastructure is expensive and time consuming and an inability to develop such an organization in a timely manner could delay the successful adoption of our products. Additionally, any sales and marketing organization that we develop may be competing against the experienced and well-funded sales and marketing infrastructure of some of our competitors. We will face significant challenges and risks in developing our sales and marketing organization, including, among others:

- our ability to recruit, train and retain adequate numbers of qualified sales and marketing personnel;
- the ability of sales personnel to obtain access to surgeons and persuade adequate numbers of hospitals to purchase our products;
- the uncertainty involved with the future of the relationship with Medtronic, the profile and structure of our team might change and for a period of transition;
- costs associated with hiring, maintaining and expanding a sales and marketing organization; and
- government scrutiny with respect to promotional activities in the healthcare industry both domestically and abroad.

We believe that to sell and market our products effectively, we must establish a compelling clinical and commercial offering with our products. However, potential customers (e.g., surgeons and hospitals) sometimes have long-standing relationships with large, better known companies that dominate the medical devices industry through collaborative research programs and other relationships. Because of these existing relationships, some of which may be contractually enforced, surgeons and hospitals may be reluctant to adopt our technology, particularly if it competes with or has the potential to compete with or diminish the need/utilization of products supported through their own collaborative research program or by these existing relationships. Even if these surgeons and hospitals purchase our Surgical Guidance Systems, they may be unwilling to enter into collaborative relationships with us to promote joint marketing programs or to provide us with clinical and financial data.

Medical device development is costly and involves continual technological change, which may render our current or future products obsolete.

Innovation is rapid and continuous in the medical device industry, and our competitors in the medical device industry make significant investments in research and development. If new products or technologies emerge that provide the same or superior benefits as our products at equal or lower cost, they could render our products obsolete or unmarketable. Because our products can have long development and regulatory clearance or approval cycles, we must anticipate changes in the marketplace and the direction of technological innovation and customer demands. In addition, we face increasing competition from well-financed medical device companies in our attempts to acquire such new technologies, products and businesses. As a result, we cannot be certain that our products will be competitive with current or future products and technologies.

Our success depends, in part, on our ability to enter the brain-surgery market, and this market has significant barriers to entry.

Computer-assisted surgeries are the accepted standard-of-care in brain procedures, and stereotactic frames and frameless navigation devices have dominated this market for almost two decades. There are currently two other dominant robotic devices for brain surgeries, which are Medtech's ROSA™ robot and Renishaw's Neuromate©. These products compete directly with our Surgical Guidance Systems. As a result, we cannot be certain that surgeons will use our products or that our products will be competitive with current or future products and technologies. If we are unable to penetrate the brain-surgery market, we may not be able to generate the revenue necessary to develop a sustainable business.

We may encounter problems or delays in the assembly of our products or fail to meet certain regulatory requirements.

The current and intended future versions of our surgical guidance systems are complex and require the integration of a number of separate components and processes. To become profitable, we must assemble and test our Surgical Guidance Systems in commercial quantities in compliance with regulatory requirements and at an acceptable cost. Increasing our capacity to assemble and test our products on a commercial scale will require us to improve internal efficiencies. We may encounter a number of difficulties in increasing our assembly and testing capacity, including:

- managing production yields;
- maintaining quality control and assurance;
- providing component and service availability;
- managing subcontractors;
- hiring and retaining qualified personnel; and
- complying with state, federal and foreign regulations.

If we are unable to satisfy commercial demand for our Surgical Guidance Systems due to our inability to assemble and test the system in compliance with applicable regulations, our business and financial results, including our ability to generate revenue, would be impaired, market acceptance of our products could be materially adversely affected and customers may instead purchase or use competing products.

Any failure in our efforts to train surgeons or hospital staff adequately could result in lower than expected product sales and potential liabilities.

A critical component of our sales and marketing efforts is the training of surgeons and operating room staff to properly use our Surgical Guidance Systems. We rely on surgeons and hospital staff to devote adequate time to learn to use our products. Convincing surgeons and hospital staff to dedicate the time and energy necessary for adequate training in the use of our system is challenging, and we cannot assure that we will be successful in these efforts. If surgeons or hospital staffs are not properly trained, they may misuse or ineffectively use our products. If nurses or other members of the hospital staff are not adequately trained to assist in using our Surgical Guidance System, surgeons may be unable to use our products. Insufficient training may result in reduced system use, unsatisfactory patient outcomes, patient injury and related liability or negative publicity, which could have an adverse effect on our product sales or create substantial potential liabilities.

We will likely continue to experience extended and variable sales cycles, which could cause significant variability in our results of operations for any given quarter.

Our Surgical Guidance Systems have lengthy sales cycles because they are a major piece of capital equipment, the purchase of which will generally require the approval of senior management at hospitals, inclusion in the hospitals' budget process for capital expenditures and, in some instances, a certificate of need from the state or other regulatory clearance. As a result, a relatively small number of units are currently installed each quarter. We estimate that the sales cycle of our Surgical Guidance Systems will continue to take an average of nine months from the point of initial identification and contact with a qualified surgeon until closing of the purchase with the hospital. In addition, the introduction of new Mazor products and competitive products could adversely impact our sales cycle as customers take additional time to assess them. Because of the lengthy sales cycle, the unit price of our Surgical Guidance Systems and the relatively small number of systems installed each quarter, each installation of our Surgical Guidance Systems can represent a significant component of our revenue for a particular quarter, particularly in the near term and during any other periods in which our sales volume is relatively low.

Certain factors that may contribute to variability in our operating results may include:

- delays in shipments due, for example, to natural disasters or labor disturbances;
- delays or unexpected difficulties in the manufacturing processes of our suppliers or in our assembly process;
- timing of the announcement, introduction and delivery of new products or product upgrades by us and by our competitors;
- timing and level of expenditures associated with expansion of sales and marketing activities and our overall operations;
- changes in third-party coverage and reimbursement, changes in government regulation, or a change in a customer's financial condition or ability to obtain financing; and
- hospitals' tendency to group purchases at the beginning of their budgetary cycle, which is different among hospitals.

These factors are difficult to forecast and may contribute to substantial fluctuations in our quarterly revenue and substantial variation from our projections, particularly during the periods in which our sales volume is low. Moreover, many of our expenses, such as office leases and most personnel costs, are relatively fixed. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall. Accordingly, any shortfall in revenue may cause significant variation in operating results in any quarter. Based on the above factors, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. These and other potential fluctuations also mean that you will not be able to rely upon our operating results in any particular period as an indication of future performance.

We may fail to respond to cost containment efforts by our customers, which could have an adverse impact on our sales, financial condition and results of operations.

Some of our customers and potential customers have joined group purchasing organizations in an effort to contain costs; these group purchasing organizations negotiate pricing arrangements with medical supply manufacturers and distributors and make these negotiated prices available to the group purchasing organization's affiliated hospitals and other members. If we fail to respond to the cost containment efforts of our customers and potential customers, we may lose sales or face downward pricing pressure, which could result in an adverse impact on our financial condition and results of operations.

If we receive a significant number of warranty claims or our Surgical Guidance Systems and specifically the Mazor X, a newly launched system, require significant amounts of service after sale, our costs will increase and our business and financial results will be adversely affected.

Sales of the our Surgical Guidance Systems generally include a warranty and maintenance obligation on our part for services for a period of twelve months from the date a system is installed at a customer's facility. We also provide technical and other services to customers beyond the warranty period pursuant to a supplemental service plan sold with each system. If product returns or warranty claims are significant or exceed our expectations, we could incur unanticipated reductions in sales or additional expenditures for parts and service. In addition, our reputation could be damaged and our products may not achieve market acceptance.

Software defects may be discovered in our products.

Our Surgical Guidance Systems incorporate sophisticated computer software. Complex software frequently contains errors, especially when first introduced. Because our products are designed to be used to perform complex surgical procedures, we expect that physicians and hospitals will have an increased sensitivity to the potential for software defects. We cannot assure you that our software will not experience errors or performance problems in the future. If we experience software errors or performance problems, we would likely also experience:

- loss of revenue;
- delay in market acceptance of our products;
- damage to our reputation;
- additional regulatory filings;
- product recalls;
- increased service or warranty costs; and
- product liability claims relating to the software defects.

We may be subject to product liability claims, product actions, including product recalls, and other field or regulatory actions that could be expensive, divert management's attention and harm our business.

Our business exposes us to potential liability risks, product actions and other field or regulatory actions that are inherent in the manufacturing, marketing and sale of medical device products, particularly those used in surgery. We may be held liable if our products cause injury or death or are found otherwise unsuitable or defective during usage. Our Surgical Guidance Systems incorporates mechanical and electrical parts, complex computer software and other sophisticated components, any of which can contain errors or failures. Complex computer software is particularly vulnerable to errors and failures, especially when first introduced. In addition, new products or enhancements to our existing products may contain undetected errors or performance problems that, despite testing, are discovered only after installation.

If any of our products are defective, whether due to design or manufacturing defects, improper use of the product or other reasons, we may voluntarily or involuntarily undertake an action to remove, repair, or replace the product at our expense. In some circumstances we will be required to notify regulatory authorities of an action pursuant to a product failure. We are also required to submit a Medical Device Report, or MDR, to the FDA for any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury.

A required notification to a regulatory authority or a failure to make a timely required notification could result in an investigation by regulatory authorities of our products, which could in turn result in field corrective actions, restrictions on the sale of the products, and civil or criminal penalties. In addition, because our products are designed to perform complex surgical procedures, defects could result in a number of complications, some of which could be serious and could cause significant harm to the patient or even cause death. The adverse publicity resulting from any of these events could cause surgeons or hospitals to review and potentially terminate their relationships with us.

The medical device industry has historically been subject to extensive litigation over product liability claims. We anticipate that as part of our ordinary course of business we will be subject to product liability claims alleging defects in the design, manufacture or labeling of our products. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs and high punitive damage payments. Although we maintain product liability insurance, the coverage is subject to deductibles and limitations, and may not be adequate to cover future claims. Additionally, we may be unable to maintain our existing product liability insurance in the future at satisfactory rates or adequate amounts.

If coverage or reimbursement from third-party payors for procedures in which our Surgical Guidance Systems are used, namely spinal fusions, is decreased or limited, hospitals may not purchase Surgical Guidance Systems and surgeons may perform fewer spinal fusions, which would harm our business and financial results.

Our ability to successfully commercialize our Surgical Guidance Systems depends significantly on the availability of coverage and reimbursement for thoracic-lumbar spinal fusion procedures from third-party payors, including governmental programs such as Medicare and Medicaid, as well as private insurance and private health plans. Reimbursement is a significant factor considered by hospitals in determining whether to acquire new capital equipment such as our technology. Although our customers have been successful in obtaining coverage and reimbursement for procedures using our products, we cannot be assured that procedures using our technology will be covered or reimbursed by third-party payors in the future or that such reimbursements will not be reduced to the extent that they will adversely affect capital allocations for purchase of our Surgical Guidance Systems.

As part of healthcare reform and other cost containment initiatives, the U.S. Congress, or the Congress, may pass legislation impacting coverage and reimbursement for healthcare services, including Medicare reimbursement to physicians and hospitals. Many private third-party payors look to Medicare's coverage and reimbursement policies in setting their coverage policies and reimbursement amounts. If the Centers for Medicare & Medicaid Services, or CMS, the federal agency that administers the Medicare program, or Medicare contractors limit payments to hospitals or surgeons for thoracic-lumbar spinal fusion surgeries, private payors may similarly limit payments. In addition, state legislatures may enact laws limiting or otherwise affecting the level of Medicaid reimbursements. As a result, hospitals may not purchase our Surgical Guidance Systems and surgeons may choose to decrease their volume of thoracic-lumbar spinal fusions, and, as a result, our business and financial results would be adversely affected.

Because hospitals receive a fixed reimbursement amount from Medicare for specified procedures or conditions, a hospital must absorb the cost of our products as part of the reimbursement payment it receives, which makes the hospital's purchasing decisions more risky, particularly those related to expensive capital equipment.

Medicare pays acute care hospitals a prospectively determined amount for inpatient operating costs under the Medicare hospital inpatient prospective payment system, or PPS. Under the Medicare PPS, the prospective payment for a patient's stay in an acute care hospital is determined by the patient's condition and other patient data and procedures performed during the inpatient stay using a classification system known as diagnosis related groups, or DRGs. CMS implemented a revised version of the DRG system that uses Medicare Severity DRGs, or MS-DRGs, instead of the DRGs which Medicare used previously. The MS-DRGs are intended to more accurately account for the patient's severity of illness when assigning each patient's stay to a payment classification. Medicare pays a fixed amount to the hospital based on the MS-DRG into which the patient's stay is assigned, regardless of the actual cost to the hospital of furnishing the procedures, items and services provided. Accordingly, acute care hospitals generally do not receive direct Medicare reimbursement under the PPS for the specific costs incurred in purchasing medical devices, except under limited circumstances. Rather, reimbursement for these costs is deemed to be included within the MS-DRG based payments made to hospitals for the services furnished to Medicare eligible inpatients in which the devices are utilized. Accordingly, a hospital must absorb the cost of our products as part of the payment it receives for the procedure in which the device is used. In addition, physicians that perform procedures in hospitals are paid a set amount by Medicare for performing such services under the Medicare Physician Fee Schedule. Medicare payment rates for both systems are established annually.

At this time, we do not know the extent to which hospitals and physicians would consider third-party reimbursement levels adequate to cover the cost of our products. Failure by hospitals and surgeons to receive an amount that they consider to be adequate reimbursement for procedures in which our products are used could deter them from purchasing or using our products and limit our sales growth. In addition, pre-determined MS-DRG payments or Medicare Physician Fee Schedule payments may decline over time, which could deter hospitals from purchasing our products or physicians from using them. If hospitals are unable to justify the costs of our products or physicians are not adequately compensated for procedures in which our products are utilized, they may refuse to purchase or use them, which would significantly harm our business.

Notwithstanding current or future FDA clearances, if granted, third-party payors may deny coverage and reimbursement if the payor determines that a therapeutic medical device is unnecessary, inappropriate, not cost-effective or experimental, or is used for a non-approved indication. Although we are not aware of any potential customer that has declined to purchase our Surgical Guidance Systems based upon third-party payors' coverage and reimbursement policies, cost control measures adopted by third-party payors may have a significant effect on surgeries performed using our Surgical Guidance Systems or as to the levels of reimbursement.

Broad-based domestic and international government initiatives to reduce spending, particularly those related to healthcare costs, may reduce reimbursement rates for spinal surgery procedures, which will reduce the cost-effectiveness of our products.

Healthcare reforms, changes in healthcare policies and changes to third-party coverage and reimbursement, including recently enacted legislation reforming the U.S. healthcare system, may affect demand for our products and may have a material adverse effect on our financial condition and results of operations. There can be no assurance that current levels of reimbursement will not be decreased in the future, or that future legislation, regulation, or reimbursement policies of third-party payors will not adversely affect the demand for our products or our ability to sell products on a profitable basis.

The Patient Protection and Affordable Care Act, or PPACA, adopted in the United States in March 2010 and related regulations include new taxes impacting certain health-related industries, including medical device manufacturers. The legislation imposes significant new taxes on medical device makers in the form of a 2.3% excise tax on all U.S. medical device sales beginning in 2013. This excise tax applies to our medical devices. The Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, includes a two-year suspension on the medical device excise tax. Thus, the medical device excise tax does not apply to the sale of a taxable medical device by the manufacturer, producer, or importer of the device during the period beginning on January 1, 2016, and ending on December 31, 2017. However, there is no guarantee that the excise tax will continue to be suspended by congressional action after this two-year period ends, and absent further congressional action, the excise tax will be reinstated for medical device sales beginning January 1, 2018.

Other significant measures contained in PPACA include initiatives to revise Medicare payment methodologies, initiatives to promote quality indicators in payment methodologies, initiatives related to the coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, and annual reporting requirements related to payments to physicians and teaching hospitals.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. On August 2, 2011, the President of the United States, or the President, signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2% per fiscal year. On January 2, 2013, the President signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which delayed for another two months the budget cuts mandated by these sequestration provisions of the Budget Control Act of 2011. On March 1, 2013, the President signed an executive order implementing sequestration, and on April 1, 2013, the 2% Medicare payment reductions went into effect. The ATRA also, among other things, reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressure.

We cannot predict whether future healthcare initiatives will be implemented at the federal or state level or internationally, or the effect any future legislation or regulation will have on us. The taxes imposed by PPACA and the expansion of government’s role in the U.S. healthcare industry may result in additional losses to us, lower reimbursements by third-party payors for surgeries in which our products are used, and reduced medical procedure volumes, all of which may adversely affect our business, financial condition and results of operations, possibly materially.

Changing models for the provision of healthcare may affect the cost-effectiveness of our Surgical Guidance Systems.

All third-party payors, whether governmental or private, whether within the United States or abroad, are developing increasingly sophisticated methods of controlling healthcare costs. These cost control methods include PPSs, capitated rates, benefit redesigns, pre-authorization or second opinion requirements prior to major surgery, an emphasis on wellness and healthier lifestyle interventions and an exploration of other cost-effective methods of delivering healthcare. These cost control methods also potentially limit the amount which healthcare providers may be willing to pay for medical technology which could, as a result, adversely affect our business and financial results. In addition, no uniform policy of coverage and reimbursement for medical technology exists among all these payors. Therefore, coverage and reimbursement for medical technology can differ significantly from payor to payor, and country to country.

We may attempt to acquire new products or technologies, and if we are unable to successfully complete these acquisitions or to integrate acquired businesses, products, technologies or employees, we may fail to realize expected growth.

Our success will depend, in part, on our ability to expand our product offerings and continue to offer the advanced computer assisted solutions for spine and brain surgery and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses, products or technologies rather than through internal development. Successful acquisitions present a number of hurdles and risk, including:

- the identification of suitable acquisition candidates can be difficult, time consuming and costly;
- integrating any acquisitions that we make into our operations is difficult, time consuming, and expensive, and may involve new regulatory requirements; and
- future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities or expenses, or other charges such as amortization of intangible assets, any of which could harm our business and materially adversely affect our financial results or cause a reduction in the price of our Ordinary Shares.

If we do not effectively manage our growth, we may be unable to successfully develop, market and sell our products.

In order to achieve our business objectives, we must continue to grow. Continued growth presents numerous challenges, including:

- implementing appropriate operational and financial systems and controls;
- expanding manufacturing and assembly capacity and increasing production;
- developing our sales and marketing infrastructure and capabilities;
- identifying, attracting and retaining qualified personnel in our areas of activity;
- hiring, training, managing and supervising our personnel; and
- continuous compliance with regulatory and quality assurance requirements.

We cannot be certain that our systems, controls, infrastructure and personnel will be adequate to support our future operations. Any failure to effectively manage our growth could impede our ability to successfully develop, market and sell our products and our business will be harmed.

If we are successful in our efforts to market and sell our Surgical Guidance Systems outside of the United States, we will be subject to various risks relating to our international activities, which could adversely affect our business and financial results.

We are continuing to pursue international markets for the sale of our products and, as of December 31, 2016, there were 50 SpineAssist and Renaissance systems installed in Europe, Asia and Australia. As a result of these efforts and sales, we are exposed to risks separate and distinct from those we face in our U.S. operations. Our international business may be adversely affected by changing economic conditions in foreign countries. In addition, because international sales may be denominated in the functional currency of the country where the product is being shipped, increases or decreases in the value of the U.S. dollar relative to foreign currencies could affect our results of operations. Engaging in international business inherently involves a number of other difficulties and risks, including:

- approval of product submissions with healthcare systems outside the United States;
- gathering the clinical data that may be required for product submissions with healthcare systems outside the United States;
- import restrictions and controls and other government regulation relating to technology;
- pricing pressures that we may experience internationally;
- the availability and level of reimbursement within prevailing foreign healthcare payment systems;
- compliance with existing and changing applicable foreign regulatory laws and requirements, including but not limited to the European Medical Device Directive (Council Directive 93/42/EEC), the U.S. Foreign Corrupt Practices Act of 1977, or FCPA, Section 291A of the Israel Penal Code (prohibiting bribery of foreign government officials) as well as the domestic implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in all applicable countries;
- foreign laws and business practices favoring local companies;
- longer payment cycles; and
- shipping delays.

Our exposure to each of these risks may increase our costs, impair our ability to market and sell our products and require significant management attention, resulting in harm to our business and financial results.

Our Surgical Guidance Systems are used mainly for vertebral fixation procedures during thoracic-lumbar spinal fusion surgeries. Should the standard of care change and these procedures be abandoned as the treatment of choice for the current indications, it might negatively affect our business.

According to the Orthopedic Network News report dated October 2015, an estimated 409,400 thoracic-lumbar fusion surgeries will be performed in the United States during 2015. These surgeries are the standard of care in several common spinal pathologies. However, new treatment methods continue to be innovated, such as motion preserving techniques and devices that might not benefit from the use of Mazor X and Renaissance during such surgical procedures. In such a case, the appeal to surgeons in using Mazor X and Renaissance could be diminished and have a negative effect on our business performance.

We unveiled the Mazor X, a new guidance system for spine surgeries in July 2016 and commercially launched the Mazor X in October 2016. Mazor X is the culmination of a very substantial investment by us over the past few years. Like any new system it could suffer from performance issues and its appeal to potential customers, or perceived value might not justify purchases. Such outcomes might negatively affect our business.

While great care was invested in capturing the "voice of the customer" and many industry inputs from a variety of sources, it is possible that the Mazor X will disappoint surgeons in its performance and/or value-proposition. In a market with new robotic systems with different unique selling propositions and advantages, our new product may not capture the attention we expect. While we strive to remain the commercial leader of the market segment based on innovation leadership and quality processes, our success is not guaranteed.

We may face both reputational and SEC enforcement risks with respect to conflict minerals obligations.

We are subject to disclosure requirements under section 102 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding the source of certain minerals for which such conflict minerals are necessary to the functionality or production of a product manufactured, or contracted to be manufactured which are mined from the Democratic Republic of Congo, and adjoining countries, including: Angola, Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda, and Zambia. These rules require reporting companies to file a conflict minerals report as an exhibit to a Form SD report with the SEC. The conflict minerals report is required to set out the due diligence efforts and procedures exercised on the source and chain of custody of such conflict minerals, in accordance with internationally recognized due diligence framework, and a description of our products containing such conflict minerals. Although we expect that we will be able to comply with the SEC rules and timely file our next annual report, in preparing to do so we are dependent upon information supplied by certain suppliers of products that contain, or potentially contain, conflict minerals. Such preparation may be costly. To the extent that the information that we receive from our suppliers is inaccurate or inadequate or our processes in obtaining that information do not fulfill the SEC's requirements, we could face both reputational and SEC enforcement risks.

Risks Related to Our Intellectual Property

If we, or the other parties from whom we license intellectual property, are unable to secure and maintain patent or other intellectual property protection for the intellectual property used in our products, our ability to compete will be harmed.

Our commercial success depends, in part, on obtaining and maintaining patent and other intellectual property protection for the technologies used in our products. The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. Furthermore, we presently license intellectual property from other parties, and we might in the future opt to license additional intellectual property from other parties. If we, or the other parties from whom we license or would license intellectual property, fail to obtain and maintain adequate patent or other intellectual property protection for intellectual property used in our products, or if any protection is reduced or eliminated, others could use the intellectual property used in our products, resulting in harm to our competitive business position. In addition, patent and other intellectual property protection may not provide us with a competitive advantage against competitors that devise ways of making competitive products without infringing any patents that we own or have rights to.

U.S. patents and patent applications may be subject to interference proceedings, and U.S. patents may be subject to re-examination proceedings in the U.S. Patent and Trademark Office. Foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent offices. Any of these proceedings could result in loss of the patent or denial of the patent application, or loss or reduction in the scope of one or more of the claims of the patent or patent application. Changes in either patent laws or in interpretations of patent laws may also diminish the value of our intellectual property or narrow the scope of our protection. Interference, re-examination and opposition proceedings may be costly and time consuming, and we, or the other parties from whom we might potentially license intellectual property, may be unsuccessful in defending against such proceedings. Thus, any patents that we own or might license may provide limited or no protection against competitors. In addition, our pending patent applications and those we may file in the future may have claims narrowed during prosecution or may not result in patents being issued. Even if any of our pending or future applications are issued, they may not provide us with adequate protection or any competitive advantages. Our ability to develop additional patentable technology is also uncertain.

Non-payment or delay in payment of patent fees or annuities, whether intentional or unintentional, may also result in the loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to other parties. In addition, many countries limit the enforceability of patents against other parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. In addition, the laws of some foreign countries have different rules of protecting intellectual property rights, particularly in the field of medical products and procedures. Among these countries is China where we have sales pursuant to a distribution agreement with a local distributor.

If we are unable to prevent unauthorized use or disclosure of our proprietary trade secrets and unpatented know-how, our ability to compete will be harmed.

Proprietary trade secrets, copyrights, trademarks and unpatented know-how are also very important to our business. We rely on a combination of trade secrets, copyrights, trademarks, confidentiality agreements and other contractual provisions and technical security measures to protect certain aspects of our technology, especially where we do not believe that patent protection is appropriate or obtainable. We require our employees and consultants to execute confidentiality agreements in connection with their employment or consulting relationships with us. We also require our employees and consultants to disclose and assign to us all inventions conceived during the term of their employment or engagement while using our property or which relate to our business. We also have taken precautions to initiate reasonable safeguards to protect our information technology systems. However, these measures may not be adequate to safeguard our proprietary intellectual property and conflicts may, nonetheless, arise regarding ownership of inventions. Such conflicts may lead to the loss or impairment of our intellectual property or to expensive litigation to defend our rights against competitors, who may be better funded and have superior resources. Our employees, consultants, contractors, outside clinical collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors. In addition, confidentiality agreements may be unenforceable or may not provide an adequate remedy in the event of unauthorized disclosure. Enforcing a claim, that a third party illegally obtained and is using our trade secrets, is expensive and time consuming, and the outcome is unpredictable. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Unauthorized parties may also attempt to copy or reverse engineer certain aspects of our products that we consider proprietary. As a result, other parties may be able to use our proprietary technology or information, and our ability to compete in the market would be harmed.

We could become subject to patent and other intellectual property litigation that could be costly, result in the diversion of management's attention, require us to pay damages and force us to discontinue selling our products.

The medical device industry is characterized by competing intellectual property and a substantial amount of litigation over patent and other intellectual property rights. In particular, the fields of orthopedic implants, computer-assisted surgery, or CAS, systems, and robotics are well established and crowded with the intellectual property of competitors and others. A number of companies in our market, as well as universities and research institutions, have been issued patents and have filed patent applications which relate to the use of CAS.

Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of a patent litigation action is often uncertain. We have not conducted an extensive search of patents issued or assigned to other parties, including our competitors, and no assurance can be given that patents containing claims covering our products, parts of our products, technology or methods do not exist, have not been filed or could not be filed or issued. Because of the number of patents issued and patent applications filed in our technical areas, our competitors or other parties may assert that our products and the methods we employ in the use of our products are covered by U.S. or foreign patents held by them. In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending of which we are unaware and which may result in issued patents which our current or future products infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe. There could also be existing patents that one or more of our products or parts may infringe and of which we are unaware. As the number of competitors in the market for computer and robotic-assisted surgery grows, and as the number of patents issued in this area grows, the possibility of patent infringement claims against us increases. In certain situations, we may determine that it is in our best interests or their best interests to voluntarily challenge a party's products or patents in litigation or other proceedings, including patent interferences or re-examinations. As a result, we may become involved in litigation that could be costly, result in diversion of management's attention, require us to pay damages and force us to discontinue selling our products.

Infringement actions and other intellectual property claims and proceedings brought against or by us, whether with or without merit, may cause us to incur substantial costs and could place a significant strain on our financial resources, divert the attention of management from our business and harm our reputation. Some of our competitors may be able to sustain the costs of complex patent or intellectual property litigation more effectively than we can because they have substantially greater resources.

We cannot be certain that we will successfully defend against allegations of infringement of patents and intellectual property rights of others. In the event that we become subject to a patent infringement or other intellectual property lawsuit and if the other party's patents or other intellectual property were to be upheld as valid and enforceable and we were to be found to infringe the other party's patents or violate the terms of a license to which we are a party, we could be required to pay damages. We could also be prevented from selling our products unless we could obtain a license to use technology or processes covered by such patents or were able to redesign the product to avoid infringement. A license may not be available at all or on commercially reasonable terms or we may not be able to redesign our products to avoid infringement. Modification of our products or development of new products could require us to conduct clinical trials and to revise our filings with the FDA and other regulatory bodies, which would be time consuming and expensive. In these circumstances, we may be unable to sell our products at competitive prices or at all, and our business and operating results could be harmed.

Our product development is limited by existing intellectual property owned by other companies. Our development of new generations of our products might depend on licensing of such intellectual property.

As we enhance our current product offerings and develop new ones, we may find it advisable or necessary to seek licenses from other parties who hold patents covering technology or methods necessary for the development of our products. If we cannot obtain these licenses, we could be forced to design around those patents at additional cost or abandon the product altogether. As a result, our ability to grow our business and compete in the market may be harmed.

We may be subject to damages resulting from claims that our employees or we have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees were previously employed at universities or other medical device companies, including our competitors or potential competitors. We could in the future be subject to claims that these employees, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending against such claims, a court could order us to pay substantial damages and prohibit us from using technologies or features that are essential to our products, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. An inability to incorporate technologies or features that are important or essential to our products would have a material adverse effect on our business, and may prevent us from selling our products. In addition, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent our ability to commercialize certain potential products, which could severely harm our business. Even if we are successful in defending against these claims, such litigation could result in substantial costs and be a distraction to management. Incurring such costs could have a material adverse effect on our financial condition, results of operations and cash flow.

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

We enter into agreements with our employees pursuant to which such individuals grant us all rights to any inventions created in the scope of their employment or engagement with us. A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israel Patents Law, 5727-1967, or the Patent Law, inventions conceived by an employee during the scope of his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between employee and employer giving the employee service invention rights. The Patent Law also provides that in the absence of an agreement between an employer and an employee regarding compensation for service inventions, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for their inventions. Recent decisions by the Committee have created uncertainty in this area, as it held that employees may be entitled to remuneration for their service inventions despite having specifically waived any such rights. Further, the Committee has not yet determined the method for calculating this Committee-enforced remuneration. Although our employees have agreed to assign to us invention ownership rights, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could otherwise negatively affect our business.

Risks Related to Regulatory Compliance

If we fail to comply with the extensive government regulations relating to our business, we may be subject to fines, injunctions and other penalties that could harm our business.

Our medical device products and operations are subject to extensive regulation by the FDA, pursuant to the Federal Food, Drug, and Cosmetic Act, or FDCA, and various other federal, state and foreign governmental authorities. Government regulations and requirements specific to medical devices are wide ranging and govern, among other things:

- design, development and manufacturing;
- testing, labeling and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- premarket clearance or approval;
- record keeping procedures;
- advertising and promotions;
- recalls and field corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury; and
- product import and export.

In the United States, before we can market a new medical device, or a new use of, or claim for, or significant modification to, an existing product, we must first receive either premarket clearance under Section 510(k) of the FDCA, or Premarket Approval, or PMA, from the FDA, unless an exemption applies. In the 510(k) marketing clearance process, the FDA must determine that a proposed device is "substantially equivalent" to a legally marketed device, known as a "predicate" device, with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing. Bench tests, pre-clinical and/or clinical data are sometimes required to support substantial equivalence. The PMA approval pathway requires an applicant to demonstrate the safety and effectiveness of the device based, in part, on data obtained in clinical trials. Both of these processes can be expensive and lengthy and entail significant fees, unless exempt. The FDA's 510(k) marketing clearance process usually takes from three to 12 months, but it can last longer. The process of obtaining PMA approval is much more costly and uncertain than the 510(k) marketing clearance process. It generally takes from one to three years, or even longer, from the time the PMA application is submitted to the FDA, until an approval is obtained. There is no assurance that we will be able to obtain FDA clearance or approval for any of our new products on a timely basis, or at all.

In the United States, our currently commercialized products have received pre-market clearance under Section 510(k) of the FDCA. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our sales to decline. In addition, the FDA may determine that future products will require the more costly, lengthy and uncertain PMA process. Although we do not currently market any devices under PMA, the FDA may demand that we obtain a PMA prior to marketing certain of our future products.

In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay approval or clearance of our products under development or impact our ability to modify our currently cleared products on a timely basis. For example, in response to industry and healthcare provider concerns regarding the predictability, consistency and rigor of the 510(k) regulatory pathway, the FDA initiated an evaluation of the program, and in January 2011, announced several proposed actions intended to reform the review process governing the clearance of medical devices. The FDA intends these reform actions to improve the efficiency and transparency of the clearance process, as well as bolster patient safety. In addition, as part of the Food and Drug Administration Safety and Innovation Act, or FDASIA, Congress reauthorized the Medical Device User Fee Amendments with various FDA performance goal commitments and enacted several "Medical Device Regulatory Improvements" and miscellaneous reforms which are further intended to clarify and improve medical device regulation both pre- and post-approval.

Even after we have obtained the proper regulatory clearance or approval to market a product, we have ongoing responsibilities under FDA regulations. The failure to comply with applicable regulations could jeopardize our ability to sell our products and result in enforcement actions such as:

- warning letters;
- fines;
- injunctions;
- civil penalties;
- termination of distribution;
- recalls or seizures of products;
- delays in the introduction of products into the market;
- total or partial suspension of production;
- refusal to grant future clearances or approvals;
- withdrawals or suspensions of current clearances or approvals, resulting in prohibitions on sales of our products; and
- in the most serious cases, criminal penalties.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, results of operations and financial condition.

Modifications to our currently FDA-cleared products or the introduction of new products may require new regulatory clearances or approvals or require us to recall or cease marketing of our current products until clearances or approvals are obtained.

Our Surgical Guidance Systems have received marketing clearance from the FDA based on 510(k) applications. See "Item 4. Information on the Company - B. Business Overview - Regulatory Requirements of the U.S. Food and Drug Administration." We have not been required by the FDA to obtain PMA nor to conduct any clinical trials in support of these applications. Modifications to our products, however, may require new regulatory approvals or clearances or require us to recall or cease marketing the modified products until these clearances or approvals are obtained. Any modification to one of our 510(k) cleared products that would constitute a major change in its intended use, or any change that could significantly affect the safety or effectiveness of the device would require us to obtain a new 510(k) marketing clearance and may even, in some circumstances, require the submission of a PMA application, if the change raises complex or novel scientific issues or the product has a new intended use. The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) submission in the first instance, but the FDA may review any manufacturer's decision. The latest 510(k) marketing clearance for Renaissance expands the indication for use of Renaissance to brain surgeries. We may continue to make additional modifications in the future to Renaissance without seeking additional clearances or approvals if we believe such clearances or approvals are not necessary. It is expected that the FDA will introduce stringent new changes to existing policy and practices regarding the assessment of whether a new 510(k) is required for changes or modifications to existing devices. Most recently, on July 9, 2012, FDASIA was enacted which, among other requirements, obligates the FDA to prepare a report for Congress on the FDA's approach for determining when a new 510(k) will be required for modifications or changes to a previously cleared device. After submitting this report, the FDA is expected to issue revised guidance to assist device manufacturers in making this determination. Until then, manufacturers may continue to adhere to the FDA's 1997 guidance on this topic when making a determination as to whether or not a new 510(k) is required for a change or modification to a device, but the practical impact of the FDA's continuing scrutiny of these issues remains unclear. If the FDA disagrees with our past or future decisions not to seek a new 510(k) for changes or modifications to existing devices and requires new clearances or approvals, we may be required to recall and stop marketing our products as modified, which could require us to redesign our products, conduct clinical trials to support any modifications, and pay significant regulatory fines or penalties. In addition, the FDA may not approve or clear our products for the indications that are necessary or desirable for successful commercialization or could require clinical trials to support any modifications. Any delay or failure in obtaining required clearances or approvals would adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn would harm our future growth. Any of these actions would harm our operating results.

Moreover, clearances and approvals are subject to continual review, and the later discovery of previously unknown problems can result in product labeling restrictions or withdrawal of the product from the market. The loss of previously received approvals or clearances, or the failure to comply with existing or future regulatory requirements could reduce our sales and future growth prospects.

We are currently required by the FDA to refrain from using certain terms to label and market our products, which could harm our ability to market and commercialize our current or future products.

The FDA's 510(k) clearances include a specification of a product's indication for use, and also authorize specific labeling and marketing claims and language in promotional materials for the U.S. market. Failure to conform with the specific cleared labeling of our products or the use of the term "Robot" in our product or corporate promotional material would be considered mislabeling or off-label promotion which might lead to:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications, refunds, detention or seizure of our products;
- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) marketing clearances that have already been granted, or PMA approvals which we may receive in the future;
- refusing to provide Certificates for Foreign Government;
- refusing to grant export approval for our products; or
- pursuing criminal prosecution.

Any of these sanctions could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands. We may also be required to bear other costs or take other actions that may have a negative impact on our future sales and financial condition.

We may inadvertently breach government and contractual privacy laws and obligations.

In the course of performing our business, we obtain certain confidential patient health information, such as patient names and dates of surgical procedures. In the event of an inadvertent disclosure, we could be subject to enforcement measures, including civil and criminal penalties and fines for violations of the privacy or security standards, such as the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, or subject to violation of contractual claims of customers.

Failure to obtain regulatory approval in additional foreign jurisdictions will prevent us from expanding the commercialization of our products abroad.

To be able to market and sell our products in most countries other than the United States, we must obtain regulatory approvals and comply with the regulations of those countries. These regulations, including the requirements for approvals and the time required for regulatory review, vary from country to country. Clearance or approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. The foreign regulatory approval process may include all of the risks associated with obtaining FDA clearance or approval. Obtaining and maintaining foreign regulatory approvals are expensive, and we cannot be certain that we will receive regulatory approvals in any foreign country in which we plan to market our products, on a timely basis, if at all. If we fail to obtain or maintain regulatory approval in any foreign country in which we plan to market our products on a timely basis, or at all, our ability to generate revenue will be harmed.

As we modify existing products or develop new products in the future, including new accessories, we apply for permission to affix to such products a European Union CE mark, which is a legal requirement for medical devices intended for sale in the European Union. In addition, we will be subject to annual regulatory audits in order to maintain those CE mark permissions. We do not know whether we will be able to continue to affix the CE mark for new or modified products or that we will continue to meet the quality and safety standards required to maintain the permissions we have already received. If we are unable to maintain permission to affix the CE mark to our products, we will no longer be able to sell our products in member countries of the European Union or other areas of the world that require CE marking for the marketing and distribution of medical devices.

If we or our third-party manufacturers or suppliers fail to comply with the FDA's Quality System Regulation, our manufacturing operations could be interrupted and our product sales and operating results could suffer.

We and some of our third-party manufacturers and suppliers are required to comply with the FDA's Quality System Regulation, or QSR, which covers the methods and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipping of our products. We and our manufacturers and suppliers are also subject to the regulations of foreign jurisdictions regarding the manufacturing process if we or our distributors market our products abroad. We continue to monitor our quality management in order to improve our overall level of compliance. Our facilities are subject to periodic and unannounced inspection by U.S. and foreign regulatory agencies, including notified bodies, to audit compliance with the QSR and comparable foreign regulations. If our facilities or those of our manufacturers or suppliers are found to be in violation of applicable laws and regulations, or if we or our manufacturers or suppliers fail to take satisfactory corrective action in response to an adverse inspection, the regulatory authority could take enforcement action, including any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) marketing clearances that have already been granted, or PMA approvals that we may receive in the future;
- refusing to provide Certificates for Foreign Government;
- refusing to grant export approval for our products; or
- pursuing criminal prosecution.

Any of these sanctions could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands, and could have a material adverse effect on our reputation, business, results of operations and financial condition. We may also be required to bear other costs or take other actions that may have a negative impact on our future sales and our ability to generate profits.

Our products may in the future be subject to product actions that could harm our reputation, business operations and financial results.

Manufacturers may, on their own initiative, initiate actions, including a non-reportable market withdrawal or a reportable product recall, for the purpose of correcting a material deficiency, improving device performance, or other reasons. Additionally, the FDA and similar foreign health or governmental authorities have the authority to require an involuntary recall of commercialized products in the event of material deficiencies or defects in design, manufacturing or labeling or in the event that a product poses an unacceptable risk to health. In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is a reasonable probability that a device intended for human use would cause serious, adverse health consequences or death. In addition, foreign governmental bodies have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. Product actions involving any of our products would divert managerial and financial resources and have an adverse effect on our financial condition and results of operations.

Companies are required to maintain certain records of actions, even if they determine such actions are not reportable to the FDA. If we determine that certain actions do not require notification of the FDA, the FDA may disagree with our determinations and require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our sales. In addition, the FDA could take enforcement action for failing to report the recalls when they were conducted or failing to timely report or initiate a reportable product action.

Depending on the corrective action we take to redress a product's deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new approvals or clearances for the device before we may market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties and civil or criminal fines.

If our products, or malfunction of our products, cause or contribute to a death or a serious injury, we will be subject to medical device reporting regulations, which can result in voluntary corrective actions or agency enforcement actions.

Under FDA regulations, we are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. In addition, all manufacturers placing medical devices in European Union markets are legally bound to report any serious or potentially serious incidents involving devices they produce or sell to the relevant authority in whose jurisdiction the incident occurred. We anticipate that in the future it is likely that we may experience events that would require reporting to the FDA pursuant to the MDR regulations. Any adverse event involving our products could result in future voluntary corrective actions, such as product actions or customer notifications, or agency actions, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business, and may harm our reputation and financial results.

In addition, as the frequency of use of our Surgical Guidance Systems increases and our business continues to grow, we may experience an increase in the number of incidents that could lead to MDR reports which we might need to file. The decision to file an MDR involves a judgment by us as the manufacturer. We have made decisions that certain types of events are not reportable under the MDR regulations; however, there can be no assurance that the FDA will agree with our decisions. If we fail to report MDRs to the FDA within the required timeframes, or at all, or if the FDA disagrees with any of our determinations regarding the reportability of certain events, the FDA could take enforcement actions against us, which could have an adverse impact on our reputation and financial results.

We may be subject to fines, penalties or injunctions if we are determined to be promoting the use of our products for unapproved or "off-label" uses, resulting in damage to our reputation and business.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of a medical device for a use that has not been cleared or approved by FDA. Use of a device outside its cleared or approved indications is known as "off-label" use. Physicians may use our products off-label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. If the FDA determines that our promotional materials or training constitutes promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, which could have an adverse impact on our reputation and financial results. In addition, any FDA action could trigger scrutiny by other federal and state regulatory agencies. Such scrutiny could also occur, regardless of FDA action.

We may be subject to fines, penalties, or licensure requirements, or legal liability, if it is determined that our clinical sales representatives and other employees are practicing medicine without a license.

State laws prohibit the practice of medicine without a license. Our clinical sales representatives, or CSRs, provide preoperative and intraoperative clinical and technical support to our customers, including assistance setting up the equipment, participation in the preoperative planning process, and facilitation of the surgeon's use of our Surgical Guidance Systems during surgery. Our CSRs are not engaged in the practice of medicine, but rather are assisting our customers in the safe and proper usage of our equipment and products. Nevertheless, a governmental authority or individual actor could allege the activities of our CSRs to constitute the practice of medicine. A state may seek to have us discontinue the services provided by our CSRs or subject us to fine, penalties or licensure requirements. Any determination that our CSRs are practicing medicine without a license may result in significant liability to us.

The application of state certificate of need regulations could substantially limit our ability to sell our products and grow our business.

Some states require healthcare providers to obtain a certificate of need or similar regulatory approval prior to the acquisition of high-cost capital equipment such as our Surgical Guidance Systems. In some states, the process required of our customers to obtain this certificate is lengthy and could result in a longer sales cycle for our Surgical Guidance Systems. Further, in many cases, only a limited number of these certificates are available. As a result, our customers may be unable to obtain a certificate of need for the purchase of our our Surgical Guidance Systems, which could cause our sales to decline.

Federal regulatory reforms may adversely affect our ability to sell our products profitably.

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of a medical device. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. It is impossible to predict whether legislative changes will be enacted or FDA regulations, guidance or interpretations changed, and what the impact of such changes, if any, may be.

Without limiting the generality of the foregoing, Congress has enacted, and the President signed into law, the Food and Drug Administration Amendments Act of 2007, or the Amendments. This law requires, among other things, that the FDA propose, and ultimately implement, regulations that will require manufacturers to label medical devices with unique identifiers unless a waiver is received from the FDA. Once implemented, compliance with those regulations may require us to take additional steps in the manufacture of our products and labeling. These steps may require additional resources and could be costly. In addition, the Amendments will require us to, among other things, pay annual establishment registration fees to the FDA for each of our FDA registered facilities and certify to the clinical trial reporting provisions contained in the Amendments.

We may be subject, directly or indirectly, to federal and state healthcare regulations and could face substantial penalties if we are unable to fully comply with such regulations and laws.

While we do not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, many healthcare laws and regulations apply to our business. For example, we could be subject to patient privacy regulation and enforcement by both the federal government and the states in which we conduct our business. There are multiple healthcare laws and regulations that may affect our ability to operate. New laws and regulations are being continually proposed and adopted. For example, the PPACA imposes new tracking reporting and disclosure requirements on device manufacturers for any "transfer of value" made or distributed to physicians and teaching hospitals. Device manufacturers were required to begin collecting data on August 1, 2013, register with CMS by March 31, 2014 and are required to submit certain reports to CMS disclosing payments and transfers of value made to physicians and teaching hospitals in the preceding calendar year on or before the 90th day of each calendar year. Any failure to provide the required information may result in civil monetary penalties. There are also a number of states that require the establishment of healthcare compliance programs or reporting of certain compensation or benefits provided to healthcare professionals. See "Item 4. Information on the Company - B. Business Overview - Fraud and Abuse Laws - Anti-Kickback Statutes and Federal False Claims Act."

Compliance with the reporting and disclosure obligations of the Physician Payment Sunshine Act, which is part of the Affordable Care Act of 2010, could adversely affect our business.

Compliance with the reporting and disclosure obligations of the Physician Payment Sunshine Act, or the Sunshine Act, which is part of the Affordable Care Act of 2010, could adversely affect our business.

The Sunshine Act imposes reporting and disclosure requirements for drug and device manufacturers with regard to payments or other transfers of value made to certain practitioners (including physicians, dentists and teaching hospitals), and for such manufacturers and for group purchasing organizations, with regard to certain ownership interests held by physicians in the reporting entity. On or before the 90th day of each calendar year, manufacturers covered under the Sunshine Act will be required to submit a report disclosing payments and transfers of value made in the preceding calendar year, and CMS then will publish the reported data on or before June 30 of the reporting year. In addition, medical device companies are also required to report payments to the government on an annual basis.

The Sunshine Act preempts similar state reporting laws, although we or our Subsidiaries may be required to continue to report under certain of such state laws. While we believe we have substantially compliant programs, systems and controls in place to comply with the Sunshine Act requirements, if we fail to comply with the data collection and reporting obligations imposed by the Sunshine Act, we may be subject to severe penalties, including fines.

Additionally, we have implemented a series of policies and procedures for employees involved in the data collection process, and have systems in place to capture the necessary data. We have also established policies and procedures to ensure that data was reported completely, in the correct format, and on time. Despite these policies and procedures, we cannot assure you that we will collect and report all data accurately and in a timely manner. If we fail to accurately or timely report this information, we could suffer severe penalties, including fines.

If we fail to comply with federal or state anti-kickback laws, we could be subject to criminal and civil penalties, loss of licenses and exclusion from Medicare, Medicaid and other federal and state healthcare programs, which could have a material adverse effect on our business, financial condition and results of operations.

Section 1128B(b) of the Social Security Act, or the SSA, commonly referred to as the "Anti-Kickback Statute," prohibits the offer, payment, solicitation or receipt of any form of remuneration in return for referring, ordering, leasing, purchasing or arranging for or recommending the ordering, purchasing or leasing of items or services payable by the Medicare and Medicaid programs or any other federally funded healthcare program. The Anti-Kickback Statute is very broad in scope, and many of its provisions have not been uniformly or definitively interpreted by courts or regulations.

We have arrangements with surgeons, hospitals and other entities which may be subject to scrutiny. For example, we have consulting agreements with spine surgeons and neurosurgeons using or considering the use of our Surgical Guidance Systems, for assistance in product development, and professional training and education, among other things. Payment for some of these consulting services has been in the form of stock options rather than per hour or per diem amounts that would require verification of time worked. We may continue in the future to make payment for these consulting services in the form of royalties or also possibly in the form of part-time employment. In addition, various agencies may view these arrangements with our customers, including the provision of marketing grants to customers for the purposes of training surgeons and the provision of accessories at no charge or discounted prices with the purchase of our Surgical Guidance Systems, as not fully complying with federal and state fraud and abuse laws. To the extent we are found to not be in compliance, we could face potentially significant fines and penalties in addition to other more significant sanctions and we may be required to restructure our operations.

Violations of the Anti-Kickback Statute and similar state laws may result in significant fines, imprisonment and exclusion from the Medicare, Medicaid and other federal or state healthcare programs. Such fines and exclusion could have a material adverse effect on our business, financial condition and results of operations. While we believe that our arrangements with physician consultants in product development and product training and education do not violate the law, there can be no assurance that federal or state regulatory authorities will not challenge these arrangements under anti-kickback laws. See "Item 4. Information on the Company B. Business Overview – Fraud and Abuse Laws - Anti-Kickback Statutes and Federal False Claims Act."

The orthopedic medical device industry is, and in recent years has been, under heightened scrutiny.

The orthopedic medical device industry is, and in recent years has been, under heightened scrutiny as the subject of government investigations and enforcement actions involving manufacturers who allegedly offered unlawful inducements to potential or existing customers in an attempt to procure their business, specifically including arrangements with physician consultants.

If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, including anti bribery laws such as the FCPA, the Israeli Penal Code, and the domestic implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations. Any penalties, damages, fines, exclusions, curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of these laws are broad and their provisions are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If the surgeons or other providers or entities with which we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on our business.

Risks Relating Primarily to Our Location in Israel

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

Our executive offices are located in Israel. In addition, the majority of our officers and directors are residents of Israel. Accordingly, geopolitical and/or military conditions in Israel and its region may directly or indirectly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. During the summer of 2014 and in November 2012, Israel was engaged in armed conflicts with a militia group and political party, which controls the Gaza Strip, and during the summer of 2006, Israel was engaged in an armed conflict with Hezbollah, a Lebanese Islamist Shiite militia group and political party. These conflicts involved missile strikes against civilian targets in various parts of northern Israel, including areas in which our employees and consultants are located, and negatively affected business conditions in Israel. An escalation in tension and violence between Israel and the militant Hamas movement (which controls the Gaza Strip) and other Palestinian Arab groups, culminated with Israel's military campaign in Gaza in December 2008, November 2012 and again in the summer of 2014 in an endeavor to prevent continued rocket attacks against Israel's southern towns. In addition, Israel faces threats from more distant neighbors, in particular, Iran, an ally of Hezbollah and Hamas. The United States has threatened Syria, another ally of Iran, with military action and there is a risk that as a result of such military confrontation, Israel will be attacked.

Popular uprisings in various countries in the Middle East and North Africa are affecting the political stability of those countries. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and these countries. Furthermore, several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in the region continue or intensify. Such restrictions may seriously limit our ability to sell our products to customers in those countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturns in the economic or financial condition of Israel, could adversely affect our operations and product development, cause our revenues to decrease and adversely affect the share price of publicly traded companies having operations in Israel, such as us. Similarly, Israeli corporations are limited in conducting business with entities from several countries. For example, in 2008, the Israeli legislature provided a law forbidding any investments in entities that transact business with Iran.

Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions, could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face.

Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business.

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

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

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

We incur expenses both in U.S. dollars and NIS, but our financial statements are denominated in U.S. dollars. As a result, we are exposed to the risks that the NIS may appreciate relative to the U.S. dollar, or the NIS instead devalues relative to the U.S. dollar, and the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the U.S. dollar cost of our operations in Israel would increase and our U.S. dollar-denominated results of operations would be adversely affected. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation (if any) of the NIS against the U.S. dollar.

Our operations also could be adversely affected if we are unable to effectively protect ourselves against currency fluctuations in the future. We engage in short-term currency hedging activities. These measures, however, may not adequately protect us from material adverse effects due to the impact of inflation in Israel and United States or from fluctuations in the relative values of the dollar and foreign currencies in which we transact business, and may result in a financial loss. For further information, see Item 5 "Operating and Financial Review and Prospects" elsewhere in this annual report.

We are entitled to significant tax benefits in Israel that may be reduced or eliminated in the future.

Our investment program in Israel has been granted "Beneficiary Enterprise" status and we are therefore eligible for significant tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, or the Investment Law, which was significantly amended by an amendment effective April 1, 2005, or the 2005 Amendment, and further amended by an amendment effective January 1, 2011, or the 2011 Amendment.

For example, once we reach profitability for tax purposes, we will be exempt from corporate tax for a period of two years and will be subject to a reduced corporate tax rate of between 10% and 25% for the remainder of the benefits period, depending on the level of foreign investment in our Company in each year and on the period of when profitability is reached.

In order to remain eligible for the tax benefits of an investment program that is implemented in accordance with the provisions of the Investment Law, referred to as an "Approved Enterprise", or a "Beneficiary Enterprise", we must continue to meet certain conditions stipulated in the Investment Law and its regulations. If we do not meet these requirements, we may not be eligible to receive tax benefits and we could be required to refund any tax benefits that we may receive in the future, in whole or in part, with interest. Furthermore, the tax benefits available under the Investment Law may be terminated or reduced in the future. If these tax benefits are terminated, our Israeli taxable income would be subject to regular Israeli corporate tax rates. The standard corporate tax rate for Israeli companies in 2016 was 25%. See "Item 10. Additional Information - E. Taxation."

Additionally, if we increase our activities outside of Israel (for example, through acquisitions) our expanded activities might not be eligible for inclusion in future Israeli tax benefit programs. Finally, in the event of a distribution of a dividend from the income that will be tax exempt under the Investment Law, in addition to withholding tax at a rate of 15% (or a reduced rate under an applicable double tax treaty), we will be subject to tax at the corporate tax rate applicable to our Approved Enterprise's and Beneficiary Enterprise's income on the amount distributed in accordance with the reduced corporate tax applicable to such profits. See "Item 10. Additional Information - E. Taxation."

Government authorities may question our tax positions or transfer pricing policies or change their laws in a manner that could increase our effective tax rate or otherwise harm our business.

We conduct operations with our Subsidiaries pursuant to transfer pricing arrangements. Transfer prices are prices that one company in a group of related companies charges to another member of the group for goods, services or the use of property. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length and that contemporaneous documentation is maintained to support the transfer prices. While we believe we have proper transfer pricing arrangements, our transfer pricing procedures are not binding on applicable tax authorities. Tax laws are continually changing and are subject to the interpretation of government agencies, which from time to time review and audit our business in the jurisdictions in which we conduct business throughout the world. If regulators challenge our tax positions, corporate structure, transfer pricing arrangements or intercompany transfers, we may be subject to fines and payment of back taxes, our effective tax rate may increase and our financial condition, results of operations and cash flow could be materially adversely affected.

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

Our research and development efforts, during the period between 2003 through 2010 were financed in part through royalty-bearing grants, in an amount of $1.3 million that we received from the IIA. With respect to such grants we paid royalties at a rate of 3% to 3.5% on sales proceeds up to the total amount of grants received, linked to the dollar and bearing interest at an annual rate of LIBOR applicable to dollar deposits. Even though we have repaid in full these amounts, we will still be required to comply with the requirements of the Israeli Encouragement of Industrial Research and Development Law, 1984, or the R&D Law, and related regulations, with respect to those past grants. When a company develops know-how, technology or products using IIA grants, the terms of these grants and the R&D Law restrict the transfer outside of Israel of such know-how, and the manufacturing or manufacturing rights of such products, technologies or know-how, without the prior approval of the IIA. Therefore, if aspects of our technologies are deemed to have been developed with IIA funding, the discretionary approval of an IIA committee would be required for any transfer to third parties outside of Israel of know how or manufacturing or manufacturing rights related to those aspects of such technologies. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development out of Israel or may not grant such approvals at all.

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

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

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

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to a shareholder whose country of residence does not have a tax treaty with Israel exempting such shareholder from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred.

These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders.

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

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

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

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

Risks Related to an Investment in Our Shares and ADSs

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

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

The market prices of our Ordinary Shares and ADSs are subject to fluctuation, which could result in substantial losses by our investors.

The stock market in general and the market prices of our Ordinary Shares on the TASE and our ADSs on NASDAQ, in particular, are subject to fluctuation, and changes in these prices may be unrelated to our operating performance. The market price of our Ordinary Shares and ADSs are subject to a number of factors, including:

- announcements of technological innovations or new products by us or others;
- announcements by us of significant acquisitions, strategic partnerships, in-licensing, out-licensing, joint ventures or capital commitments;
- expiration or terminations of licenses, research contracts or other collaboration agreements;
- public concern as to the safety of our equipment we sell;
- general market conditions;
- the volatility of market prices for shares of medical devices companies generally;
- success or failure of research and development projects;
- departure of key personnel;
- developments concerning intellectual property rights;
- developments concerning regulatory approvals;
- developments concerning standard-of-care in spine surgeries;
- variations in our and our competitors' results of operations;
- changes in revenues, gross profits and earnings announced by the Company;
- changes in estimates or recommendations by securities analysts, if our Ordinary Shares or the ADSs are covered by analysts;
- changes in government regulations or patent decisions; and
- general market conditions and other factors, including factors unrelated to our operating performance.

These factors may materially and adversely affect the market price of our Ordinary Shares and the ADSs and result in substantial losses by our investors.

We do not know whether a market for our ADSs will be sustained or what the trading price of our ADSs will be and as a result it may be difficult for you to sell your ADSs.

Although our ADSs trade on NASDAQ, an active trading market for our ADSs may not be sustained. It may be difficult for you to sell your ADSs without depressing the market price for the ADSs or at all. As a result of these and other factors, you may not be able to sell your ADSs at or above your purchase price or at all. Further, an inactive market may also impair our ability to raise capital by selling ADSs and Ordinary Shares and may impair our ability to enter into strategic partnerships or acquire companies or products by using our Ordinary Shares as consideration.

Future sales of our Ordinary Shares or ADSs could reduce the market price of our Ordinary Shares and ADSs.

Substantial sales of our Ordinary Shares or ADSs, either on the TASE or on NASDAQ may cause the market price of our Ordinary Shares or ADSs to decline. All of our outstanding Ordinary Shares are registered and available for sale in Israel. Sales by us or our security holders of substantial amounts of our Ordinary Shares or ADSs, or the perception that these sales may occur in the future, could cause a reduction in the market price of our Ordinary Shares or ADSs.

The issuance of any additional Ordinary Shares, any additional ADSs, or any securities that are exercisable for or convertible into our Ordinary Shares or ADSs, may have an adverse effect on the market price of our Ordinary Shares and ADSs and will have a dilutive effect on our existing shareholders and holders of ADSs.

We do not intend to pay any cash dividends on our Ordinary Shares in the foreseeable future and, therefore, any return on your investment in our Ordinary Shares or ADSs must come from increases in the value and trading price of our Ordinary Shares and ADSs.

We have never declared or paid cash dividends on our Ordinary Shares and do not anticipate that we will pay any cash dividends on our Ordinary Shares in the foreseeable future; therefore, any return on your investment in our Ordinary Shares or ADSs must come from increases in the value and trading price of our Ordinary Shares and ADSs.

We intend to retain our earnings to finance the development and expenses of our business. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on a number of factors, including future earnings, our financial condition, operating results, contractual restrictions, capital requirements, business prospects, applicable Israeli law and other factors our board of directors may deem relevant.

You may not receive the same distributions or dividends as those we make to the holders of our Ordinary Shares, and, in some limited circumstances, you may not receive dividends or other distributions on our Ordinary Shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying the ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act, but that are not properly registered or distributed under an applicable exemption from registration. In addition, conversion into U.S. dollars from foreign currency that was part of a dividend made in respect of deposited Ordinary Shares may require the approval or license of, or a filing with, any government or agency thereof, which may be unobtainable. In these cases, the depositary may determine not to distribute such property and hold it as "deposited securities" or may seek to effect a substitute dividend or distribution, including net cash proceeds from the sale of the dividends that the depositary deems an equitable and practicable substitute. We have no obligation to register under U.S. securities laws any ADSs, Ordinary Shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Ordinary Shares, rights or anything else to holders of ADSs. In addition, the depositary may withhold from such dividends or distributions its fees and an amount on account of taxes or other governmental charges to the extent the depositary believes it is required to make such withholding. This means that you may not receive the same distributions or dividends as those we make to the holders of our Ordinary Shares, and, in some limited circumstances, you may not receive any value for such distributions or dividends if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of the ADSs.

Holders of ADSs must act through the depositary to exercise their rights as shareholders of our company.

Holders of our ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Ordinary Shares in accordance with the provisions of the deposit agreement for the ADSs. Under Israeli law, the minimum notice period required to convene a shareholders meeting is no less than 35 or 21 calendar days, depending on the proposals on the agenda for the shareholders meeting. When a shareholder meeting is convened, holders of our ADSs may not receive sufficient notice of a shareholders' meeting to permit them to withdraw their Ordinary Shares to allow them to cast their vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of our ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of our ADSs in a timely manner, but we cannot assure holders that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of our ADSs may not be able to exercise their right to vote and they may lack recourse if their ADSs are not voted as they requested. In addition, in the capacity as a holder of ADSs, they will not be able to call a shareholders' meeting.

Raising additional capital by issuing securities may cause dilution to existing shareholders.

We may need to raise substantial future capital to continue to complete commercialization of our products and the research and development and clinical and regulatory activities necessary to develop new products. Our future capital requirements will depend on many factors, including:

- the revenue generated by sales of our current and future products;
- our ability to manage our inventory;
- the expenses we incur in selling and marketing our products and supporting our growth;
- the costs and timing of regulatory clearance or approvals for new products or upgrades or changes to our current products;
- the rate of progress, cost, and success or failure of on-going development activities;
- the emergence of competing or complementary technological developments;
- the costs of filing, prosecuting, defending and enforcing any patent or license claims and other intellectual property rights, or participating in litigation related activities;
- the terms and timing of any collaborative, licensing, or other arrangements that we may establish;
- the acquisition of businesses, products and technologies; and
- general economic conditions and interest rates, including the continuing weak conditions.

If we raise additional funds by issuing equity or convertible debt securities, we will reduce the percentage ownership of our then-existing shareholders, and these securities may have rights, preferences or privileges senior to those of our existing shareholders.

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

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company for up to five years from our initial public offering in the United States which occurred in 2013. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved, to the extent applicable. In this annual report, we have included certain information about executive compensation related information that is not required by an emerging growth company. We cannot predict whether investors will find our Ordinary Shares or ADSs less attractive if we rely on these exemptions. If some investors find our Ordinary Shares or ADSs less attractive as a result, there may be a less active trading market for our Ordinary Shares or the ADSs and the price of our Ordinary Shares or the ADSs may be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We chose to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period is irrevocable.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our Ordinary Shares and ADSs depends on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. There can be no assurance that analysts will cover us, or provide favorable coverage. If one or more analysts downgrade our stock or negatively change their opinion of our Ordinary Shares and ADSs, the price of our Ordinary Shares and ADSs would likely decline. In addition, if one or more analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Risks Associated with the NASDAQ Listing of the ADSs

Our Ordinary Shares and ADSs are traded on different markets and this may result in price variations.

Our Ordinary Shares have been traded on the TASE since August 2007. The ADSs have been traded on the NASDAQ Capital Market since May 2013 and are currently traded on the NASDAQ Global Market. Trading in those securities on those markets takes place in different currencies (dollars on NASDAQ and NIS on the TASE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of our securities on these two markets may differ due to these and other factors. Any decrease in the price of our securities on one of these markets could cause a decrease in the trading price of our securities on the other market.

We incur costs as a result of our ADSs trading on NASDAQ, and our management is required to devote substantial time to compliance initiatives and reporting requirements.

As a public company in the United States, we incur significant accounting, legal and other expenses as a result of the trading of the ADSs on NASDAQ. These include costs associated with corporate governance requirements of the SEC and NASDAQ rules, as well as requirements under Section 404 and other provisions of the Sarbanes-Oxley Act. These rules and regulations generate legal and financial compliance costs, investor relations costs, stock exchange listing fees and shareholder reporting costs, and made some activities more time consuming and costly. Any future changes in the laws and regulations affecting public companies in the United States and Israel, including Section 404 and other provisions of the Sarbanes-Oxley Act, the rules and regulations adopted by the SEC and the rules of NASDAQ, as well as applicable Israeli reporting requirements, for so long as they apply to us, will result in increased costs to us as we respond to such changes. These laws, rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

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

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the rules of NASDAQ for domestic issuers. For instance, we follow home country practice in Israel with regard to, among other things, composition of the board of directors, director nomination procedures, approval of compensation of officers, and quorum at shareholders' meetings. In addition, we follow our home country law, instead of the rules of NASDAQ which require that we obtain shareholder approval, for certain dilutive events, such as for the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of the Company, certain transactions other than a public offering involving issuances of a 20% or more interest in the Company and certain acquisitions of the stock or assets of another company. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on NASDAQ may provide less protection than is accorded to investors under the rules of NASDAQ applicable to domestic issuers.

In addition, as a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act, and therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2017.

In the future, we would lose our foreign private issuer status if a majority of our shareholders, directors or management is comprised of U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC which are more detailed, more extensive and are subject to more demanding deadlines than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus, equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the SEC forms applicable to foreign private issuers permit them to disclose compensation information on an aggregate basis if executive compensation disclosure on an individual basis is not required or otherwise has not been provided in the issuer’s home jurisdiction. We disclose individual compensation information, but this disclosure is not as comprehensive as that required of U.S. domestic issuers since we are not required to disclose more detailed information in Israel. We intend to continue this practice as long as it is permitted under the SEC’s rules and Israel’s rules do not require more detailed disclosure. If we lose our foreign private issuer status, we will have to file quarterly reports on Form 10-Q and we will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on NASDAQ that are available to foreign private issuers.

If we are unable to continue to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, or our internal control over financial reporting is not effective, the reliability of our financial statements may be questioned and the price of our Ordinary Shares and the ADSs may suffer.

Section 404 of the Sarbanes-Oxley Act requires a company subject to the reporting requirements of the U.S. securities laws to do an annual comprehensive evaluation of its and its subsidiaries' internal control over financial reporting. To comply with this statute, we are required to document and test our internal control procedures; our management is required to assess and issue a report concerning our internal control over financial reporting. In addition, our independent registered public accounting firm may be required to issue an opinion on the effectiveness of our internal control over financial reporting at a later date.

The continuous process of strengthening our internal controls and complying with Section 404 is complicated and time-consuming. Furthermore, as our business continues to grow both domestically and internationally, our internal controls will become more complex and will require significantly more resources and attention to ensure our internal controls remain effective overall. During the course of its testing, our management may identify material weaknesses or significant deficiencies, which may not be remedied in a timely manner. If our management cannot favorably assess the effectiveness of our internal control over financial reporting, or if our independent registered public accounting firm identifies material weaknesses in our internal control, investor confidence in our financial results may weaken, and the market price of our securities may suffer.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal and commercial name is Mazor Robotics Ltd. We were incorporated in the State of Israel on September 12, 2000. In July 2003, we changed our name from Masor Surgical Technologies Ltd. to Mazor Surgical Technologies Ltd., and in 2010 we changed our name to Mazor Robotics Ltd. In August 2007, we completed our initial public offering in Israel, and our ordinary shares have since been traded on the TASE, under the symbol "MZOR." In May 2013, ADSs representing our Ordinary Shares commenced trading on the NASDAQ Capital Market under the trading symbol "MZOR" and are currently traded on the NASDAQ Global Market. Each ADS represents two of our Ordinary Shares.

We are a public limited liability company and operate under the provisions of the Companies Law. Our registered office and principal place of business are located at 5 Shacham Street, North Industrial Park, Caesarea, 3088900, Israel. Our telephone number in Israel is +972-4-618-7100. Our website address is www.mazorrobotics.com. The information contained on our website or available through our website is not incorporated by reference into and should not be considered a part of this annual report and the reference to our website in this annual report is an inactive textual reference only.

In August 2004, we formed a wholly owned subsidiary in the State of Delaware under the name Mazor Surgical Technologies Inc. In October 2010, the U.S. Subsidiary changed its name to Mazor Robotics Inc. The U.S. Subsidiary has been appointed as our agent in the United States, and its registered office is located at 2711 Centerville Rd., Suite 400, Wilmington, New Castle, DE 19808.

In August 2014, we formed a wholly owned subsidiary in Singapore under the name Mazor Robotics Pte. Ltd and its registered office is located at 10 Anson Road, #26-04 International Plaza, Singapore 079903. This Singaporean subsidiary has been established to accommodate the clinical service activities we provide to our surgical systems sites in the Asia-Pacific region.

We engage in the development, production, marketing and servicing of innovative medical devices for supporting surgical procedures in the field of orthopedics and neurosurgery. We are a leading innovator in spine and brain surgery and pioneered cutting-edge surgical guidance systems and complementary products in the spine and brain surgery market. These products may provide a safer surgical environment for patients, surgeons and operating room staff.

We operate in the field of computer assisted surgery (also known as CAS) that enables the use of surgical instruments with high precision and minimal invasiveness and that contributes to the safety of a wide range of surgical procedures. Mazor Robotic's core precision guidance technology that is implemented in the the Renaissance system and the Mazor X System is transforming spine surgery from freehand procedures to highly accurate, state-of-the-art, guided procedures that raise the standard of care with better clinical results. Our Surgical Guidance Systems have been used to perform over 24,000 procedures worldwide (with over 170,000 implants placed in those procedures) in a wide variety of spinal procedures, many of which would not have been attempted without this technology. We are continuing the development of the Surgical Guidance Systems platform for additional spine and brain surgery applications.

On May 18, 2016, we entered into two strategic agreements with Medtronic. One agreement is a two-phase, Exclusive Lead Sharing and Distribution Agreement which provides for co-promotion, co-development and, upon meeting certain milestones, potential global distribution of the Mazor X System, or the Distribution Agreement. The second agreement is a Purchase Agreement which provides for an equity investment by Medtronic, in Mazor. The Exclusive Lead Sharing and Distribution Agreement and the Purchase Agreement, or collectively, the Medtronic Agreements are aimed at accelerating our growth and market reach by leveraging the strategic partnership for commercialization of the Mazor X System and development of synergistic products. With the combined expertise and experience of our two companies, we believe we can transform spine surgery for the benefit of more patients and those who treat them.

On July 12, 2016, we unveiled the Mazor X system, followed by the commercial launch of the system in October 2016. The Mazor X system was developed with the goal of enhancing predictability and patient benefit, through the combination of analytical tools, multiple-source data, precision guidance, optical tracking, intra-op verification and connectivity technologies. The Mazor X platform is designed to expand the field of precision-guided spine surgery beyond trajectory guidance.

Principal Capital Expenditures

We had capital expenditures of approximately $4,263,000 in 2016, $702,000 in 2015 and $503,000 in 2014. Our capital expenditures consisted mainly of the purchase of machinery and equipment, development costs capitalized to intangible asset, systems used for training and demonstration and leasehold improvements. We have financed our capital expenditures from our available cash and short term investment and equity offerings, and expect to continue to finance our capital expenditures in a similar manner in 2017. We expect our capital expenditures in 2017 will be approximately $1,000,000 and will include amounts expended towards manufacturing infrastructure.

B. Business Overview

We are a medical device company developing and marketing innovative surgical guidance systems and complementary products. Our expertise is computerized and imaging-based systems, primarily in the field of spine surgery. Our Surgical Guidance Systems enable surgeons to advance from freehand surgical procedures to accurate, pre-planned, state-of-the-art, precision guided procedures. Our Surgical Guidance Systems are used in multiple types of spine surgeries, whether open or minimally invasive, for a variety of clinical indications. Our Mazor X System, our Renaissance system and its predecessor have been used in over 24,000 spine surgeries, including fusion, correction of spinal deformities, biopsy collection, tumor excision and cement augmentations. Our Surgical Guidance Systems have the ability to improve clinical outcomes for patients, and may provide a safer surgical environment for surgeons and operating room staff by possible reduction of exposure to radiation.

The key elements of the Renaissance system include our RBT Device, which is a portable, computer-controlled Stewart platform that spatially positions and orients surgical tools, our Renaissance Work Station, houses our proprietary software, and several mounting platforms we have designed to serve as an interface between the patient and the RBT Device. The core guidance technology implemented in the Renaissance system enables surgeons to perform procedures with a higher degree of accuracy and precision compared to the current freehand standard of care. A pre-operative plan for each patient is developed by the surgeon using our proprietary software based on a standard three-dimensional, or 3D, computed tomography, or CT, image. The surgeon performs the procedure using surgical tools attached to the RBT Device and is guided by the RBT Device to a precise location and trajectory along the spine or in the brain in accordance with the pre-operative plan. At the beginning of the surgical procedure, an automatic 3D synchronization process independently registers the location of the system relative to the position of the patient's spine or in his brain and the pre-operative plan. Unlike conventional robotic surgery, where the robot performs the procedure guided by the surgeon, the Renaissance system guides the surgeon who performs the procedure in accordance with the pre-operative plan.

The Renaissance system is FDA–cleared, CE–marked and has regulatory clearances in several other markets, including China, Taiwan, Thailand, Canada, Russia, Singapore, Israel and Australia.

The Mazor X platform builds on the core technology of the Renaissance and the cumulative experience in the operating room, with expanded features and capabilities. Key features of the Mazor X are sophisticated 3D planning software and advanced algorithms running on a workstation and a guidance system. The guidance system includes a surgical arm, an integrated 3D camera with spatial tracking and a surgeon control panel in the sterile area. The Mazor X system's platform integrates three processes: pre-op analytics, intra-op guidance, and intra-op verification. Pre-op analytics are performed using cutting-edge anatomy recognition abilities for surgical visualization and imaging-based 3D implant and trajectory placement planning. The planning may take place prior to the surgery or during the surgery using scan & plan, if a 3D image system is available in the operating room. Intra-op guidance utilizes precision mechanics and the surgical arm to guide tools and implants according to the surgical plan. Before instrumenting, the Mazor X eye camera provides intra-op verification of the surgical arm trajectory and position. Once verification is complete, the surgical arm and drill guide keep tools and implants on target for each trajectory. This process continues until all trajectories have been reached and implants are inserted safely and accurately into their planned position.

In September 2015, we received 510(k) clearance from the FDA for the Mazor X system and we are pursuing CE clearance which we expect to receive in 2017.

In April 2017, we received 510(k) clearance from the FDA for the Mazor X Align software, a spinal deformity correction planning software for the Mazor X system.

Mazor Robotics' products are currently active in 15 countries, with 12 distributors representing us in 18 countries.

Industry Overview - Spine

Spine Disorder Market Overview

Spine disorders are a leading driver of healthcare costs worldwide. Spinal disorders also are a leading cause of disability among people aged between 19 and 45 in the United States, and are the most common cause of job-related disability. Spine disorders afflict women and men equally and are the second most common neurological ailment in the United States - only headaches are more common. In the United States, according to the Orthopedic Network News, there are approximately 1.48 million spinal operations performed annually.

We believe the spine disorder market will continue to grow as a result of a growing, aging and more active population and rising obesity rates, which all are expected to be key drivers in the continued growth of incidence of spine disorders. The U.S. Census Bureau projects that the 65 and older age group in the U.S. will almost double from 48 million in 2015 to 88 million in 2050. In addition, improvements in healthcare have led to increasing life expectancies worldwide and the opportunity to lead more active lifestyles at advanced ages. These trends are expected to generate increased demand for spine surgeries.

Overview of Spine Disorders

Spine disorders range in severity, causing symptoms ranging from mild pain and loss of feeling to extreme pain and paralysis. These disorders are primarily caused by degenerative disc diseases, stenosis, deformity, osteoporosis, tumors and trauma.

- Degenerative disc disease describes the most common type of spine disorder which primarily results from repetitive stresses experienced during the normal aging process. Disc degeneration occurs as the outer layer starts to shear and the inner cores of intervertebral discs lose elasticity and shrink. Over time, these changes can cause the discs to lose their normal height and shock-absorbing characteristics, which leads to back pain and reduced flexibility. Herniated discs are a common form of degenerative disc disease.

- Lumbar stenosis is a condition whereby either the spinal canal or vertebral foramen becomes narrowed in the lower back impinging the nerves in the lumbar spine. This condition is often caused by the degenerative processes in the spine and the resulting compression can lead to back and leg pain. If the narrowing is substantial, it causes compression of the nerves and the painful symptoms of lumbar spinal stenosis.

- Spine deformity is a term used to describe any variation in the natural curvature of the spine. Natural curves help the upper body maintain proper balance and alignment over the pelvis. Common forms of deformity include scoliosis, which is a lateral or side-to-side curvature of the spine, and kyphosis, which is an abnormal concave curvature leading to a rounded (humped) back.

- Vertebral compression fractures are fractures of the vertebrae that result in the collapse of the vertebral body. These fractures, which can be very painful to the patient, are often the result of osteoporosis, which causes the vertebrae to weaken and become brittle, or spine tumors, but can also result from trauma.

- Primary spine tumors are relatively rare. Benign tumors are typically removed surgically while malignant tumors are more difficult to treat and are often metastases which originate from tumors in other organs.

Current Treatments for Spine Disorders

Treatment alternatives for spine disorders range from non-operative conservative therapies to surgical interventions. Conservative therapies include bed rest, medication and physical therapy. Surgical treatments for spine disorders can be instrumented, which include the use of implants, or non-instrumented, which forego the use of any such implants. The most common instrumented treatment is spinal fusion, where two or more adjacent vertebrae are fused together with implants to restore disc height and provide stability.

Introduction of Minimally Invasive Surgery

Over the past 30 years, minimally invasive surgical techniques have transformed many surgical procedures. Compared to traditional open surgical techniques, minimally invasive techniques potentially offer benefits for patients, surgeons and hospitals. For patients, these techniques can result in significantly reduced trauma, risk of infections, faster convalescence and better aesthetic outcomes. For the surgeon, these techniques can reduce procedure-related complications and have the potential to reduce risks associated with more invasive procedures. For the hospital, these procedures can result in reduced hospital stays due to faster recovery times, lower rates of complications and a higher level of patient satisfaction.

Despite the potential benefits of minimally invasive spinal surgery techniques, they can also present several notable limitations, including the need for additional training for the surgeon, increased intraoperative use of X-ray radiation, and longer operations, and have been shown in some studies to lower the accuracy of implant placement. As a result, while minimally invasive approaches have seen substantial adoption in various surgical fields where procedures can be performed within existing anatomical cavities, they are currently used in only 10-15% of spinal fusion procedures which are currently performed in a minimally invasive approach, according to the SRS database (Hamilton et al. *Spine* 2011) and the Orthopedic Network News report from October 2015.

Robot Assisted Surgery

We believe that the application of robotics technologies in minimally invasive surgical procedures represents the next generation in the evolution of the surgical technique. These technologies are being developed to provide surgeons with a more precise, repeatable and controlled ability to perform complex procedures. With the assistance of robotic technology, an increasing number of surgeons have been able to perform procedures previously limited to a small subset of highly-skilled surgeons. In addition, robotic technology has enabled these procedures to be performed in a more minimally invasive manner, requiring only small incisions, which result in reduced procedure related trauma, fewer infections and post-procedure complications, and reduced recovery and hospitalization times.

The Limitations of Current Spine Procedures

Although minimally invasive techniques have been widely adopted in many fields of surgery, they have had limited adoption in spine surgery. We believe that the principal barriers to the adoption of minimally invasive techniques for spine surgery are:

- restricted or even no line-of-sight at the anatomical site;
- cumbersome handling of surgical instruments, limiting the procedure;
- dependence on two-dimensional imaging for three-dimensional surroundings; and
- intra-operative exposure to radiation.

As a result, the majority of spine surgeries are performed freehand. According to a review of over 108,000 cases (Hamilton et al., *Spine* 2011) only 13.2% of spine surgeries are performed in a minimally invasive manner. This was echoed in a report by the Orthopedic Research Network reporting that cannulated pedicle screws (designed and used for minimally invasive spine surgeries) have hovered between 9-15% since 2008. Although freehand surgery allows for direct visualization of the anatomy, open freehand surgeries may result in:

- increased procedure-related blood loss, pain and scarring at the incision site;
- increased likelihood of complications, such as infections;
- slower recovery times and longer post-operative hospital stays; and
- undesirable aesthetic outcomes.

Industry Overview - Brain

Neurosurgical Market Overview

It is estimated that 50 million Americans suffer from neurological illnesses, at an annual cost of over $450 billion in direct and indirect costs. Only a fraction of them are candidates for neurosurgical treatments, and fewer still require stereotactic brain surgeries. Based on demographic trends, it is forecasted that the volume of intracranial neurosurgical procedures will continue to grow at about 1.2% per year. But this statistic does not take into account changes in indications for surgeries and new treatment options. New indications may increase the market potential, while new, less-invasive, treatment options may decrease the market potential for open neurosurgical treatments. Costs of procedures are expected to grow, driven by more sophisticated technologies and treatment options.

In 2016, there were about 35,000 stereotactic brain surgeries performed globally, in about 2,800 medical centers, almost half of them in the United States. Currently, three procedures, namely Deep Brain Stimulation (DBS), Stereoelectroencephalography (sEEG), and Stereotactic Brain Biopsies, account for over 95% of the stereotactic brain surgeries market.

Overview of Brain Biopsies

The incidence of primary brain tumors for 2013 is estimated by the American Brain Tumor Association at almost 70,000 cases. Of these cases, almost 25,000 cases are malignancies and over 45,000 are benign. The majority of brain tumors are metastases from malignancies in other organs (mainly lung and breast), but statistics for brain metastases are not readily available. Therefore, the incidence of primary and secondary brain tumors is estimated at more than 140,000 cases annually.

In some of the cases, the CT- or Magnetic Resonance Imaging (MRI) generated images are insufficient for the determination of the appropriate treatment option. In such cases a biopsy is usually indicated. It is estimated by MedTech Insight that in 2010, 19,700 biopsies were performed and that the incidence of this procedure is slightly declining at about 1.4% annual rate.

Overview of Deep Brain Stimulation (DBS) Electrode Placement Surgeries

The FDA approved DBS as a treatment for essential tremor in 1997, later adding further indications, including Parkinson's Disease (2002), dystonia (2003) and Obsessive Compulsive Disorder (OCD) (2009). Several other indications are in various phases of research, like chronic pain, various affective disorders, including major depression, and other neurological disorders, mainly in severe cases and/or refractory to medication or other treatments.

In 2015, there were over 16,000 DBS surgeries globally, of which over 9,000 were performed in the United States. Parkinson's disease accounts for about 75-80% of the DBS surgeries, even though of the 1% of people over the age of 60 who are affected by Parkinson's disease, only 1 to 10% are eligible for DBS according to treatment guidelines. The DBS market was estimated at $493 million in 2014 and expected to grow at about 7% CAGR to $692 million in 2019.

Overview of Stereoelectroencephalography (sEEG)

Introduced in March 2009, by surgeons at the Cleveland Clinic, the objective of sEEG is to locate the epileptic focus/foci (point of origin) in cases refractory to conservative treatment that necessitate surgical intervention. The patients are frequently under 10 years old and remain hospitalized for monitoring for 1-2 weeks following the sEEG procedure. It is estimated that there are about 5,000 sEEG procedures annually, of which about 3,000 are performed in the United States, in about 300 medical centers. Medtech SA, which was recently purchased by Zimmer Biomet Holdings Inc., is considered the market leader in this procedure, with systems in 35 medical centers performing sEEG currently.

Current Neurosurgical Options

Treatment options for neurological illnesses range widely by diagnosis and disease state from "watchful waiting" to non-operative conservative therapies (e.g., medications), External Beam Radiation Therapy, and a number of surgical interventions.

When neurosurgical procedures are indicated, much care is taken to avoid damage to neighboring regions of the brain and the vascular system, as well as along the surgical pathway to the lesion. Careful planning of the surgical approach is based on advanced imaging modalities. Execution of the required precise spatial localization according to the surgical plan is performed using intra-operative guidance systems, which are generally categorized as either frame-based or frameless systems. Frame-based systems, or standard stereotaxy, are considered a more accurate option but, among their limitations are that they cumbersome to use, difficult to modify trajectories during surgery, and uncomfortable for the patient. Frameless trackable/fiducial marker-based systems use image guided navigation or patient-specific, custom-made mounts to improve accuracy.

The clinical benefits of Image Guided Surgery (IGS) include:

- precision in lesion localization;
- reduced risk of damage to adjacent vital structures;
- enhanced ability to execute the surgical plan; and
- allowing for less invasive surgical approaches.

According to MedTech Insight in 2011, the U.S. market for computer-assisted IGS intraoperative navigation systems (including hardware and software) was approximately $273.8 million in 2010, of which cranial/neurosurgery-attributable revenues were estimated at $76.7 million, with an estimated compound annual growth rate of 3.5%, reaching an estimated $91.0 million in 2015, reflecting the maturity and saturation of this market segment.

Of the 19,700 biopsies performed in 2010, about 17,000 were performed with a frame-based system and about 2,700 used a frameless system. It was estimated in 2011 that by 2015 frameless systems will be used more frequently in these procedures, from 13.7% of the cases to over 20%.

Of the 7,900 DBS procedures in 2010, about 5,200 were frameless procedures and 2,700 were frame-based. It was estimated in 2011 that by 2015 frameless systems will be used more frequently in these procedures, from 66% of the cases to over 75% by 2015.

An emerging market segment in brain surgery is robotic neurosurgical systems. Of the various developments and companies involved in this field there are 3 main players in this market segment which are commercially available: Mazor Robotics, Zimmer Biomet (Medtech) and Renishaw.

The Limitations of Current Neurosurgical Procedures

Frame-based systems limit the surgeon's movement and are difficult to redirect intra-operatively. The rigid frames are cumbersome for the patients and the complex set-up can make operating times longer.

Navigation based systems (e.g. Brainlab AG's VectorVision) depend on direct line of sight between an infra-red camera and specialized, reflective markers. These systems are considered to be less accurate by surgeons than frame-based systems. Their online representation of spatial location in real-time does not represent the actual location of the surgical instruments but rather the system's perception of the location of the instruments. The representation of the instruments in 3 planes can lengthen the learning curve of these systems as the surgeon needs to correct the position in a single plane in a three dimensional world.

The Mazor Robotics Solution

Our Surgical Guidance Systems enable surgeons to advance from freehand surgical procedures to accurate, state-of-the-art, precision guided procedures. It has the ability to improve clinical outcomes for patients, may provide a safer surgical environment for surgeons and operating room staff by possibly reducing exposure to radiation, and deliver economic value to hospitals and payors. We believe our Mazor X and Renaissance systems offer the following benefits to patients, surgeons and hospitals:

Potential Reduction in Surgical Complications and Revision Surgeries. Preliminary findings from a four-center, prospective, controlled study which were presented in professional spine conferences during 2016 have shown a statistically significant reduction in both complications and revisions. The data compares lumbar fusion surgeries of one to three levels in a minimally invasive (MIS) approach using the Renaissance system for guidance or fluoroscopy based-guidance. These findings have been echoed in a retrospective, comparative study by four surgeons who also found a statistically significant reduction in surgical complications and revisions. When they compared 403 fusion surgeries in which Renaissance was used in a MIS approach to similar procedures performed in a MIS approach with fluoroscopy-guidance in 228 patients and 78 case freehand in an open approach, the authors saw that the odds ratio of a surgical complication were 3.0 and 3.1, respectively. In other words, the risk of a complication was 3 times higher in the fluoroscopy and freehand arms of the study. When comparing surgical revision rates, the odds ratio for a revision was 3.8 times higher in the fluoroscopy-guided MIS group compared to the Renaissance-guided MIS procedures. These data have also been presented in professional spine conferences and are being prepared for publication in peer-review literature.

Reproducible Precision and Accuracy. Clinical studies performed with the Renaissance system have shown very high levels of accuracy, with most ranging between 98.5-100% accurately placed implants. By contrast, the scientific literature on accuracy of freehand implant placement varies; however, a meta-analysis of 12,299 thoracolumbar screws, published in *Spine*, demonstrated 90.3% of implants were placed accurately in freehand surgeries.

Use in a Variety of Procedures. Our Surgical Guidance Systems are particularly advantageous in complex spinal procedures, such as the correction of scoliosis and other spinal deformities, long fusions and repeat/revision surgery. Precision and planning is of particular importance in complex procedures where accuracy and precision are a challenge for even the most experienced surgeons.

Possible Reduced Exposure to Radiation. Spine surgeries, particularly minimally invasive surgeries, require the use of high levels of X-ray imaging, and exposes surgeons and patients to harmful radiation. The use of our Surgical Guidance systems may significantly reduce the need for X-ray imaging during the surgery and provide for a safe overall surgical environment.

Ease of Use. Our Surgical Guidance Systems leverage and complement the surgical skills and techniques already familiar to the surgeon. This familiarity in approach combined with greater accuracy and precision accelerates the learning curve, making it usable by surgeons with a broad range of training and skills.

Reduced Costs. We believe the use of our Surgical Guidance Systems result in shorter hospital stays due to faster recovery times, lower rates of complications and a higher level of patient satisfaction.

Clinical Differentiation. We believe the benefits mentioned above will help surgeons and hospitals differentiate themselves, attracting more patients to seek medical care from them, over competitors offering less innovative and precise alternatives.

Our Strategy

Our goal is to continue to drive sales of our Surgical Guidance Systems and generate recurring revenues through sales of disposable products and service contracts by establishing our Surgical Guidance Systems as the standard-of-care in the eyes of surgeons, patients and medical facilities. We believe that we can achieve this objective by working with hospitals to demonstrate the key benefits of the Mazor X and Renaissance systems. Our strategy includes the following key elements:

- *Continue to commercialize our Surgical Guidance Systems globally.* We continue to focus on commercializing our Surgical Guidance Systems by expanding our sales and marketing infrastructure through internal resources and externally through arrangements, such as through the Medtronic Agreements. We have a presence in more than 150 hospitals in 14 countries, including over 100 Surgical Guidance Systems installed in the United States. Within the United States alone the addressable market includes over 2,000 hospitals and surgical centers, creating significant opportunity for us to expand our presence and accelerate our revenue growth.

- *Drive utilization of our installed base of our Surgical Guidance Systems*. Following the initial installation of our Surgical Guidance Systems at a given hospital, we take steps to expand the number of surgeons who use our system and work with the hospitals and their surgeons to promote patient education on the benefits of our Surgical Guidance systems. Increased usage of our installed Surgical Guidance Systems through surgeon education and training accelerates our recurring revenues through increased sales of our disposable products. We also intend to include in our product offerings end-to-end solutions that address more steps in Spine surgical procedures. This is expected to increase our portfolio of disposable and ancillary product offerings and to promote the use of our Surgical Guidance Systems.

- *Demonstrate the clinical and financial value proposition of our Surgical Guidance systems*. Following our overall penetration strategy, we installed systems at leading academic centers and entered new U.S. metropolitan area markets. We intend to collaborate with leading surgeons and early-adopting hospitals to build additional data that supports the clinical and financial benefits of our Surgical Guidance systems. We intend to demonstrate that using our Surgical Guidance systems promotes and differentiates surgeons and hospitals as leaders for the treatment of spine disorders, while demonstrating to hospitals the financial benefits of our Surgical Guidance systems.

- *Invest in research and development*. We will continue to make significant investments in research and development including investments to upgrade the hardware and software components of our Surgical Guidance Systems and to develop additional applications using our proprietary technologies and to develop future products. In addition, as part of the Medtronic Agreements we intend to collaborate with Medtronic to further develop additional innovative solutions with our Mazor X system in combination with Medtronic product offerings for spine applications.

- *Explore new ways to accelerate adoption of our products.* We intend to achieve this by striving for partnerships with strategic players and to gain the benefits associated with the synergy between Mazor and potential partners.

- *Explore new ways to utilize our core knowledge and intellectual property to enter new applications.* We intend to achieve this by our continued effort of our research and development team and potentially with synergy between Mazor and potential partners in areas out of spine surgery.

Our Products

Components of the Mazor X system - A surgical assurance platform for spine surgery, integrating data sources, analytical tools, guidance and imaging technologies to maximize procedure predictability and patient benefit. The Mazor X system, which is based on the same core guidance technology as the Renaissance, expands beyond trajectory guidance to address additional needs of spine surgeons and their patients.

The Mazor X Platform includes:

Mazor X Guidance system including the following key components:

- A precision Surgical Arm - The Surgical Arm comprises a set of links, joints and motors. With its unique design and innovative structure, the device has six joints, each with its own range of motion enabling the arm to reach a wide variety of trajectories. The Surgical Arm is controlled by the Mazor X Workstation computer and a Central Control Unit. Arm movement is as a result of the surgical plan (described below) and is monitored in a closed loop controlling process.

- An integrated 3D camera with spatial tracking – The Mazor X-Eye camera provides positioning verification and enables tracking functionality. The surgeon activates the tracking features using on-screen controls.

- A surgeon control panel in the sterile area – The surgeon's screen is a table-type LCD mounted on a movable screen arm located at the top of the surgical system. Use of this multi-touch screen provides the surgeon with a close and convenient method of interaction with the system. Information displayed on the surgeon's screen and Workstation monitor is dynamically updated in real-time, simultaneously.

Mazor X Workstation running sophisticated software and algorithms and including a large touch screen serving as a surgeon control panel, hardware components and storage for the Guidance System when not in use. The Workstation is the main console from which the user interacts with the Mazor X system. The Workstation is a compact, fully-portable unit that facilitates easy mounting of the Surgical Arm onto an operating room table in preparation for an operation.

Specialized applications that will run on the Mazor X platform (under development).

Mazor X Spine Disposables. Mazor X disposable kits are designed to easily adapt the surgical arm to a multitude of surgical applications and for the different mounting platforms utilized by the surgeon.

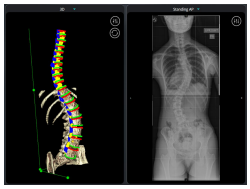
Mazor X Spine Accessories. Mazor X accessories include trays of reusable surgical tools.

Surgical Workflow using Mazor X system

Surgical workflow using Mazor X involves the following basic 3D Planning and Intra-Operative steps:

- *3D Planning*

- *Pre-Op Analytics* – 3D Planning is performed using cutting-edge anatomy recognition and vertebral segmentation algorithms for surgical visualization based on a patient's images. The resulting Surgical Plan includes implant and trajectory placement planning. The Surgical Plan may be created prior to the surgery or during the surgery using Scan & Plan.

	
Automated Anatomy Recognition	Vertebral Segmentation

Scan & Plan– Utilizes 3D intra-operative imaging systems, such as a Medtronic O-Arm system, to perform a patient scan that is then used to create the surgical plan instead of a pre-op CT. Scan & Plan is especially useful in trauma cases or when a pre-op CT is not available.

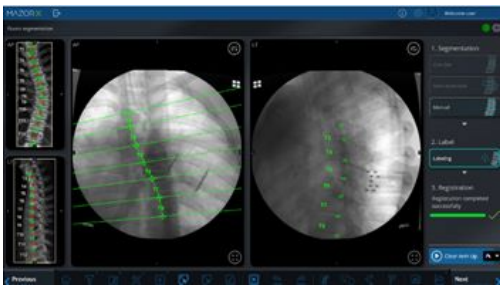
Intra Operative Procedure steps:

- *Import the Pre-Op Analytics plan into the Mazor X Workstation*

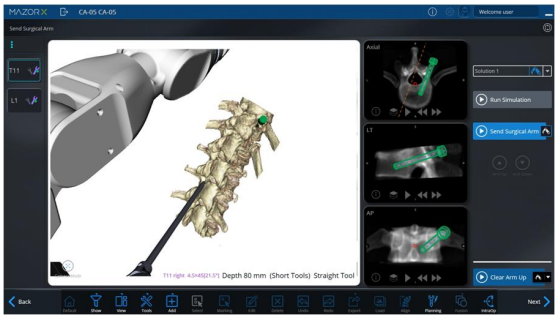
- *Attachment of Hardware* - The mounting platform is rigidly attached to the patient's spine or skull to ensure that maximum accuracy is maintained throughout the surgical procedure, even if patient movement occurs

- *Perform a 3Define Scan* – This reconstructs the 3D volume to assess the working area for the surgeon

- *3D synchronization* - To execute the surgical plan, it is necessary to match the CT-based plan with the patient's spine and the mounting platform through CT-to-fluoro registration. The mounting platform's spatial location is marked by a proprietary 3D Marker which is attached to it. Two fluoroscopic images of the 3D marker and the spine are taken (anterior-posterior and oblique views). Mazor X software then automatically matches the vertebrae seen in the fluoroscopic images to those in the pre-operative CT. This automatic registration process is critical for the software to identify the location of the mounting platform relative to the patient's spine. It allows the software to calculate the motion necessary for the RBT Device. The accuracy of the 3D synchronization process is confirmed by the surgeon after visual verification for each vertebra



- *Intra-operative verification* - Before instrumenting, the Mazor X Eye camera provides intra-op verification of the surgical arm trajectory and position



- *Intra-operative guidance for surgical execution*- Utilizes precision mechanics and the surgical arm to guide tools and implants at the right trajectory and position according to the surgical plan in the surgical field.

- *Perform surgical procedure*

Mazor X Align software – An advanced application that will run on the Mazor X platform. X Align will use advanced measurement and visualization tools to create a simulation of the overall spinal alignment before surgery. Mazor X Align leverages the Mazor technology experience with tools for placement and trajectory planning, for predictable planning of the entire spine alignment.

In April 2017, we received 510(k) clearance from the FDA for the Mazor X Align™ software, a spinal deformity correction planning software for the Mazor X system. We intend to commercially release the Mazor X Align in 2017.

Specialized applications (under development)

- *ArcAid* – The ArcAid custom bends rods on-site for personalized patient spinal correction. ArcAid bends according to a personalized rod bending blueprint, derived from the Mazor X-align, to provide the best fit to the desired corrected spinal alignment.

- *Co-development applications with Medtronic* – Mazor and Medtronic have defined a joint 2017 roadmap for co-development whose goals include integration of Medtronic's implant and imaging technology for Mazor X compatibility.

Components of the Renaissance system

RBT Device. Our RBT Device is a portable, computer-controlled Stewart platform that spatially positions and orients surgical tools intra-operatively in accordance with the planned surgical blueprint. All RBT Device movements are a result of the pre-operative plan and are monitored by a closed-loop control process.

Renaissance Workstation. The RBT Device is housed in our Renaissance Workstation, a mobile workstation that houses our proprietary software which also contains the controllers for the RBT Device, image processing unit, electronics, computer and graphical user interface software. It is equipped with a control panel, including a multi-touch screen monitor. The Renaissance Workstation is used both for pre-operative planning of the procedure, as well as for intra-operative control of the system to implement the pre-operative plan.

Mounting platforms. There are several different mounting platforms that serve as an interface and reference frame between the patient and the RBT Device. All are rigidly attached to the patient's spine or skull to maintain accuracy, despite breathing and other minor patient movements. The mounting platforms are selected by the surgeon for each procedure based on the surgical approach and surgeon's preference.

Renaissance Spine Disposables. Renaissance disposable kits are designed to easily adapt the RBT Device to a multitude of surgical applications and for the different mounting platforms utilized by the surgeon.

Renaissance Spine Accessories. Renaissance accessories include trays of reusable surgical tools.

Surgical Workflow using Renaissance for Spine procedures

Surgical workflow using Renaissance involves four basic steps:

- pre-operative planning;
- attachment of hardware;
- 3D synchronization; and
- surgical execution.

Pre-operative planning. A CT scan of the patient's spine is uploaded to Renaissance software to create a detailed 3D model of the patient's spine. This stage enables accurate visualization of the patient's spinal anatomy and condition, and enables the creation of a customized surgical plan in a virtual 3D environment. In addition, pre-operative planning provides better preparation for each surgery, identifies anatomical challenges, and predefines trajectories for the implants. The surgeon selects implant sizes optimized for achieving the best surgical outcome. All pre-operative planning can be performed on a personal computer with our proprietary software. To enhance safety, the pre-operative "blueprint" can be reviewed in a virtual video mode in our planning software, which provides a slice-by-slice image display in all three surgical planes, as well as a full 3D review of the surgical blueprint (Fig. 1).

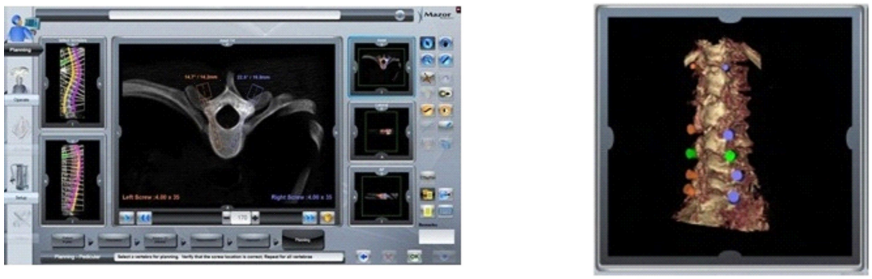


Figure 1: Planning Software and 3D visualization of planning

Attachment of hardware. In the operating room, one of a few Renaissance mounting options is selected in accordance with the clinical indication and surgeon's preference. The mounting platform is rigidly attached to the patient's spine or skull to ensure that maximum accuracy is maintained throughout the surgical procedure, even if patient movement occurs.

Three-dimensional (3D) synchronization. To execute the surgical blueprint, it is necessary to match the CT-based plan with the patient's spine and the mounting platform. The mounting platform's spatial location is marked by a proprietary 3D Marker which is attached to it. Two fluoroscopic images of the 3D marker and the spine are taken (anterior-posterior and oblique views). Renaissance software then automatically matches the vertebrae seen in the fluoroscopic images to those in the pre-operative CT. This automatic registration process is critical for the software to identify the location of the mounting platform relative to the patient's spine. It allows the software to calculate the motion necessary for the RBT Device. The accuracy of the 3D synchronization process is confirmed by the surgeon after visual verification for each vertebra.

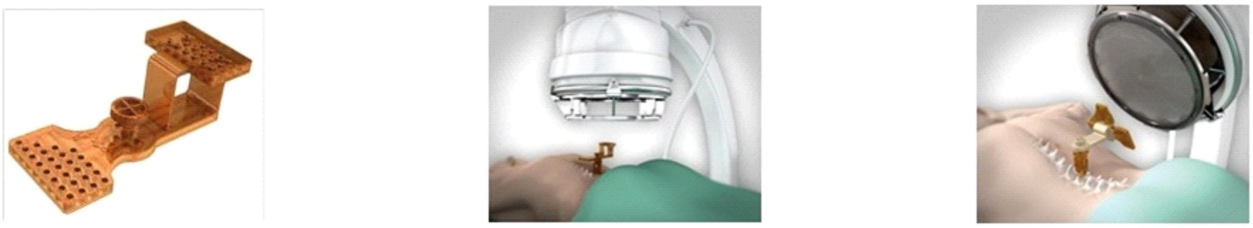


Figure 2: 3D Marker; C-arm in 2 positions taking registration images for 3D Synchronization process

Surgical execution. Once the 3D Synchronization is completed, the RBT Device is attached to the mounting platform based on instructions that are defined by the software after processing registration data with the pre-operative planning. Upon activation by the surgeon, the RBT Device moves an arm that is attached to it, and positions it at the location so that its trajectory is precisely aligned with the pre-operative plan. A cannula which is passed through the arm, along the line of the trajectory, is used by the surgeon to guide the surgical tools and drills used in the surgery. This process is repeated for each vertebrae until the surgeon completes the instrumentation according to the pre-operative plan and intraoperative clinical judgment.

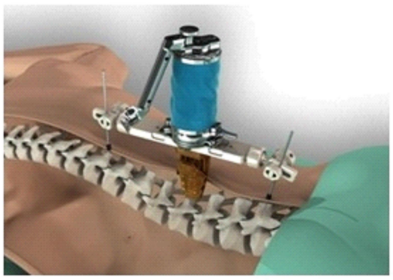


Figure 3: RBT Device (with an arm connected to it) on Clamp Mount ready to guide the surgeon

Mazor's "PRO" Solutions

In October 2015, we launched the 'PRO' (Predictable Renaissance® Operation) Solutions at the annual meeting of the North American Spine Society (NASS) which was held in Chicago, IL. The PRO Solutions are designed to support Renaissance procedures and include:

PROceph Brain Procedures

We have developed the Renaissance Brain Module, a new application of our Renaissance system intended to provide precise control over the insertion of surgical instruments (drills, cannulas, electrodes, needles, etc.) during brain surgery. The Renaissance Brain Module can be used for guiding high accuracy linear trajectory into the brain. Our head-mounted Renaissance Brain Module was cleared by the FDA in July 2012 and CE-marked in August 2012. We initially launched the Renaissance Brain Module at the annual meeting of the American Association of Neurological Surgeons in April 2014.

The Renaissance Brain Module utilizes a small, frameless platform with three points of fixation to the skull to provide highly accurate access to the areas of the brain where surgical intervention is needed. This helps to minimize incisions and scarring while providing surgeons with high versatility in their surgical approach as well as facilitating intra-operative changes of trajectories.

Surgical workflow using the Renaissance Brain Module for brain surgery involves four basic steps:

- pre-operative planning;
- attachment of hardware;
- synchronization; and
- surgical execution.

Pre-operative planning: A Renaissance brain procedure usually begins with a pre-operative MRI scan of the patient. The scan is uploaded into Renaissance's pre-operative 3D software for surgeons to plan the optimal trajectories prior to the procedure. Sometimes other imaging studies are loaded and fused together to provide additional layers of information such as Magnetic Resonance Angiography, CT, Diffusion Tensor Imaging and Positron Emission Tomography.

Figure 4: Planning Software

Attachment of hardware: A small platform is mounted to the skull using local anesthesia. This can be a less-invasive and faster approach compared to the larger frames that are traditionally used during these procedures. The Renaissance Brain Module's smaller platform may also improve patient comfort and increase freedom of movement. It also enables trajectories that are beyond the working volume of other guidance systems.

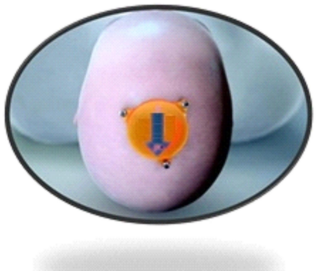


Figure 5: Mounting of the platform to the skull

Synchronization: A proprietary Star Marker is attached to the platform and a CT scan is taken. The CT scan is then fused with the pre-operative plan created by the surgeon with the Renaissance software. This correlates the virtual plan with the physical location of the patient and the attached mounting platform. Based on this information, the software controls the kinematics of the RBT Device to provide the surgeon with the desired trajectories above the patient's skull.

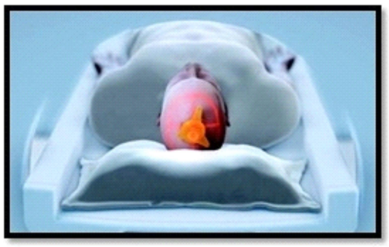


Figure 6: Star Marker attached to the mounting platform on the patient's head, while a CT scan is taken for the synchronization with the pre-operative plan.

Surgical execution: After the scans are synchronized, the RBT Device is attached to the mounting platform based on instructions that are defined by the software after processing registration data with the pre-operative planning. Upon activation by the surgeon, the RBT Device moves an arm that is attached to it, and positions it at the location so that its trajectory is precisely aligned with the pre-operative plan.

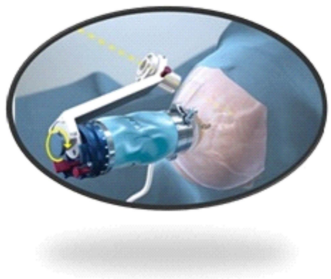


Figure 7: RBT Device (with an arm connected to it) mounted ready to guide the surgeon.

We collaborated with Alpha-Omega Ltd., a manufacturer of actuators that advance electrodes into the patient's brain. The first in-vivo procedure using the Renaissance system was performed in August 2013.

PRO Scan & Plan

This application is designed to obviate the need for a pre-operative CT scan by using an available intra-operative 3D imaging system (fluoroscopy- or CT-based). This 3D scan is performed after attaching the selected Renaissance mounting system to the patient. When using this application, there is no need to correlate the plan with the patient's location relative to the RBT Device, as the 3D synchronization process is inherent to the image acquisition process. Once the 3D images are acquired, the surgeon utilizes them to plan the operation based on these images in the operating room. While this application has been cleared by the FDA, it is currently used clinically in a selective manner.

PROlat Posterior guided instrumentation in the lateral position

PROlat™ enables placement of pedicle screws posteriorly while the patient is in the lateral decubitus position. By maintaining the patient in the lateral position, it is possible to shorten the surgery time and reduce the potential for unnecessary risks to the patient.

Other Potential Applications

We believe that with further research and development of our technology, we can develop applications for other areas of the body or for additional applications within brain and spine surgeries. Should we elect to develop and commercialize additional potential applications of Renaissance and Mazor X within or outside of the brain and spine surgery markets, we will need to seek the appropriate marketing clearance from the FDA and any other required regulatory approvals for such applications.

Sales and Marketing

We are continuing to develop a sales and marketing organization that consists of a capital sales team, a clinical sales team and a marketing team. Our sales and marketing team is comprised of executives with experience from major surgical robotic technology companies including Intuitive Surgical Inc., Johnson and Johnson, Hansen Medical Inc., Stereotaxis Inc. and others. The capital sales team drives capital equipment sales of Renaissance and Mazor X and the associated applications, while the clinical sales team focuses on the further penetration of existing clients through education marketing activities and training.

As of December 31, 2016, our U.S. sales team had a total of 89 employees, 20 of whom handle capital sales, including a Vice President of Capital Sales of United States, and 7 sales directors. The U.S. clinical sales team includes 58 representatives, a Vice President of Clinical Sales of United States, 8 regional managers and 2 regional directors. The international sales team includes the Vice President for Sales, 2 capital sales managers, 1 clinical sales director and 2 clinical sales representatives. The international sales team sells mainly through distributors covering 9 countries in Europe and 8 countries in Asia-Pacific. Together with the marketing team, they are responsible for defining and executing our global commercialization strategy.

Our marketing team includes 11 members and one part-time employee, including 4 members in the U.S. based team. In addition, we have a training team, in charge of coordinating and providing training to new and existing customers, which includes a Vice President, a training director and 3 team members.

As part of the Medtronic Agreements, in the first phase of lead sharing, Medtronic’s sales team are responsible for generating awareness for and interest in the Mazor X System for spine applications, bringing surgeons to labs and generate qualified leads, before handing the leads to our capital sales team to close the sales. Mazor’s capital sales team is also responsible for generating leads – for the Renaissance system and Mazor X System, in addition to the leads generated by Medtronic’s team. To date we have trained over 100 Medtronic sales team leaders on the Mazor X System and they are tasked with sharing their knowledge with the hundreds of sales reps Medtronic has dedicated to the effort.

Our sales and marketing goals are to continue to drive capital equipment sales of our Surgical Guidance Systems and associated applications and to generate recurring revenue through sales of disposable products and service contracts. To achieve these goals, we must continue to promote adoption of the Mazor X and Renaissance by surgeons and hospitals and build demand for the procedure among patients through the following sales and marketing strategy:

- *Actively target hospitals with a significant spine practice.* We believe that successful adoption depends on the routine implementation of Surgical Guidance systems into the surgeon's and facility's routine operations. Such facilities also provide the potential to sell systems into additional practices.

- *Facilitate independent clinical research by surgeons*. We collaborate with surgeons to conduct research on the implementation, clinical outcomes, radiation exposure and other variables which are inherent to, or derived from, the adoption and utilization of Surgical Guidance Systems in a surgical spine program.

- *Encourage medical facilities to embark on a marketing program that would promote and publicize their Surgical Guidance System-based spine program.* We work with hospitals and help them to educate surgeons, referring physicians and patients regarding the clinical benefits that Surgical Guidance Systems provide. This increased patient awareness in the community regarding such benefits has the potential to improve quality of care for patients undergoing procedures using our products.

- *Training and Education.* We train and educate through a variety of activities such as observing Surgical Guidance Systems cases, participating in bio-skills workshops to provide prospective customers with hands-on experience by operating on a cadaver using the Surgical Guidance Systems system and participating in peer-to-peer interactions. We also offer comprehensive and advanced training to our surgeons and operating room staff.

The generation of recurring revenues through sales of our disposable products and service contracts is an important part of our Surgical Guidance Systems business model. We anticipate that as we leverage each new installation of our Surgical Guidance Systems to generate recurring sales of disposable products our recurring revenues will grow. Because of the technical design and programming of our Surgical Guidance Systems, the system only works with Mazor's proprietary disposable kits. We also offer annual service contracts that provide maintenance and support services related to our Surgical Guidance Systems beyond the basic one-year warranty period.

We provide training to surgeons and hospital staff on the use of our Surgical Guidance Systems. Through training we are increasing familiarity with our Surgical Guidance Systems and helping ensure safe and proper usage of our equipment and products by surgeons and hospitals, which we hope enables seamless adoption of our Surgical Guidance Systems. The presence of our representatives in the hospitals also provides us with immediate feedback and understanding of our customers' preferences and requirements in clinical conditions.

Seasonality of Business

While our business is growing and changing rapidly, we believe it is subject to quarterly seasonal fluctuations because of customary capital expenditure trends by hospitals due to various hospital budget considerations which are not in our control. Hospitals tend to group purchases at the beginning of their budgetary cycle, which is different among hospitals. Therefore, it is hard to predict results of a certain quarter and some quarters may be weaker than others. For the year ended December 31, 2016, no single hospital customer accounted for more than ten percent of our total revenue and the loss of any single hospital customer is not expected to have a material adverse effect on us.

Intellectual Property

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

We own sixteen U.S. patents. In addition, we also have three further applications in which claims were allowed and issue is awaited. In addition, we have filed in the United States eight additional patent applications and eight provisional patent applications. A provisional patent application is a preliminary application that can be filed less formally than a non-provisional application, and establishes a priority date for the patenting process for the invention disclosed therein.

We have also licensed five U.S. patents. In addition, we own thirty-four patents, grouped in seven families of separate inventions that were granted in other countries. We also have one further application in which claims were allowed and grant is awaited. We also have sixteen pending patent applications outside of United States, grouped in ten families of separate inventions. We also have three PCT (Patent Cooperation Treaty) international patent applications. A PCT application is an application made in multiple countries, which ultimately needs converting into National Phases in separate countries. All of our patents and patent applications are in the areas of computer-assisted surgery, robotics, imaging and implants. Our patents expire between the years 2021 and 2033. Certain of our in-licensed patents have royalty obligations.

We cannot be sure that any patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future. There is also a significant risk that any issued patents will have substantially narrower claims than those that are currently sought.

We cannot be sure that any of our patents will be commercially useful in protecting our technology. We also rely on trade secrets to protect our product candidates. Our commercial success also depends in part on our non-infringement of the patents or proprietary rights of third parties. For a more comprehensive discussion of the risks related to our intellectual property, please see "Item 3. Key Information – D. Risk Factors – Risks Related to Our Intellectual Property."

We also protect our proprietary technology and processes, in part, by confidentiality and invention assignment agreements with our employees, consultants, scientific advisors and other contractors. These agreements may be breached, and we may not have adequate remedies for any breach. We also rely on trade secrets to protect our product candidates. However, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants, scientific advisors or other contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Exclusive Lead Sharing and Distribution Agreement and Purchase Agreement with Medtronic.

On May 18, 2016, Mazor entered into two strategic agreements with Medtronic. One agreement is a two- phase Exclusive Lead Sharing and Distribution Agreement which provides for co-promotion, co-development and, upon meeting certain milestones, potential global distribution of the Mazor X System. The second agreement is a Purchase Agreement which provides for an equity investment by Medtronic in Mazor.

Exclusive Lead Sharing and Distribution Agreement

The Exclusive Lead Sharing and Distribution Agreement is a commercial agreement which has an initial U.S.-based co-promotion phase. Subject to meeting certain milestones defined in the agreement, and the parties' mutual decision to proceed, the relationship will enter a second phase. During the second phase, Medtronic will assume exclusive global sales and distribution rights for the Mazor X system. The second phase includes annual minimum sales amounts with a cumulative potential of hundreds of Mazor X systems over a four-year period. The commercial agreement relates to Mazor X systems and applications for the spine surgery market. Under the agreement, Medtronic placed an order for 15 Mazor X Systems during 2016, of which nine systems were supplied by December 31, 2016 and the remaining six systems were supplied in the first quarter of 2017.

The agreement also provides for collaboration in the following main areas:

Marketing activities – Medtronic is committed to actively marketing the Mazor X system. Mazor and Medtronic are working on joint efforts to create market awareness of the Mazor X System.

Sales Activities – In the first phase of the agreement, Medtronic's sales team is responsible for generating awareness for and interest in the Mazor X System for Spine applications. This involves bringing surgeons to labs and generating qualified leads, before providing the leads to Mazor's capital sales team to close the sales. If triggered, in the second phase of the agreement Medtronic would assume responsibility for global distribution of the Mazor X System for spine applications.

Co-development activities – Mazor and Medtronic will co-develop synergistic products and applications for spine surgery. This activity has already commenced.

Revenue sharing – Mazor will pay a lead sharing fee to Medtronic for Qualified leads Medtronic delivers to Mazor. Medtronic will pay a synergy fee to Mazor for every case where a Mazor X system is used in association with Medtronic implants. Under certain circumstances, Medtronic will pay a synergy fee to Mazor regarding Renaissance usage with Medtronic implants.

Purchase Agreement

The Purchase Agreement provides for a three-tranche equity investment in Mazor. In the first tranche, which closed in May 2016, Medtronic purchased from Mazor newly issued securities representing four percent of Mazor's issued and outstanding share capital on a fully diluted basis, at a price per ADS of $11.42, which was equal to the trailing 20-day volume weighted average price of the shares, or a total of $11.9 million. In the second tranche, which closed in August 2016, upon the achievement by Mazor of certain operational milestones, Medtronic purchased newly issued securities representing 4.1 percent of Mazor's issued and outstanding securities. This investment brought Medtronic to a total holding of 8.4 percent of Mazor's issued and outstanding securities, or 7.3 percent of Mazor's issued and outstanding securities on a fully diluted basis. The price per ADS in the second tranche was $21.84, which was the average price per share during the 20 trading days following the occurrence of the above-mentioned milestones.

In a potential third tranche, Mazor will have the right to require Medtronic to consummate the purchase of Mazor securities such that after the investment they will own up to fifteen percent of Mazor's outstanding ordinary shares on a fully diluted basis. Consummation of this tranche is subject to consummation of the second tranche as well as the commencement of the second phase of the Exclusive Lead Sharing and Distribution Agreement, and, provided certain other conditions are met, will be solely at Mazor's discretion, at a per-share price equal to the trailing 20-day volume weighted average price prior to Mazor's exercise of the option. Medtronic, at its sole discretion, may cap the third tranche at $20 million.

Competition

We believe that the principal competitive factors in our market include:

- the safety and efficacy of the procedure and product offerings, as documented through published studies and other clinical reports;
- product benefits, including the ability to offer spine surgeons a complete solution for posterior spinal procedures;

- the cost of product offerings and their clinical value within the economics of the procedure they are used in;
- the strength of acceptance and adoption by spine surgeons and hospitals;
- the ability to deliver new product offerings and enhanced technology to expand or improve upon existing applications through continued research and development;
- the quality of training, services and clinical support provided to surgeons and hospitals;
- the ability to provide proprietary products protected by strong intellectual property rights; and
- the ability to offer products that are intuitive and easy to learn and use.

Competitors

2016 has been a pivotal year in the field of spinal surgical guidance systems. Nowhere was this more evident than in the annual meeting of the North American Spine Society (NASS) which was held in Boston, Massachusetts, at the end of October, 2016. There were 5 companies displaying robotic systems in their booths. Zimmer Biomet Holdings Inc., presented the ROSA system which was developed by Medtech SA, which was acquired by Zimmer Biomet in July 2016. ROSA is both CE-marked and FDA-cleared for use in brain and lumbar spine surgeries. Globus Medical Inc. presented the Excelsius GPS system which they purchased from Excelsius Surgical LLC during 2014 and has since been in development. They have disclosed that they expect FDA clearance in the first half of 2017 for the Excelsius GPS system. Brainlab AG displayed a prototype robotic system for spine surgeries but did not disclose information about the development stage. Mazor Robotics presented for the first time the new Mazor X System, which captured significant attention from attendees. Medtronic also displayed a Mazor X system at their booth alongside an O-arm as marketing initiatives as part of the Medtronic Agreements.

The competitive exhibitors at NASS seem to be in the most advanced stages of commercialization, yet are not alone in the spine market. Several other companies are in various development phases of development. Two examples are TINAVI Medical Technologies Co., Ltd., a Beijing, China,-based medical device company, which offers surgical robotic systems to assist orthopedic surgeons in open and minimally invasive surgeries. The other is Switzerland-based medical device company, KB Medical, which announced their first clinical case with their AQrate robot.

Additional companies that could choose to enter this market include Stryker Corporation, potentially adapting the Mako system to spine surgeries, and Intuitive Surgical Inc. with its da Vinci system which has been used clinically for several specific spinal indications.

In previous years, Mazor considered the navigation systems, such as those offered by Medtronic, Stryker Corporation and Brainlab AG, as its main competitors. While these have gained relatively low market share in spine, these technologies have been gaining traction in recent years, especially due to the growing availability of 3-dimensional intra-operative imaging systems such as Medtronic's O-arm, which is conditional for these systems (as well as for the new robotic systems that have entered the market).

We believe that surgeons are likely to adopt robotic-based technologies for spine and brain surgeries and view this as the main competitive field for our products. Large, well-known companies, however, have the ability to acquire and/or develop robotic technologies that may compete with our products.

We intend to compete and drive increased adoption of our Renaissance and newly launched Mazor X systems based on their benefits, including the safety and efficacy of our procedure, the ability to expand or improve upon existing applications through continued research and development and the ability to offer products that are intuitive and easy to learn and use.

Several competitors and potential competitors have significantly greater resources, sales and distribution networks, and other advantages over Mazor's independent capability. However, the strategic partnership between us and Medtronic can provide a long-term ability to help meet these competitive challenges. Currently, we are still in the co-promotional U.S.-focused first phase of the commercial agreement with Medtronic and have yet to meet the requisite terms necessary to advance to the second phase of global distribution of the Mazor X system.

Regulatory Requirements of the U.S. Food and Drug Administration

Our research, development and clinical programs, as well as our manufacturing and marketing operations, are subject to extensive regulation in the United States and other countries. Most notably, all of our products sold in the U.S. are subject to regulation as medical devices under the FDCA, as implemented and enforced by the FDA. The FDA governs the following activities that we perform or that are performed on our behalf, to ensure that medical products we manufacture, promote and distribute domestically or export internationally are safe and effective for their intended uses:

- product design, preclinical and clinical development and manufacture;
- product premarket clearance and approval;
- product safety, testing, labeling, advertising, promotion and storage;
- record keeping procedures;
- product marketing, sales and distribution;
- quality system requirements;
- recalls and field safety corrective actions;
- post-market approval studies;
- product import and export; and
- post-marketing surveillance, complaint handling, medical device reporting, reporting of deaths, serious injuries or device malfunctions and repair or recall of products.

FDA Premarket Clearance and Approval Requirements

Unless an exemption applies, each medical device we wish to commercially distribute in the United States will require either premarket notification (510(k)) marketing clearance or approval of a PMA from the FDA. The FDA classifies medical devices into one of three classes. Class I devices, considered to have the lowest risk, are those for which safety and effectiveness can be assured by adherence to the FDA's general regulatory controls for medical devices, which include compliance with the applicable portions of the QSR, facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading labeling, advertising, and promotional materials (General Controls). Class II devices are subject to the FDA's General Controls, and any other special controls as deemed necessary by the FDA to ensure the safety and effectiveness of the device (Special Controls). Manufacturers of most class II and some class I devices are required to submit to the FDA a premarket notification under Section 510(k) of the FDCA requesting permission to commercially distribute the device. This process is generally known as 510(k) marketing clearance. Devices deemed by the FDA to pose the greatest risks, such as life sustaining, life supporting or some implantable devices, or devices that have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device, are placed in class III, requiring approval of a PMA.

510(k) Marketing Clearance Pathway

The 510(k) clearance process is the regulatory process applicable to our current, marketed products. To obtain 510(k) marketing clearance, we must submit a premarket notification demonstrating that the proposed device is "substantially equivalent" to a legally marketed "predicate device" that is either in class I or class II, or to a class III device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of a PMA. A Special 510(k) is an abbreviated 510(k) application which can be used to obtain clearance for certain types of device modification such as modifications that do not affect the intended use of the device or alter the device's fundamental scientific technology. A Special 510(k) generally requires less information and data than a complete, or Traditional 510(k). In addition, a Special 510(k) application often takes a shorter period of time, which could be as short as 30 days, than a Traditional 510(k) marketing clearance application. An abbreviated 510(k) is another type of 510(k) that is intended to streamline the review of data in a 510(k) through the reliance on one or more FDA-recognized consensus standards, special controls established by regulation, or FDA guidance documents. In most cases, an abbreviated 510(k) includes one or more declarations of conformity to an FDA-recognized consensus standard. The FDA's 510(k) marketing clearance pathway usually takes from three to twelve months, but may take significantly longer. The FDA may require additional information, including clinical data, to make a determination regarding substantial equivalence. There is no guarantee that the FDA will grant 510(k) marketing clearance for our future products and failure to obtain necessary clearances for our future products would adversely affect our ability to grow our business.

The FDA is currently considering proposals to reform its 510(k) marketing clearance process and such proposals could include increased requirements for clinical data and a longer review period. In response to industry and healthcare provider concerns regarding the predictability, consistency and rigor of the 510(k) regulatory pathway, the FDA initiated an evaluation of the 510(k) program, and in January 2011, announced several proposed actions intended to reform the review process governing the clearance of medical devices. The FDA intends these reform actions to improve the efficiency and transparency of the clearance process, as well as bolster patient safety. For example, in July 2011, the FDA issued a draft guidance document entitled "510 (k) Device Modifications: Deciding When to Submit a 510(k) for a Change to an Existing Device," which was intended to assist manufacturers in deciding whether to submit a new 510(k) for changes or modifications made to the manufacturer's previously cleared device. While this draft guidance was subsequently withdrawn, the FDA is expected to replace the 1997 guidance document on the same topic. As part of FDASIA, Congress reauthorized the Medical Device User Fee Amendments with various FDA performance goal commitments and enacted several "Medical Device Regulatory Improvements" and miscellaneous reforms which are further intended to clarify and improve medical device regulation both pre- and post-approval. One of these provisions obligates the FDA to prepare a report for Congress on the FDA's approach for determining when a new 510(k) will be required for modifications or changes to a previously cleared device. After submitting this report, the FDA is expected to issue revised guidance to assist device manufacturers in making this determination. Until then, manufacturers may continue to adhere to the FDA's 1997 guidance on this topic when making a determination as to whether or not a new 510(k) is required for a change or modification to a device, but the practical impact of the FDA's continuing scrutiny of these issues remains unclear. It is possible that any new guidance will make substantive changes to existing policy and practice regarding the assessment of whether a new 510(k) is required for changes or modifications to existing devices. Specifically, industry has interpreted the withdrawn draft guidance to take a more conservative approach in requiring a new 510(k) for certain changes or modifications to existing, cleared devices that might not have triggered a new 510(k) under the 1997 guidance. We cannot predict which of the 510(k) marketing clearance reforms currently being discussed and/or proposed might be enacted, finalized or implemented by the FDA and whether the FDA will propose additional modifications to the regulations governing medical devices in the future. Any such modification could have a material adverse effect on our ability to commercialize our products.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device receives 510(k) marketing clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a new or major change in its intended use, will require a new 510(k) marketing clearance or, depending on the modification, PMA approval. The FDA requires each manufacturer to determine whether the proposed changes requires submission of a 510(k) or a PMA, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) marketing clearance or PMA approval is obtained. Also, in these circumstances, we may be subject to significant regulatory fines or penalties. We have made and plan to continue to make additional product enhancements to the Renaissance system and Mazor X system and other products that we believe do not require new 510(k) marketing clearances. We cannot be assured that the FDA would agree with any of our decisions not to seek 510(k) marketing clearance or PMA approval.

For risks related to 510(k) marketing clearance, see "Item 3. Key Information – D. Risk Factors – Risks Related to Regulatory Compliance."

PMA Approval Pathway

A PMA must be submitted to the FDA if the device cannot be cleared through the 510(k) process or is class III (although the FDA has discretion to continue to allow certain pre-amendment class III devices to use the 510(k) process). A PMA must generally be supported by, among other things, extensive data, including, but not limited to, technical, preclinical and clinical data, and manufacturing and labeling information, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device for its intended use. After a pre-market approval application is submitted and filed, the FDA begins an in-depth review of the submitted information, which typically takes between one and three years, but may take significantly longer. Also, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide responses to specific questions that the FDA asks of them related to the supportive data and approvability of the device. The FDA may or may not accept the panel's responses. In addition, the FDA will generally conduct a pre-approval inspection of the applicant or its third-party manufacturers' or suppliers' manufacturing facility or facilities to ensure compliance with the QSR. The FDA may also conduct a Bioresearch Monitoring Program, or BIMO inspection of the Sponsor and/or Contract Research Organization, or CRO and/or the clinical facilities involved in the clinical study supporting the PMA.

New PMAs or PMA supplements are required for modifications that affect the safety or effectiveness of the device, including, for example, certain types of modifications to the device's indication for use, manufacturing process, labeling and design. PMA supplements often require submission of the same type of information as a PMA, except that the supplement is limited to information needed to support any changes from the device covered by the original PMA and may not require as extensive clinical data or the convening of an advisory panel. None of our products are currently approved under a PMA approval. However, we may in the future develop devices which will require the approval of a PMA. There is no guarantee that the FDA will grant PMA approval of our future products and failure to obtain necessary approvals for our future products would adversely affect our ability to grow our business.

The Food and Drug Administration Modernization Act of 1997 added the "De Novo" classification option as an alternative pathway to classify new devices that had automatically been placed in Class III due to the lack of a predicate device. The De Novo process applies to low and moderate risk devices that have been classified as Class III, because they were found not substantially equivalent to existing devices. At this time, we do not intend to use the De Novo process but, if we do for any future modifications that might otherwise require a PMA, there is no guarantee it will be successful and we could be required to submit a PMA.

Clinical Trials

Clinical trials are generally required to support a PMA application and are sometimes required for 510(k) marketing clearance. Such trials generally require submission of an investigational device exemption application, or IDE, to the FDA for a specified number of patients and study sites, unless the product is deemed a non-significant risk device eligible for more abbreviated IDE requirements. A significant risk device is one that presents a potential for serious risk to the health, safety or welfare of a patient and either is implanted, used in supporting or sustaining human life, substantially important in diagnosing, curing, mitigating or treating disease or otherwise preventing impairment of human health, or otherwise presents a potential for serious risk to a subject. If an IDE is required, the FDA will review the submission and it must be approved, and the appropriate institutional review boards, or IRBs, at the clinical sites must approve the study, before clinical trials may begin. Clinical trials are subject to extensive monitoring, recordkeeping and reporting requirements. Clinical trials must be conducted under the oversight of an IRB, for the relevant clinical trial sites and must comply with FDA regulations, including but not limited to those relating to good clinical practices. To conduct a clinical trial, we are also required to obtain the patient's informed consent in form and substance that complies with both FDA requirements and state and federal privacy and human subject protection regulations. We, the FDA or the IRB could suspend or terminate a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits. Even if a trial is completed, the results of clinical testing may not adequately demonstrate the safety and efficacy of the device or may otherwise not be sufficient to obtain FDA clearance or approval to market the product in the United States. Similarly, in Europe the clinical study must be approved by a local ethics committee and in some cases, including studies with high-risk devices, by the ministry of health in the applicable country.

Post-Market Studies

To date, none of our submissions to the FDA has required the submission of clinical data and all of our clinical studies to date have been post-market studies.

Pervasive and Continuing Regulation

After a device is placed on the market, numerous regulatory requirements continue to apply. These include:

- product listing and establishment registration;
- QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;
- clearance or approval of product modifications that could significantly affect safety or efficacy or that would constitute a major change in intended use of one of our cleared devices;
- post-approval restrictions or conditions, including post-approval study commitments;
- post-market surveillance regulations, including MDR requirements, which require that we report to the FDA any incident in which our products may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury;
- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations; and
- notices of corrections or removals.

We must also obtain all necessary state permits or licenses to operate our business. As a manufacturer, we are subject to announced and unannounced inspections by the FDA to determine our compliance with FDA's QSR and other regulations.

Failure to comply with applicable regulatory requirements, including delays in or failures to report incidents to the FDA as required under the MDR regulations, can result in enforcement action by the FDA, which may include any of the following sanctions:

- warning letters, untitled letters fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, administrative detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;
- withdrawing 510(k) marketing clearances or PMA approvals that have already been granted;
- refusal to grant export approval for our products; or
- criminal prosecution.

We cannot be assured that we have adequately complied with all regulatory requirements or that one or more of the referenced sanctions will not be applied to us as a result of a failure to comply.

Marketing Approvals Outside the United States

Sales of medical devices outside the United States are subject to foreign government regulations, which vary substantially from country to country. The time required to obtain approval by a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ.

In the European Economic Area, or the EEA (which is comprised of the 28 Member States of the EU plus Norway, Iceland and Liechtenstein), medical devices must comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC). Other countries, such as Switzerland and Turkey, have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices compliance with the essential requirements of the EU Medical Devices Directive, as a prerequisite to be able to affix the CE mark of conformity, without which medical devices cannot be marketed or sold in these countries. To demonstrate compliance with the essential requirements medical devices manufacturers must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements, a conformity assessment procedure requires the intervention of a Notified Body, a third party organization designated by competent authorities of an EEA country to conduct conformity assessments. The Notified Body would typically audit and examine the products' Technical File and the quality system for the manufacture, design and final inspection of the devices before issuing a CE Certificate of Conformity demonstrating compliance with the relevant essential requirements of the Medical Devices Directive. In addition, compliance with ISO 13845 on quality systems issued by the International Organization for Standards, among other standards, establishes the presumption of conformity with the quality management system requirements of the Medical Devices Directive. In addition, many countries apply requirements in their reimbursement, pricing or health care systems that affect companies' ability to market products.

Health Care Laws and Regulations

Third-Party Coverage and Reimbursement

In the United States and elsewhere, health care providers that perform surgical procedures using medical devices such as ours generally rely on third-party payors, including governmental payors such as Medicare and Medicaid and private payors, to cover and reimburse the associated medical and surgical costs. Consequently, sales of medical devices are dependent in part on the availability of reimbursement to the customer from third-party payors. The manner in which reimbursement is sought and obtained varies based upon the type of payor involved and the setting in which the product is furnished and utilized. In general, third-party payors will provide coverage and reimbursement for medically reasonable and necessary procedures and tests that utilize medical devices and may provide separate payments for the implanted or disposable devices themselves. Most payors, however, will not pay separately for capital equipment, such as for our Surgical Guidance Systems. Instead, payment for the cost of using the capital equipment is considered to be covered as part of payments received for performing the procedure. In determining payment rates, third-party payors are increasingly scrutinizing the prices charged for medical products and services in comparison to other therapies. The procedures in which our products are used may not be reimbursed by these third-party payors at rates sufficient to allow us to sell our products on a competitive and profitable basis.

In addition, in many foreign markets, including the countries in the European Union, pricing of medical devices is subject to governmental control. In the United States, there have been, and we expect that there will continue to be, a number of federal and state proposals to limit payments by governmental payors for medical devices, and the procedures in which medical devices are used.

In March 2010, comprehensive health care reform legislation was enacted through the passage of PPACA. Significant measures contained in the PPACA include initiatives to revise Medicare payment methodologies, initiatives to promote quality indicators in payment methodologies (including the bundling of hospital and physician payments), initiatives related to the coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, and annual reporting requirements related to payments to physicians and teaching hospitals. At this time it is not possible to predict whether these initiatives will have a positive or negative impact on us. The PPACA also includes new taxes impacting certain health-related industries, including medical device manufacturers. Beginning in 2013, each medical device manufacturer or importer is required to pay an excise tax (or sales tax) in an amount equal to 2.3% of the price for which such manufacturer sells its medical devices. This excise tax applies to our medical devices. However, the Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, includes a two year moratorium on the medical device excise tax. Thus, the medical device excise tax does not apply to the sale of a taxable medical device by the manufacturer, producer, or importer of the device during the period beginning on January 1, 2016, and ending on December 31, 2017. Absent further congressional action, the excise tax will be reinstated for medical device sales beginning January 1, 2018.

In addition to PPACA, various healthcare reform proposals have also emerged at the state level. We cannot predict whether future healthcare initiatives will be implemented at the federal or state level or internationally, or the effect any future legislation or regulation will have on us. The taxes imposed by the PPACA and the expansion in government's role in the U.S. healthcare industry may result in decreased profits to us, lower reimbursements by payors for our products, and reduced medical procedure volumes, all of which may adversely affect our business, financial condition and results of operations, possibly materially.

Medicare and Medicaid

The Medicare program is a federal health benefit program administered by the CMS, that covers and pays for certain medical care items and services for eligible elderly (age>65), blind and disabled individuals, and individuals with end stage renal disease. The Medicaid program is a federal-state partnership under which states receive matching federal payments to fund healthcare services for the poor. Because about 40% of patients undergoing spine surgery are Medicare beneficiaries, and because some private commercial health insurers and some state Medicaid programs may follow the coverage and payment policies for Medicare, Medicare's coverage and payment policies are significant to our business.

Medicare coverage for procedures using our technology currently exists in the hospital inpatient setting, which falls under Part A of the Medicare program. Under Medicare Part A, Medicare reimburses acute care hospitals a flat prospectively determined payment amount for beneficiaries receiving covered inpatient services in an acute care hospital. This method of payment is known as the PPS. Under PPS, the prospective payment for a patient's stay in an acute care hospital is determined by the patient's condition and other patient data and procedures performed during the inpatient stay using a classification system known as DRGs. CMS has implemented a revised version of the DRG system that uses MS-DRGs, instead of the DRGs Medicare previously used. The MS-DRGs are intended to more accurately account for the patient's severity of illness when assigning each patient's stay to a payment classification. Medicare pays a fixed amount to the hospital based on the MS-DRG into which the patient's stay is classified, regardless of the actual cost to the hospital of furnishing the procedures, items and services that the patient's condition requires, except under limited circumstances. Accordingly, acute care hospitals generally do not receive direct Medicare reimbursement under PPS for the specific costs incurred in purchasing medical devices. Rather, reimbursement for these costs is deemed to be included within the MS-DRG based payments made to hospitals for the services furnished to Medicare eligible inpatients in which the devices are utilized. For cases involving unusually high costs, a hospital may receive additional "outlier" payments above the pre-determined amount. In addition, there is a mechanism by which new technology services can apply to Medicare for additional payments above the pre-determined amount, although such requests have not been granted frequently.

Because PPS payments are based on predetermined rates and may be less than a hospital's actual costs in furnishing care, acute care hospitals have incentives to lower their inpatient operating costs by utilizing products, devices and supplies that will reduce the length of inpatient stays, decrease labor or otherwise lower their costs. For each MS-DRG, a relative weight is calculated representing the average resources required to care for cases grouped in that particular MS-DRG relative to the average resources used to treat cases in all MS-DRGs. MS-DRG relative weights are recalculated every year to reflect changes in technology and medical practice in a budget neutral manner. Under the MS-DRG payment system, there can be significant delays in obtaining adequate reimbursement amounts for hospitals for new technologies such that reimbursement may be insufficient to permit broad acceptance by hospitals.

Our Surgical Guidance Systems are usually used in the inpatient setting in spinal fusion procedures which are considered standard-of-care for several diseases. Our Surgical Guidance Systems are employed in several other spine surgeries (e.g., spinal biopsy, cement augmentations), all of which are well established treatments for specified spinal diseases. We anticipate that Medicare will continue to reimburse hospitals for spinal fusions using our Surgical Guidance Systems, but CMS can revise MS-DRG assignments from year to year.

In addition to payments to hospitals for procedures using our technology, Medicare makes separate payments to physicians for their professional services. The American Medical Association, or AMA, has developed a coding system known as the Current Procedural Terminology, or CPT, codes, which have been adopted by the Medicare program to describe and develop payment amounts for certain physician services. The Medicare Physician Fee Schedule uses CPT codes (and other codes) as part of the determination of allowable payment amounts to physicians. In determining appropriate payment amounts for surgeons, CMS receives guidance from the AMA regarding the relative technical skill level, level of resources used, and complexity of a new surgical procedure. Generally, the FDA approval of a new product is necessary, but not necessarily sufficient, for the designation of a new procedure code for a new surgical procedure using that product. Codes are assigned by either the AMA (for CPT codes) or CMS (for Medicare specific codes) and new codes usually become effective on January 1st of each year. Physicians placing pedicle screws in posterior spinal fixation procedures submit bills under various CPT codes. These codes are separate from the arthrodesis codes (for the fusion procedure) and other intraoperative procedures such as bone grafting.

Commercial Insurers

In addition to the Medicare program, many private payors look to CMS policies as a guideline in setting their coverage policies and payment amounts. The current coverage policies of these private payors may differ from the Medicare program, and the payment rates they make may be higher, lower, or the same as the Medicare program. A decrease of, or limitation on, reimbursement payments for doctors and hospitals by CMS or other agencies may affect coverage and reimbursement determinations by many private payors. Additionally, some private payors do not follow the Medicare guidelines, and those payors may reimburse only a portion of the costs associated with the use of our products, or not at all.

Fraud and Abuse Laws

Because of the significant federal funding involved in Medicare and Medicaid, Congress and the states have enacted, and actively enforce, a number of laws whose purpose is to eliminate fraud and abuse in federal health care programs. Our business is subject to compliance with these laws.

Anti-Kickback Statutes and Federal False Claims Act

The federal healthcare programs' Anti-Kickback Statute prohibits persons from soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made under a federal healthcare program such as Medicare or Medicaid. The definition of "remuneration" has been broadly interpreted to include anything of value, including for example gifts, certain discounts, the furnishing of free supplies, equipment or services, credit arrangements, payments of cash and waivers of payments. The PPACA amended the intent requirement of the Anti-Kickback Statute. A person or entity no longer needs to have actual knowledge of the Anti-Kickback Statute or specific intent in order to violate it. Penalties for violations include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act or federal civil money penalties statute, discussed in more detail below.

The Anti-Kickback Statute is broad and prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Recognizing that the Anti-Kickback Statute is broad and may technically prohibit many innocuous or beneficial arrangements, Congress authorized the Office of Inspector General of the U.S. Department of Health and Human Services, or OIG, to issue a series of regulations, known as "safe harbors." These safe harbors, issued by the OIG beginning in July 1991, set forth provisions that, if all their applicable requirements are met, will assure healthcare providers and other parties that they will not be prosecuted under the Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor may result in increased scrutiny by government enforcement authorities such as the OIG.

Many states have adopted laws similar to the Anti-Kickback Statute. Some of these state prohibitions apply to referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs.

Government officials have focused their enforcement efforts on marketing of healthcare services and products, among other activities, and recently have brought cases against companies, and certain sales, marketing and executive personnel, for allegedly offering unlawful inducements to potential or existing customers in an attempt to procure their business.

Another development affecting the healthcare industry is the increased use of the federal Civil False Claims Act and, in particular, actions brought pursuant to the False Claims Act's "whistleblower" or "qui tam" provisions. The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal healthcare program. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In recent years, the number of suits brought against healthcare providers by private individuals has increased dramatically. In addition, various states have enacted false claim laws analogous to the Civil False Claims Act, although many of these state laws apply where a claim is submitted to any third-party payor and not merely a federal healthcare program.

When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties from $5,500 to $11,000 for each separate false claim. There are many potential bases for liability under the False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. The False Claims Act has been used to assert liability on the basis of inadequate care, kickbacks and other improper referrals, and improper use of Medicare numbers when detailing the provider of services, in addition to the more predictable allegations as to misrepresentations with respect to the services rendered. In addition, companies have been prosecuted under the False Claims Act in connection with alleged off-label promotion of products. Our future activities relating to the reporting of wholesale or estimated retail prices for our products, the reporting of discount and rebate information and other information affecting federal, state and third-party reimbursement of our products, and the sale and marketing of our products, may be subject to scrutiny under these laws.

Additionally, several bills have been passed or are pending, at both the state and federal levels that expand the anti-kickback laws to require, among other things, extensive tracking and maintenance of databases regarding relationships to physicians and healthcare providers. The PPACA imposes new reporting and disclosure requirements on device manufacturers for any "transfer of value" made or distributed to physicians and teaching hospitals, otherwise known as the Sunshine Act. Device manufacturers were required to begin collecting data on August 1, 2013, register with CMS by March 31, 2014 and are required to submit certain reports to CMS disclosing payments and transfers of value made to physicians and teaching hospitals in the preceding calendar year on or before the 90th day of each calendar year.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians. Some states, such as California, Massachusetts and Nevada, mandate implementation of commercial compliance programs, while certain states, such as Massachusetts and Vermont, impose restrictions on device manufacturer marketing practices and tracking and reporting of gifts, compensation and other remuneration to physicians. The implementation of the infrastructure to comply with these bills and regulations could be costly and any failure to provide the required information may result in civil monetary penalties.

We believe our current consulting agreements with physicians represent legitimate compensation for needed documented services actually furnished to us. However, engagement of physician consultants by orthopedic medical device manufacturers has recently been subject to heightened scrutiny, and has resulted in four of the major orthopedic medical device implant manufacturers entering deferred prosecution agreements with the federal government and agreeing to pay substantial amounts to the federal government in settlement of Anti-Kickback Statute allegations, and all such companies submitting to supervision by a court appointed monitor throughout the term of the eighteen month agreements. In this environment, our engagement of physician consultants in product development and product training and education could subject us to similar scrutiny. We are unable to predict whether we would be subject to actions under the Anti-Kickback Statute or False Claims Act or any similar state law, or the impact of such actions.

It is possible that regulatory agencies may view our physician and customer arrangements as prohibited arrangements that must be restructured, or discontinued, or for which we could be subject to other significant penalties. We would be materially and adversely affected if regulatory agencies interpret our financial relationships with spine surgeons, hospitals or other customers who order our products to be in violation of applicable laws. In addition, various agencies may view these arrangements with our customers, including the provision of marketing grants to customers for the purposes of training surgeons and the provision of accessories at no charge or discounted prices with the purchase of our Surgical Guidance Systems, as not fully complying with federal and state fraud and abuse laws. To the extent we are found to not be in compliance, we could face potentially significant fines and penalties in addition to other more significant sanctions and we may be required to restructure our operations. This could subject us to monetary penalties for non-compliance, the cost of which could be substantial. The costs of defending such claims, as well as any sanctions imposed or negative public perceptions resulting therefrom could have a material adverse effect on our financial performance.

HIPAA and Other Fraud and Privacy Regulations

Among other things, HIPAA created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The HIPAA health care fraud statute prohibits, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment and/or exclusion from government sponsored programs. The HIPAA false statements statute prohibits, among other things, knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines and/or imprisonment.

In addition to creating the two new federal healthcare crimes, regulations implementing HIPAA also establish uniform standards governing the conduct of certain electronic healthcare transactions and protecting the security and privacy of individually identifiable health information maintained or transmitted by healthcare providers, health plans and healthcare clearinghouses, which are referred to as "covered entities." Three standards have been promulgated under HIPAA's regulations: the Standards for Privacy of Individually Identifiable Health Information, which restrict the use and disclosure of certain individually identifiable health information, the Standards for Electronic Transactions, which establish standards for common healthcare transactions, such as claims information, plan eligibility, payment information and the use of electronic signatures, and the Security Standards, which require covered entities to implement and maintain certain security measures to safeguard certain electronic health information, including the adoption of administrative, physical and technical safeguards to protect such information.

In 2009, Congress passed the American Recovery and Reinvestment Act of 2009, or ARRA, which included sweeping changes to HIPAA, including an expansion of HIPAA's privacy and security standards. ARRA includes HITECH, which, among other things, made HIPAA's privacy and security standards directly applicable to "business associates" of covered entities effective February 17, 2010. A business associate is a person or entity that performs certain functions or activities on behalf of a covered entity that involve the use or disclosure of protected health information in connection with recognized health care operations activities. As a result, business associates are now subject to significant civil and criminal penalties for failure to comply with applicable standards. Moreover, HITECH creates a new requirement to report certain breaches of unsecured, individually identifiable health information and imposes penalties on entities that fail to do so. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions. The final omnibus rule modifies the breach reporting standard in a manner that will likely make more data security incidents qualify as reportable breaches. We believe that we are neither a covered entity nor, as of February 17, 2010, a business associate of our hospital customers. As such, we believe that we are not directly subject to these HIPAA standards; however, there is no guarantee that the government will agree with our determination. If the government determines that we are a business associate, we could be subject to enforcement measures, including civil and criminal penalties and fines for violations of the privacy or security standards. For the purpose of avoiding risk associated with our exposure to individually identifiable health information, we have voluntarily adopted and trained our personnel on an internal policy addressing the fundamentals of HIPAA compliance. While the government intended this legislation to reduce administrative expenses and burdens for the healthcare industry, our compliance with certain provisions of these standards entails significant costs for us.

In addition to federal regulations issued under HIPAA, some states have enacted privacy and security statutes or regulations that, in some cases, are more stringent than those issued under HIPAA. In those cases, it may be necessary to modify our planned operations and procedures to comply with the more stringent state laws. If we fail to comply with applicable state laws and regulations, we could be subject to additional sanctions.

Anti-Bribery Laws

Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions and could expose us or our employees to fines and penalties in the U.S. and abroad. These numerous and sometimes conflicting laws and regulations include the FCPA. The FCPA prohibits U.S. companies, companies whose securities are listed for trading in the United States and other entities, and their officers, directors, employees, shareholders acting on their behalf and agents from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaining favorable treatment. The FCPA also requires companies to maintain records that fairly and accurately reflect transactions and maintain internal accounting controls. In many countries, hospitals are government-owned and healthcare professionals employed by such hospitals, with whom we regularly interact, may meet the definition of a foreign official for purposes of the FCPA. Additionally, recently enacted U.S. legislation increases the monetary reward available to whistleblowers who report violations of federal securities laws, including the FCPA, which may result in increased scrutiny and allegations of violations of these laws and regulations. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business, and damage to our reputation.

Manufacturing and Assembly

Our Surgical Guidance Systems includes off-the-shelf and custom made components produced to our specifications by various third parties. We purchase from a number of suppliers major components of the Mazor X and Renaissance system. For the Mazor X system we, or our subcontractors, purchase the computer hardware, the controllers, the screen, system console, the molded plastic housing and machined metal parts, and the various electro-mechanical components that support the Mazor X System. For the Renaissance system, we purchase the computer hardware, the RBT Device and its controllers, the screen, system console, the molded fiberglass housing and machined metal parts, and the various electro-mechanical components that support the Renaissance system. We internally develop the software components and license certain software components that are generally available for commercial use as open source software.

We outsource manufacturing of the Mazor X System and the Renaissance System, as well as most of the product's sub-assemblies which are assembled by subcontractors according to work plans and designs prepared by us. We believe that outsourcing allows us to carry lower inventory levels and maintain fixed unit costs with minimal infrastructure and without incurring significant capital expenditures and rely on the economy of scale of the subcontractors. We have non-disclosure agreements with our subcontractors. The manufacturing plan is based on our sales forecast, and we believe that at this stage, by using our current subcontractors, we are able to meet demand level and increase production quantities if necessary.

We believe that our subcontractors' manufacturing processes are in compliance with pertinent U.S. and/or international quality and safety standards, such as ISO 9001, ISO 13485, or the FDA's QSR.

We conduct in-house prototype development and present detailed manufacturing documentation to our subcontractors, who then purchase most of the necessary components and manufacture the product or subassemblies. These manufacturing subcontractors provide us fully assembled, or "turn-key," services.

We control and monitor the quality of our products by testing each product and through extensive involvement in the production process in house and at the facilities of our subcontractors. To the best of our knowledge, our subcontractors have no significant manufacturing limitation in reference to our manufacturing needs.

As of the date hereof, six of our subcontractors are single sources subcontractors. Replacement of two of these single source subcontractors may take between three to four months, while replacement of the other four single source subcontractors may take between six to eight months. One of these key supplier single source subcontractors is MPS Micro Precision Systems AG, manufacturer of the RBT Device for the Renaissance. Due to their nature, certain components must be ordered up to six months in advance, resulting in substantial lead time for certain production runs. In the event that such limited source suppliers are unable to meet our requirements in a timely manner, we may experience an interruption in production until we can obtain an alternate source of supply. See "Item 3. Key Information - D. Risk Factors - Risks Related to Our Business - Our reliance on third-party suppliers, including single source suppliers, for most of the components of the Mazor X and certain components of the Renaissance could harm our ability to meet demand for our products in a timely and cost effective manner." In order to mitigate this risk, we provide our suppliers with blanket purchase orders and a three to nine month estimate of future orders. In addition, our agreements with such single source subcontractors provide, among other things, that should the subcontractor wish to terminate our agreement, it must provide us with a long prior notice with respect thereof. We engaged with Sanmina - SCI Israel Medical Systems Ltd., or Sanmina, during 2014.

Starting in 2016, Sanmina is our main subcontractor for the manufacturing of the Mazor X. With respect to Sanmina, our agreement requires a prior notice of nine months for termination by Sanmina and 30 days by Mazor. Furthermore, to mitigate the risk of loss of our suppliers, we constantly hold safety inventory stock of complete units of the Mazor X System and the Renaissance system.

C. Organizational Structure

We currently have two wholly owned subsidiaries: Mazor Robotics, Inc., which is incorporated in Delaware, United States and Mazor Robotics Pte. Ltd., which is incorporated in Singapore.

D. Property, Plant and Equipment

Our offices and research and development facility are located at 5 Shacham Street, North Industrial Park, Caesarea 3088900, Israel, where we occupy approximately 3,123 square meters. We lease this facility, and our lease ends on June 30, 2021 and we have an option to extend the lease term for an additional five years. Our monthly rent payment pursuant to the lease for our offices and research and development facility as of December 31, 2016 was NIS 180,000 linked to the Israeli CPI (approximately $45,000).

Our U.S. headquarters are located in Orlando, Florida, where we occupy approximately 6,445 square feet. We lease our U.S. headquarters, and this lease ends in April 2018. We have a right to renew the lease until December 31, 2018. Our monthly rent payment pursuant to the lease for our U.S. headquarters as of December 31, 2016 is $12,911 and will be updated to $13,299 starting May 1, 2017.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in this annual report. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to inaccurate assumptions and known or unknown risks and uncertainties, including those identified in "Cautionary Note Regarding Forward-Looking Statements" and in "Item 3. Key Information - D. Risk Factors".

A. Operating Results

Overview

We are a medical device company developing and marketing innovative surgical guidance systems and complementary products. Our expertise is in robotic, computerized and imaging-based systems, primarily in the field of spine surgery. Our Surgical Guidance Systems enable surgeons to advance from freehand surgical procedures to accurate, state-of-the-art, precision guided procedures. Our FDA-cleared and CE-marked Renaissance system is used in multiple types of spine surgeries, whether open or minimally invasive, for a variety of clinical indications. Our Renaissance system and its predecessor have been used in over 24,000 spine surgeries, including fusion, correction of spinal deformities, biopsy collection, tumor excision and cement augmentations. Our Renaissance system has the ability to improve clinical outcomes for patients, may provide a safer surgical environment for surgeons and operating room staff by reducing exposure to radiation, and deliver economic value to hospitals and payors. In October 2016, we commercially launched the FDA-cleared Mazor X system, and to date the Mazor X system was used for over 300 surgeries.

We have incurred net losses in each year since our inception in 2000 and, as of December 31, 2016, we had an accumulated deficit of $121,860,000. We expect to continue to incur significant operating losses as we increase our sales and marketing activities associated with the growing commercialization of our Surgical Guidance Systems in the United States, Europe, Asia and Australia, and otherwise continue to invest capital in the development and expansion of our products and our business generally. We also expect our research and development expenses to increase as we continue to expand our research and development activities, including the support of existing products and the research and development of potential future products. We also intend to continue to research and publish the clinical value proposition of the Renaissance system. In the event that we will enter into the second phase of the Medtronic Agreements we expect to have a significant reduction in our sales and marketing activities as Medtronic will assume full global responsibility to market and sell the Mazor X system for spine surgery.

Recent business events and key milestones in the development of our business include the following:

- a significant increase of our installed base globally, with over 140 systems, including over 90 systems installed in the United States, as of December 31, 2016. During the year ended December 31, 2016, we received record orders for 62 systems, including in the United States, 30 Mazor X systems – of which, 15 systems were ordered by Medtronic, 17 Renaissance systems, and 4 Mazor X trade-in orders from customers that previously purchased Renaissance. In the international market we received orders for 11 systems from our distribution partners in Australia, China, Thailand, Italy and Germany.

- retain high utilization rates, as the annual average number of procedures for U.S. installed systems in use for more than 12 months was 80 procedures per system.
- signing a Lead Sharing and Distribution Agreement and Share Purchase Agreement with Medtronic, following which we received a purchase order for 15 Mazor X Systems, as mentioned above.
- issuing 1,958,684 ADRs (equivalent of 3,917,368 ordinary shares, NIS 0.01 par value) for total consideration of $31.9 million, as part of the Share Purchase Agreement with Medtronic.
- commercially launching the Mazor X system on October 26, 2016 at the North American Spine Society (NASS) annual meeting.

We believe that the key to the continuing growth of our business is expanding the acceptance of our Surgical Guidance Systems for both spinal and brain surgery, and introducing other potential future applications.

Critical Accounting Policies and Significant Judgments and Estimates

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

The accounting estimates used in the preparation of our financial statements require management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any affected future periods.

Our significant accounting policies are more fully described in Note 3 to our consolidated financial statements as of December 31, 2016 included elsewhere in this annual report. However, certain of our accounting policies are particularly important to the description of our financial position and results of operations. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Those estimates are based on our historical experience, the terms of existing contracts, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. These estimates are subject to an inherent degree of uncertainty. Our critical accounting policies include:

Revenue Recognition

Revenue is generated from three main components: (1) sales of our Surgical Guidance Systems, including installation services and training; (2) sales of disposable components and accessories; and (3) warranty and maintenance services related to the systems sold, which includes replacement parts, software updates, preventive maintenance and on-call support as detailed in the agreement.

The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item. We usually determine the fair value of the warranty and maintenance services component based on the renewal quote offered in the agreement. Warranties granted to customers are considered an additional element in the sale of the system, because they include training, service, the provision of spare parts, telephone support, on-site support and a positive representation that the product will either perform according to certain specifications or that we will repair or replace the product if it ceases to work properly. Therefore, we consider such warranty as a separate element of the system sale.

We recognize revenue from the above mentioned components in accordance with International Accounting Standards No. 18, "Revenue", including provisions related to recognition of revenue from multiple-component transactions, when the significant risks and rewards of ownership of the goods transferred to the customer; it is probable that the economic benefits associated with the transaction will flow to us; the costs incurred or to be incurred in respect of the transaction can be measured reliably; we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and the amount of revenue can be measured reliably.

The revenue from sales of systems is recognized at the time of transfer of the significant risks and rewards of ownership as follows:

- sales to end customers - Upon the completion of installation of the system, training of at least one surgeon, which typically occurs prior to or concurrent with the system installation, and customer acceptance, if required.

- sales to distributors - Upon delivery to the distributor, provided that the significant risks and rewards of ownership of the system are transferred to the distributor upon delivery, the distributor has no right of return, receipt of the consideration is probable and not dependent on the distributor's ability to collect from the end customer, the commitment to carry out installation and training for the end customer lies with the distributor and that the distributor has been authorized to perform the installation and training for the end customers. If the above conditions are not met, we recognize revenue at the time of fulfillment of the conditions for recognition of revenue from the end customer.

Revenue from the disposable components sales is recognized at the time of the transfer of the significant risks and rewards of ownership as follows:

- in sales to end customers - Upon delivery.

- in sales to distributors - Upon delivery to the distributor, provided that the significant risks and rewards of ownership of the components are transferred to the distributor upon delivery, the distributor has no right of return and that the receipt of the consideration is probable and not dependent on the distributor's ability to collect from the end customer.

Revenue from warranty and maintenance services is recognized proportionately over the period of rendering of the service and subject to the other conditions for revenue recognition specified above.

For system sales, where a commitment for future trade-in exists, we examine whether the transaction meets all revenue recognition criteria. If one or more of the revenue recognition criteria are not met, revenue is deferred and the system is presented in inventory until the earliest of trade-in commitment is fulfilled, or trade-in option expire.

In rare circumstances, we may bill a customer for a product and retain physical possession of the product until it is transferred to the customer at a point in time in the future. If such delivery is delayed at the customer’s request and the customer assumes title and accepts billing, revenue is recognized when the buyer takes title, provided that:

- it is probable that the delivery will be made;
- the item is on hand, identified and ready for delivery to the customer at the time the sale is recognized;
- the customer specifically acknowledges the deferred delivery instructions, and
- the usual payment terms apply.

Functional Currency

The consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency.

Share-Based Compensation

We account for share-based compensation arrangements in accordance with the provisions of International Financial Reporting Standard 2, or IFRS2. IFRS2 requires us to recognize share-based compensation expense for awards of equity instruments based on the grant-date fair value of those awards. The cost is recognized as compensation expense, based upon the grant-date fair value of the equity or liability instruments issued. The fair value of our option grants is computed as of the grant date based on the binominal model, using the standard parameters established in that model including estimates relating to the share price on the measurement date, exercise price of the instrument, expected volatility (based on the historical volatility), the expected life span of the options, and the risk-free interest rate (based on government debentures). As our stock is publicly traded on the TASE, we do not need to estimate the fair market value of our shares. Rather, we use the actual closing market price of our ordinary shares on the date of grant, as reported by the TASE. The value of the transactions, measured as described above, is recognized as an expense over the vesting period. When award grant have graded-vesting feature, each installment of the awards is separately measured and the expenses are recognized over the related vesting period.

Capitalization of Development Costs

We capitalize development expenditure in accordance with International Accounting Standard No. 38 "Intangible Assets", or IAS 38, only if development costs can be measured reliably; the product or process is technically and commercially feasible; future economic benefits are probable and we intend to and have sufficient resources to complete development and to use or sell the asset.

We capitalize development costs based on our judgment regarding technological and economic feasibility, which generally exists when a product development project reaches a defined milestone, or when we enter into a transaction to sell the know-how that was derived from the development. In regards to our products, technological feasibility usually occur only after the receipt of approval from the FDA.

Inventory Valuation

Inventory is measured at the lower of cost and net realizable value. Inventory costs include direct materials and direct labor. We review our inventory periodically to determine net realizable value and the necessity of provisions for obsolescence, which may result from excess, slow-moving or obsolete inventories. We write down inventory, if required, based on forecasted demand and technological obsolescence. These factors are impacted by market and economic conditions, technology changes and new product introductions and require estimates that may include uncertain elements.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process requires us to estimate our actual current tax exposures and make an assessment of temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities. Changes to these estimates may result in a significant increase or decrease to our tax provision in the current or subsequent period.

We recognize deferred tax assets for unused tax losses, tax benefits, and deductible temporary differences to the extent that it is probable that future taxable income will be available against which that can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Company will have to use its economic resources to pay the obligation.

The calculation of our tax liabilities or reduction in deferred tax asset involves dealing with uncertainties in the application of complex tax regulations and estimates of future taxable income in different geographical jurisdictions. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a periodical basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effective settlement of audit issues, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

Results of Operations

Comparison of year ended December 31, 2016 and year ended December 31, 2015

Revenue

The following table presents our total revenues by geographic area and by line of product for the fiscal years indicated (in thousands of U.S. dollars and as a percentage of total revenues):

	For the Year Ended December 31,			
	2016		2015	
United States	$ 30,716	84%	$ 20,271	78%
International	$ 5,663	16%	$ 5,825	22%
Total	$ 36,379	100%	$ 26,096	100%

	2016		2015	
Systems	$ 19,624	54%	$ 13,373	51%
Sale of disposables	$ 10,295	28%	$ 7,648	29%
Services and other	$ 6,460	18%	$ 5,075	20%
Total	$ 36,379	100%	$ 26,096	100%

Total revenue was $36,379,000 for the year ended December 31, 2016, compared to $26,096,000 for the year ended December 31, 2015. The increase in revenue of $10,283,000, or 39%, was due to a $6,251,000, or 47%, increase in sales of systems, a $2,647,000, or 35%, increase in disposables revenue, an $1,385,000, or 27%, increase in service and other revenue.

The increase in sales of our Surgical Guidance Systems during the year ended December 31, 2016 compared to the year ended December 31, 2015 was due to the revenue recognition from 41 units of our Surgical Guidance Systems sold during the year ended December 31, 2016, compared to 23 units of our Renaissance system, one system upgrade sold and 2 Renaissance system placements during the year ended December 31, 2015. The increase in the number of systems sold was as a result of the successful launch of our Mazor X system and the collaboration with Medtronic that started from May 2016.

The increase in disposables revenue during the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the continued adoption and usage of Renaissance, driven by the growth of our commercial installed base worldwide.

The increase in service and other revenue during the year ended December 31, 2016 compared to the year ended December 31, 2015 was attributable to an increase in the installed base of Renaissance systems covered under warranty and maintenance contracts, mainly in the United States.

The increase in revenue derived from the United States of $10,445,000, or 52%, was primarily due to the increase in revenues from the sale of Surgical Guidance Systems, as we recognized revenues from 30 systems sold in the year ended December 31, 2016, compared to 16 Renaissance systems sold and 2 Renaissance system placements in the year ended December 31, 2015. The increase is also attributed to the increase in disposables, service and others. The decrease in international revenue of $162,000, or 3%, was due to a slight decrease in revenues from disposables, offset by a slight increase in revenues from service and others.

Cost of Sales

Cost of sales was $10,330,000 for the year ended December 31, 2016, compared to $5,827,000 for the year ended December 31, 2015. The increase in cost of sales of $4,503,000, or 77%, is primarily attributed to an increase in cost of materials, reflecting recognition of the costs from sales. In addition, there was an increase in salaries and related expenses associated with the incremental number of employees added in the operations department and an increase in intangible asset amortization.

Gross Profit

Gross profit was $26,049,000 for the year ended December 31, 2016, or 71.6% of revenues, compared to $20,269,000, or 77.7% of revenues, for the year ended December 31, 2015. The decrease in gross margin is mainly attributed to the reduced sales price to Medtronic of the Mazor X and higher manufacturing costs of the Mazor X system, compared to the Renaissance system.

Operating Expenses

	For the Year Ended December 31,		Increase (decrease) in	
	2016	2015	Dollars	%
	(in thousands)			
Research and development, net	$ 5,736	$ 6,324	(588)	(9)
Selling and marketing	$ 33,637	$ 24,947	8,690	35
General and administrative	$ 5,697	$ 4,305	1,392	32
Total operating expenses	$ 45,070	$ 35,576	9,494	27

Research and Development Expenses

Research and development expenses were $5,736,000 for the year ended December 31, 2016, compared to $6,324,000 for the year ended December 31, 2015. The decrease of $588,000, or 9%, was primarily due to capitalization of development costs in the amount of $2,332,000 as intangible asset in year ended December 31, 2016. This decrease was offset by an increase in total research and development costs, primarily due to an increase in salaries and related expenses associated with the incremental number of employees added in the research and development department, to support our continuous efforts in developing additional applications and new products.

Selling and Marketing Expenses

Selling and marketing expenses were $33,637,000 for the year ended December 31, 2016, compared to $24,947,000 for the year ended December 31, 2015. The increase of $8,690,000, or 35%, was primarily due to the expansion of efforts to further penetrate the U.S. and the Asian markets. Such efforts included, among other things, recruitment of additional sales personnel in the United States, and expansion of marketing activities, such as participation in exhibitions, holding cadaver labs and continued introduction activities for both our Mazor X system and our Renaissance system. Selling and marketing expenses for the year ended December 31, 2015 also included an excise tax fee in the amount of $308,000 as a result of certain healthcare legislation that was previously suspended for a period of two years, beginning January 1, 2016. For further information, see "Item 10. Additional Information - E. Taxation - Medical Devices Excise Tax."

General and Administrative Expenses

General and administrative expenses were $5,697,000 for the year ended December 31, 2016, compared to $4,305,000 for the year ended December 31, 2015. The increase is mostly due to an increase in salaries and related expenses in the general and administrative departments.

Financing income, net

Financing income, net was $397,000 for the year ended December 31, 2016, compared to $135,000 for the year ended December 31, 2015. The increase is mainly attributed to an increase in interest income from bank deposits and net change in fair value of financial assets held-for-trading, as well as a decrease in net expenses from change in exchange rates.

Taxes on Income

We recorded a tax expense of $44,000 for the year ended December 31, 2016, compared to an expense of $213,000 for the year ended December 31, 2015. The decrease is mainly due to taxable deductions utilized in 2016. We incur tax expense mainly in the United States.

Loss and Loss per Share

Loss was $18,668,000, or $0.42 per share, for the year ended December 31, 2016, compared to loss of $15,385,000, or $0.36 per share, for the year ended December 31, 2015.

Comparison of year ended December 31, 2015 and year ended December 31, 2014

Revenue

The following table presents our total revenues by geographic area and by line of product for the fiscal years indicated (in thousands of U.S. dollars and as a percentage of total revenues):

	For the Year Ended December 31,			
	2015		2014	
United States	$ 20,271	78%	$ 15,486	73%
International	$ 5,825	22%	$ 5,722	27%
Total	$ 26,096	100%	$ 21,208	100%

	2015		2014	
Systems	$ 13,373	51%	$ 12,040	57%
Sale of disposables	$ 7,648	29%	$ 4,916	23%
Services and other	$ 5,075	20%	$ 4,252	20%
Total	$ 26,096	100%	$ 21,208	100%

Total revenue was $26,096,000 for the year ended December 31, 2015, compared to $21,208,000 for the year ended December 31, 2014. The increase in revenue of $4,888,000, or 23%, was due to a $2,732,000, or 56%, increase in disposables revenue, a $1,333,000, or 11%, increase in Renaissance system revenue, and by $823,000, or 19%, increase in service and other revenue.

The increase in sales of our Renaissance systems during the year ended December 31, 2015 compared to the year ended December 31, 2014 was due to the sales of 23 units of our Renaissance system, one system upgrade sold and 2 placements during the year ended December 31, 2015, compared to 20 units sold during the year ended December 31, 2014.

The increase in disposables revenue during the year ended December 31, 2015 compared to the year ended December 31, 2014 was primarily due to the continued adoption and usage of Renaissance, driven by the growth of our commercial installed base, mainly in the United States.

The increase in service and other revenue during the year ended December 31, 2015 compared to the year ended December 31, 2014 was attributable to an increase in the installed base of Renaissance systems covered under warranty and maintenance contracts, mainly in the United States.

The increase in revenue derived from the United States of $4,785,000, or 31%, was primarily due to the increase in revenues from commercial Renaissance system sales during the year ended December 31, 2015 compared to Renaissance system sales during the year ended December 31, 2014, as well as an increase in utilization of the installed base, reflected in revenues from sales of disposables, service and others.

Cost of Sales

Cost of sales was $5,827,000 for the year ended December 31, 2015, compared to $4,396,000 for the year ended December 31, 2014. The increase in cost of sales of $1,431,000, or 33%, was primarily due to an increase in recognition of the costs from sales. Additionally, increased costs were in respect to an increase in salaries and related expenses associated with the incremental number of employees added in the operations department to support growth in our activities.

Gross Profit

Gross profit was $20,269,000 for the year ended December 31, 2015, or 77.7% of revenues, compared to $16,812,000, or 79.3% of revenues, for the year ended December 31, 2014. The decrease in gross profit margin was 1.6% due to increase in costs. The increase in gross profit of $3,457,000, or 20.6%, was mainly due to the increase in sales volume in the period.

Operating Expenses

	For the Year Ended December 31,		Increase (decrease) in	
	2015	2014	Dollars	%
		(in thousands)		
Research and development	$ 6,324	$ 5,776	548	9
Selling and marketing	$ 24,947	$ 21,352	3,595	17
General and administrative	$ 4,305	$ 4,392	(87)	(2)
Total operating expenses	$ 35,576	$ 31,520	4,056	13

Research and Development Expenses

Research and development cost was $6,324,000 for the year ended December 31, 2015, compared to $5,776,000 for the year ended December 31, 2014. The increase of $548,000, or 9%, was primarily due to our continuous efforts in developing additional applications and new products, mainly resulting in additional purchasing for current research and development projects, as well as recruitment of research and development personnel.

Selling and Marketing Expenses

Selling and marketing expenses were $24,947,000 for the year ended December 31, 2015, compared to $21,352,000 for the year ended December 31, 2014. The increase of $3,595,000, or 17%, was primarily due to the expansion of efforts to further penetrate the U.S. and the Asian markets. Such efforts included, among other things, recruitment of additional sales personnel in the United States and continued introduction activities for our Renaissance system. Selling and marketing expenses for the year ended December 31, 2015 also included an excise tax fee in the amount of $308,000; this amount is a result of certain healthcare legislation. For further information see "Item 10. Additional Information - E. Taxation - Medical Devices Excise Tax."

General and Administrative Expenses

General and administrative expenses remained generally at the same level as 2014, and were $4,305,000 for the year ended December 31, 2015, compared to $4,392,000 for the year ended December 31, 2014.

Financing income (expenses), net

Financing income, net was $135,000 for the year ended December 31, 2015, compared to financing expenses, net of $419,000 for the year ended December 31, 2014. The main difference between 2015 and 2014 financing expenses derives from high hedging transactions expenses of approximately $408,000 in the year ended December 31, 2014 and from an increase in the year ended December 31, 2015 of approximately $135,000 in interest income from bank deposits.

Taxes on Income

We recorded a tax expense of $213,000 for the year ended December 31, 2015, compared to an expense of $145,000 for the year ended December 31, 2014. We incur tax expense mainly in the United States.

Loss and Loss per Share

Loss was $15,385,000, or $0.36 per share, for the year ended December 31, 2015, compared to loss of $15,272,000, or $0.37 per share, for the year ended December 31, 2014.

Effective Corporate Tax Rate

Our effective consolidated tax rate in 2016, 2015 and 2014 was close to zero percent primarily due to the tax losses we accrued in Israel since our inception, for which deferred tax assets were not recognized. We expect to continue to accrue losses for tax purposes in Israel in the coming years and to increase our profits for tax purposes in our U.S. Subsidiary, derived from our expected revenues in the coming years in the United States, which would increase our effective consolidated tax rate in the coming years.

Impact of Inflation, Devaluation and Fluctuation in Currencies on Results of Operations, Liabilities and Assets

We generate a majority of our revenues in U.S. dollars, which is our functional currency while some of our revenues are generated in other currencies, such as the Euro and NIS. As a result, some of our financial assets are denominated in these currencies, and fluctuations in these currencies could adversely affect our financial results. A considerable amount of our expenses are generated in dollars, but a significant portion of our expenses such as salaries are generated in other currencies such as NIS. In addition to our operations in Israel, we are expanding our international operations. Accordingly, we incur and expect to continue to incur additional expenses in non-dollar currencies, such as the Euro. As a result, some of our financial liabilities are denominated in these non-dollar currencies. Usually, our non-dollar assets are not fully offset by our non-dollar liabilities. Due to the foregoing and the fact that our financial results are measured in dollars, our results could be adversely affected as a result of a strengthening or weakening of the dollar compared to these other currencies. During 2016, 2015 and 2014, we incurred net currency loss of $10,000, $113,000 and $107,000, respectively. During 2016, 2015 and 2014, we incurred net gain of $39,000 and $3,000 and net loss of $408,000 from hedging transactions, respectively.

Some portions of our expenses, primarily expenses associated with employee compensation, are denominated in NIS unlinked to the U.S. dollar. A devaluation of the NIS in relation to the U.S. dollar has the effect of decreasing the U.S. dollar value of any asset of ours that consists of NIS or receivables payable in NIS, unless such receivables are linked to the U.S. dollar. Such devaluation also has the effect of reducing the U.S. dollar amount of any of our expenses or liabilities which are payable in NIS, unless such expenses or payables are linked to the U.S. dollar. Conversely, any increase in the value of the NIS in relation to the U.S. dollar has the effect of increasing the U.S. dollar value of any of our unlinked NIS assets and the U.S. dollar amounts of any of our unlinked NIS liabilities and expenses. In addition, some of our expenses are linked to some extent to the rate of inflation in Israel. An increase in the rate of inflation in Israel that is not offset by a devaluation of the NIS relative to the U.S. dollar can cause the dollar amount of our expenses to increase. We believe that inflation in Israel has not had a material effect on our results of operations.

We engage in currency hedging activities. These measures, however, may not adequately protect us from material adverse effects due to the impact of inflation in Israel or from fluctuations in the relative values of the dollar and foreign currencies in which we transact business, and may result in a financial loss. See further discussion under "Item 11 - Quantitative and Qualitative Disclosures about Market Risk" below.

B. Liquidity and Capital Resources

We have incurred net losses and negative cash flow from operating activities for each year since our inception in September 2000. As of December 31, 2016, we had an accumulated loss of $121,860,000 and have financed our operations principally through the sale of our products, disposables and other services, sale of our equity securities (including ADSs, Ordinary Shares and warrants), issuance of convertible debentures and grants from the IIA.

As of December 31, 2016, we had $61,833,000 in cash, cash equivalents, short-term investments and long-term investments. Our cash and investment balances are held mainly in bank deposits, in accordance with directives of our board of directors as further described below.

As of December 31, 2016, more than 50% of our expenses are in U.S. dollars and the rest are mainly in NIS or Euros. We engage in currency hedging transactions, such as options and forward contracts, for the purposes of hedging our NIS payments to local suppliers and for salaries in Israel. Our currency hedging transactions are aimed to decrease a certain portion of the financial exposure risk of fluctuations in the exchange rates of our operating currency, which is the U.S. dollar against the NIS.

Our board of directors periodically examines the financial exposure of our balance sheet, as set forth above. As part of this approach, we carry out financial activities to reduce our exposure to risk. The Audit Committee and the board of directors held discussions concerning our exposure to risk from the currencies other than the U.S. dollar, and decided that we shall maintain sufficient cash for our activities, including those in other currencies.

Net Cash Used in Operating Activities

Net cash used in operating activities primarily reflects the net loss for those periods, which was adjusted, mainly by non-cash items, such as depreciation and amortization, stock-based compensation and non-cash finance income and expenses and is also affected by changes in operating assets and liabilities.

Net cash used in operating activities for the year ended December 31, 2016 was $10,102,000 compared to $11,572,000 for the year ended December 31, 2015. The decrease of $1,470,000, or 13%, in cash used in operating activities for the year ended December 31, 2016 was mainly due to higher collection from customers, as a result of higher sales in 2016. The decrease was offset by higher losses, higher payments to suppliers, as a result of higher investments in developing additional applications and new products and the expansion of efforts to further penetrate to the U.S. and the Asian markets.

Net cash used in operating activities for the year ended December 31, 2015 was $11,572,000 compared to $14,290,000 for the year ended December 31, 2014. The decrease of $2,718,000, or 19%, in cash used in operating activities for the year ended December 31, 2015 was mainly due to an increase in accounts payable, realizing inventory and non-cash expenses. This is a result of higher investments in developing additional applications and new products and the expansion of efforts to further penetrate to the U.S. and the Asian markets. The decrease was offset by the increase in cash used in operating activities from trade and other account receivables of approximately $1,112,000, as a result of higher sales in 2015.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities for the year ended December 31, 2016, was $24,432,000, attributable to net purchase of short-term investments of $11,094,000 and to purchase of long-term investments in the amount of $9,823,000, capitalization of cash-paid development costs in the amount of $1,902,000 and purchases of fixed assets of $2,361,000. The cash used in investment activities was offset by proceeds from long-term investments in an amount of $748,000.

Net cash provided by investing activities for the year ended December 31, 2015, was $2,568,000, attributable to net proceeds from maturities of short-term investments of $9,816,000 and to proceeds from the sale of long-term investments in the amount of $992,000 offset by the purchase of $7,538,000 of long term investments and purchases of fixed assets of $702,000.

Net cash provided by investing activities for the year ended December 31, 2014 was $14,531,000, attributable to proceeds from short-term investments in the amount of $22,271,000, the purchase of $7,237,000 of long term investments and purchases of fixed assets of $503,000.

Net Cash Provided by Financing Activities

Net cash flow from financing activities in the year ended December 31, 2016 was $35,997,000. The net cash from financing activities in 2016 is derived from the proceeds from the ADS issuances to Medtronic in an amount of $31,416,000, net of issuance costs, the exercise of share options by employees and consultants in the amount of $4,100,000 and proceeds from the exercise of share warrants by investors in the amount of $481,000.

Net cash flow from financing activities in the year ended December 31, 2015 was $370,000. The net cash from financing activities in 2015 is derived from the exercise of share options by employees and consultants in the amount of $370,000.

Net cash flow from financing activities in the year ended December 31, 2014 was $2,424,000. The net cash from financing activities in 2014 is mainly from the exercise of share options by employees and consultants in the amount of $3,042,000, offset by repayment of loans to the IIA of $324,000 and costs related to the ADSs offering from 2013 of $294,000, that were paid in 2014.

Operating Capital and Capital Expenditure Requirements

To date, we have not achieved profitability and have sustained net losses in every fiscal year since our inception in 2000, including a net loss of $18.7 million for the year ended December 31, 2016. We anticipate that we will continue to incur substantial net losses for at least the next 12 months, as we expand our sales and marketing capabilities in the spine and brain markets, continue to invest in marketing activities for our Surgical Guidance Systems in the U.S. and Asia-Pacific market, continue research and development of existing and future products, and continue development of the corporate infrastructure required to sell and market our products and support operations. We also expect to experience increased cash requirements for inventory to meet increased demand of our Surgical Guidance Systems. We believe that our current cash, cash equivalents and investment balances, and interest income we earn on these balances will be sufficient to meet our anticipated cash requirements at least for the next 12 months. To the extent our available cash, cash equivalents and investment balances are insufficient to satisfy our operating requirements, we will need to seek additional sources of funds, including selling additional equity, debt or other securities or entering into a credit facility, or modify our current business plan. The sale of additional equity may result in dilution to our current shareholders. If we raise additional funds through the issuance of debt securities, these securities may have rights senior to those of our ordinary shares and could contain covenants that could restrict our operations and ability to issue dividends. We may also require additional capital beyond our currently forecasted amounts. Any required additional capital, whether forecasted or not, may not be available on reasonable terms, or at all. If we are unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned research, development and commercialization activities, which could materially harm our business and results of operations.

Because of the numerous risks and uncertainties associated with the development of medical devices and the current economic situation, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to complete the development of our products and successfully deliver commercial products to the market. Our future capital requirements will depend on many factors, including but not limited to the following:

- the revenue generated by sales of our current and future products;
- our ability to manage our inventory;

- the expenses we incur in selling and marketing our products and supporting our growth;
- the costs and timing of regulatory clearance or approvals for new products or upgrades or changes to our current products;
- the rate of progress, cost, and success or failure of on-going development activities;
- the emergence of competing or complementary technological developments;
- the costs of filing, prosecuting, defending and enforcing any patent or license claims and other intellectual property rights, or participating in litigation related activities;
- the terms and timing of any collaborative, licensing, or other arrangements that we may establish;
- the acquisition of businesses, products and technologies; and
- general economic conditions and interest rates, including the continuing weak conditions

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

Our research and development activities are focused on the development of surgical guidance systems and complementary products in the spine and brain surgical markets.

As of December 31, 2016, our research and development team consisted of 37 people, mostly engineers in the fields of mechanics, biomedical sciences, electronics and software. In addition, we work with subcontractors for the development and design when needed. We have assembled an experienced team with recognized expertise in robotics, mechanical and electrical engineering, software, control algorithms and systems integration, as well as significant clinical knowledge and expertise and vast clinical experience.

Our research and development efforts are focused on continuous improvement of our Surgical Guidance Systems, including adding new applications for the spine market and the development of the brain application as well as investment in future products for new applications.

We invest resources in the protection of our intellectual property. For this purpose, we file from time to time applications for patent registration in the certain countries in which we are active and in other countries which we consider as potential markets.

From our inception, we have entered into research and clinical alliances in order to substantiate the knowledge which is at the basis of the products developed and marketed thereby, as well as for the innovative and ongoing development of such products. We use such research to gain recognition in the medical community and for scientific publications. We are currently involved in research activity conducted in several centers in the United States, as well as supporting to different degrees clinical studies in Europe and Asia.

We finance our research and development activities mainly through sale of our products and capital raises.

To date, we have received total grants from the IIA of $1,326,000, which amount bore LIBOR interest in the amount of $249,000. In March 2014, we completed the repayment of all of our remaining obligations, including interest, to the IIA.

For a description of the amount spent during each of the last three fiscal years on company-sponsored research and development activities, see "Item 5. Operating and Financial Review and Prospects - A. Operating Results."

D. Trend Information

The following is a description of factors that may influence our future results of operations, including significant trends and challenges that we believe are important to an understanding of our business and results of operations.

We generate revenues from: (1) surgical guidance system sales; (2) sales of disposable kits and accessories to our surgical guidance systems; and (3) sales of warranty and maintenance services on the surgical guidance systems and related products. The level of our future revenues is hard to predict and depends on many factors which are not in our control. For instance, future revenues from the sale of our Surgical Guidance Systems may be adversely affected by current general economic conditions and the resulting tightening of hospital budgets, which may cause purchasing decisions to be delayed or our customers to have difficulty securing adequate funding to buy our products. In addition, revenue growth depends on the acceptance of our technology in the market. Sales of our disposable accessories depend on the adoption of our technology by hospitals. We continue to encourage use of the surgical guidance systems by our U.S. clinical sales team and expect to see growth in our recurring revenues; however, we anticipate that quarterly results will be variable because our sales cycle generally averages nine months, and since we are dependent on hospital purchasing decisions which in turn are affected by quarterly and other variations in the hospital budgeting process.

We sell our products and services in the United States through our direct sales force, from mid-2016 with the assistance of Medtronic, and in most other territories we sell our products using third-party distributors. In 2014 we entered into a distribution agreement in Hong Kong, in 2015 we entered into distribution agreements in Thailand and in 2016, we entered into distribution agreements in Vietnam and Poland. Additionally, we currently have existing distribution agreements with distribution partners in Australia and New-Zealand, China, Japan, South Korea, Taiwan, Italy, Russia, Switzerland and Germany. While we plan to continue to expand our indirect sales efforts outside of the United States, we expect that most of our growth over the next two years will be driven by the U.S. market. Our sales in Europe, once the primary market of our sales, decreased materially in the last few years. Considering the current economic situation in Europe, we expect only moderate growth in our activities in this region.

Assuming that factors outside of our control will not adversely affect us, we believe that we will be able to continue to grow our business in the foreseeable future, which would result in an increase in our revenues. However, such increase will require our continued commitment of substantial resources toward our sales and marketing operations, mainly in the United States. We expect continuous growth of headcount of our direct sales force, to support both system and disposables sales. In addition, we plan to increase our expenditures on research and development to improve the Mazor X and the Renaissance and to create new solutions to allow for expanded features and benefits in spine. We are also exploring additional applications where our technology can be leveraged and where there is a market need. In connection with the expansion of our research and development activities, we expect to recruit additional personnel for our research and development team. We believe that our general and administrative expenses will increase as we grow our business and as a result of our securities being listed for trading in the United States and in Israel.

For at least the next year, we expect that the potential increases in revenue will not necessarily reduce our losses due to the increase in our planned expenditures, most of which we expect to be related to sales and marketing and research and development activities. An additional item of expense is the cost of manufacturing the surgical guidance systems, related accessories, spare parts and disposable kits. Such expense includes manufacturing overhead costs, freight, amortization of intangible assets, and the cost of service. We expect to increase our expenditures on manufacturing and service overhead to accommodate the anticipated growth of our installed base.

On May 18, 2016 we entered into an Exclusive Lead Sharing and Distribution Agreement with Medtronic. The Agreement has 2 phases. The first is an initial U.S.-based co-promotion phase of the Mazor X system. Subject to meeting certain milestones defined in the agreement, and the parties' mutual decision to proceed, the relationship will enter a second phase. During the second phase, Medtronic will assume exclusive global sales and distribution rights for the Mazor X systems and applications for the spine surgery market. In case we enter into the second phase of the Agreement, the Company's investment in direct sales and marketing activities may be reduced.

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our known contractual obligations and commitments as of December 31, 2016:

(in thousands)	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	more than 5 years
Contractual Obligations					
Premises leasing obligations	$ 2,942	$ 903	$ 1,196	$ 843	$ -
Car leasing obligations	$ 572	$ 282	$ 290	$ -	$ -
Purchase commitments and obligations	$ 5,590	$ 5,590	$ -	$ -	$ -
Total	$ 9,104	$ 6,775	$ 1,486	$ 843	$ -

* Undiscounted amounts.

In addition, as of December 31, 2016, our liabilities in respect of long-term employee benefits were approximately $325,000. These liabilities will be paid upon termination of employment of certain employees. Due to the difficulty in determining the timing of payments, these long-term employee benefits obligations are not included in the table above.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table lists the names and ages of our directors, as of April 27, 2017:

Name	Age	Position
Jonathan Adereth	70	Chairman of the Board of Directors
Ori Hadomi	49	Director and Chief Executive Officer
Gil Bianco	65	External Director
Yuval Yanai	64	External Director
Sarit Soccary Ben-Yochanan	44	Director
Michael Berman	59	Director

The following table lists the names, ages and positions of our senior management as of as of April 27, 2017:

Name	Age	Position
Sharon Levita	49	Chief Financial Officer, Corporate Secretary
Moshe Shoham	65	Chief Technology Officer
Eliyahu Zehavi	62	Executive Vice President, Research & Development
Inbal Azar	46	Vice President, Quality Assurance & Regulatory Affairs
Doron Dinstein	46	Chief Medical Officer
Anat Kaphan	47	Vice President, Product
Christopher Prentice	46	Chief Executive Officer, Mazor Robotics Inc. & Commercial Leader

Jonathan Adereth, Chairman of the Board of Directors

Mr. Adereth has been serving as the chairman of our board of directors since December 2007. Since May 2009, Mr. Adereth has been serving as the chairman of Medic Vision Imaging Solutions Ltd., an Israeli company in the field of resolution recovery and dose reduction in Computed Tomography. Since October 2004, Mr. Adereth has been serving as a board member of UltraSPECT Ltd., an Israeli company in the field of resolution recovery and dose reduction in Nuclear Medicine. From 1994 to 1998, Mr. Adereth served as the President and Chief Executive Officer of Elscint Ltd. (NYSE: ELT), a global developer and manufacturer of Medical Imaging systems. Mr. Adereth holds a B.Sc. degree in Physics from the Technion - Israel Institute of Technology.

Gil Bianco, External Director

Mr. Bianco has been serving as an external director since 2007. Since April 2010, Mr. Bianco has been serving as a director of Intec Pharma Ltd., an Israeli public company. Mr. Bianco serves as a director of Fischer Pharmaceuticals Ltd., Clear Cut Ltd., Pi-Cardia Ltd., Turquoise GEI Ltd. and Gil Bianco Ltd. From 2001 to 2003, Mr. Bianco served as Chief Executive Officer of pharmaceutical manufacturer, Agis Industries Ltd., most notably taking part in the company's listing on the TASE and its global expansion. In the past five years Mr. Bianco had also served as a director of several private companies in the fields of biotech and medical devices: Healor Ltd., Solgel Technologies Ltd., BioCancell Inc. and Optima Ltd. Mr. Bianco holds a B.A. in Economics and Accounting from the Tel-Aviv University, and is a certified public accountant.

Yuval Yanai, External Director

Mr. Yanai has been serving as an external director since November 2016. Mr. Yanai also serves as an external director of Check-Cap Ltd., an Israeli company whose shares are listed on the NASDAQ Global Market. Mr. Yanai also serves as an external director of Medical Compression Systems (D.B.N) Ltd. and Clal Biotechnology, Israeli companies whose shares are listed on the Tel Aviv Stock Exchange. Mr. Yanai also serves as an external director of Hadassah Medical Center, as an external director of Standard & Poors Maalot and as a director of Compulab Ltd. and Efranat Ltd. Mr. Yanai also acts as the Chairman of Endobetix Ltd. and as the chairman of the Israeli Fund for UNICEF. From September 2005 until March 2014, Mr. Yanai served as Given Imaging's Chief Financial Officer and from October 2012 until June 2014, Mr. Yanai served as a director of Citycon Oyj and Macrocure Ltd. Mr. Yanai holds a B.Sc. degree in Accounting and Economics from Tel-Aviv University.

Sarit Soccary Ben-Yochanan, Director

Mrs. Soccary has been serving as a director since October 2006. Since July 2013, Mrs. Soccary has been serving as the vice president of strategy and business development for Syneron Medical Ltd. (NASDAQ: ELOS). Until July 2013, Mrs. Soccary had served as the Chief Executive Officer of Gefen Biomed Investments Ltd., an Israeli publicly traded company. Mrs. Soccary also served as a director of Proteologics Ltd., an Israeli public biotech company, and as a director of several private companies in the field of healthcare. Mrs. Soccary holds a B.A. and an M.A. in economics from Tel Aviv University.

Michael Berman, Director

Mr. Berman has been serving as a director since February 2014. Mr. Berman is a medical device entrepreneur and investor. He is a co-founder of eight medical device companies and is currently an active board member of several health care companies including Inspire-MD, PulmOne, ClearCut Medical, PharmaCentra LLC, Endospan Ltd. and Rebiotix Inc. Michael Berman was co-founder and Chairman of BridgePoint Medical from 2005 until 2012 and served as a Director of Lutonix and UltraShape Inc. until 2011. From 1995 to 2000 Mr. Berman was the president of the cardiology business of Boston Scientific. Mr. Berman received his B.Sc. and M.B.A. degrees from Cornell University.

Ori Hadomi, Director and Chief Executive Officer

Mr. Hadomi has been serving as our Chief Executive Officer and a member of our board of directors since January 2003. Prior to joining us, Mr. Hadomi served as the chief financial officer and vice president of business development of Image Navigation Ltd. (formerly known as DenX Medical Software Systems Ltd.). Mr. Hadomi holds a B.A. in chemistry with a minor in economics, as well as a M.Sc. in industrial chemistry and business administration from the Hebrew University, Jerusalem.

Sharon Levita, Chief Financial Officer

Mrs. Levita has been serving as our Chief Financial Officer and Corporate Secretary since February 2008. Prior to joining Mazor, from 1999 to 2008, Mrs. Levita held various senior positions at Lumenis Ltd. (NASDAQ: LMNS), a medical lasers and light-based technology company, including Director of Business Development, Executive Vice President of Finance, and Corporate Controller. She holds an M.A. in Business Administration, specializing in finance from Bar-Ilan University, and received her B.A. in Economics and Accounting from Haifa University. Mrs. Levita is a certified public accountant.

Professor Moshe Shoham, Chief Technology Officer

Professor Shoham, one of our co-founders, has been serving as our Chief Technology Officer since 2003. From 2001 to 2011, Professor Shoham served as one of our directors. From 2005 to 2010, Professor Shoham served as the Head of the Center for Manufacturing Systems and Robotics of the Technion-Israel Institute of Technology, or Technion. Since 1990, Professor Shoham has been serving as a faculty member of the Technion, and since 2005, as an endowed Chaired Professor at the Department of Mechanical Engineering of the Technion and also serves as a director at Microbot Medical Ltd. Professor Shoham holds a B.Sc. degree in Aeronautical Engineering, an M.Sc. degree and a Ph.D. in Mechanical Engineering, all degrees from the Technion. Mr. Shoham is also a Foreign Member of the U.S. National Academy of Engineering.

Eliyahu Zehavi, Executive Vice President, Research & Development

Mr. Zehavi has been serving as our Executive Vice President, Research & Development, responsible for our research and development department and operation since 2001. From June 1998 to January 2001, Mr. Zehavi served as the vice president of engineering of Elscint, Ltd. Mr. Zehavi holds a B.Sc. in Computer and Electrical Engineering from Ben-Gurion University, and an M.B.A. from the Interdisciplinary Center, Herzliya, Israel.

Inbal Azar, Vice President, Quality Assurance & Regulatory Affiars

Mrs. Azar has been serving as our Vice President, Quality Assurance & Regulatory Affairs since August 2016. From 2015 to 2016, Mrs. Azar had served as vice president of quality and service of D.I.R. Technologies. From 2007 to 2014, Mrs. Azar served as quality manager in General Electric Healthcare. Mrs. Azar holds a B.Sc. in Food Engineering and Bio-technology and M.Sc. in Quality Assurance and Reliability and an M.B.A., all from the Technion - Israel Institute of Technology.

Doron Dinstein, MD, Chief Medical Officer

Dr. Dinstein has been serving as our Chief Medical Officer since December 2012. From 2009 to 2012, Dr. Dinstein served as our Vice President of Marketing and Business Development. From 2004 to 2009, Dr. Dinstein served as the Manager of Cardiovascular Applications at Itamar Medical, Ltd., an Israeli public company. Dr. Dinstein holds a joint Executive M.B.A degree from Northwestern University and Tel Aviv University. Dr. Dinstein received a B.M.Sc. and an M.D. from Tel-Aviv University School of Medicine.

Anat Kaphan, Vice President, Product

Mrs. Kaphan has been serving as our Vice President, Product since July 2015. Ms. Kaphan has previously held several product, marketing and business development positions in leading medical device companies, such as from April 2011 to February 2014 at Philips Medical Systems and from December 2001 to April 2011 at Lumenis Ltd. Mrs. Kaphan holds a Bachelor's degree in Economics and Accounting from Haifa University and an M.B.A in International Marketing from Tel-Aviv University.

Christopher Prentice, Chief Executive Officer, Mazor Robotics Inc. & Commercial Leader

Mr. Prentice has served as the Chief Executive Officer of our U.S. Subsidiary, Mazor Robotics Inc., since October 2014 and as the Company's Commercial Leader, in charge of the Global Sales Team, since July 2016. From September 2013 until October 2014, Mr. Prentice served as our Senior Vice President of America & Global Marketing and as Vice President of Marketing from July 2012 until September 2013. From 2010 to July 2012, Mr. Prentice served as our sales director for the Southeast region in the United States. Prior to joining Mazor, Mr. Prentice served on the leadership team of Tampa General Hospital. Mr. Prentice graduated from the United States Military Academy at West Point, holds an M.B.A degree from Western New England University, and a Master of Health Administration from the University of South Florida.

Family Relationships

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

Arrangements for Election of Directors and Members of Management

Except as required by an agreement entered into in 2012 with a group of investors led by Oracle Associates, LLC, or the Oracle Investors, there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any of our executive management or our directors were selected. Pursuant to the agreement with the Oracle Investors, our board of directors was required to appoint one director on behalf of the Oracle Investors, pursuant to a written notice to be provided by the Oracle Investors within 60 days after the closing of the agreement with the Oracle Investors and subject to the full exercise of warrants issued to the Oracle Investors. The Oracle Investors did not exercise this right. In the event that at the time of appointment our board of directors consists of seven members or more, which is not currently the case, the Oracle Investors may appoint one additional director on their behalf to our board of directors. The appointment of any such director by the Oracle Investors shall be in effect only until the first general meeting of our shareholders following such appointment. Thereafter, the appointment of any such director nominated by the Oracle Investors shall be subject to election at the shareholders' general meeting. If the appointment of such director nominee is not approved by the shareholders' general meeting, then for as long as the Oracle Investors hold together 10% of our issued and outstanding share capital, they will have the right to appoint an observer to our board of directors. To date, the Oracle Investors have not appointed any directors.

B. Compensation

Director Compensation

Under the Companies Law and the rules and regulations promulgated thereunder, external directors are entitled to fixed annual compensation and to an additional payment for each meeting attended. We currently pay our external and independent directors, Mr. Gil Bianco, Mr. Yuval Yanai, Mrs. Soccary Ben-Yochanan and Mr. Michael Berman, an annual fee of NIS 110,000 (approximately $27,500), and a per-meeting fee of NIS 3,100 (approximately $775). Until November 2016, Mr. Bianco's and Mrs. Soccary Ben-Yochanan's remuneration was an annual fee of NIS 100,000 (approximately $25,000) and a per-meeting fee of NIS 2,500 (approximately $625). Mr. Berman's remuneration was an annual fee of NIS 60,000 (approximately $15,000) and a per-meeting fee of NIS 2,500 (approximately $625). In addition, in November 2016, our shareholders approved a grant of 40,000 options to purchase our ordinary shares to each of Mr. Bianco, Mr. Yanai, Mrs. Soccary Ben-Yochanan and Mr. Berman at an exercise price of NIS 45.17 (approximately $11.29) per share. These options are subject to a 3 year vesting schedule, commencing on the date of grant, so that upon the lapse of 12 months from the date of grant, 34% of the shares underlying the options shall vest, and thereafter, upon the lapse of each calendar quarter, 8.25% of the shares underlying the options shall vest.

Since December 2007, Mr. Jonathan Adereth has been the Chairman of our board of directors, or the Chairman. We currently pay the Chairman for providing us with management services a monthly fee of NIS 38,500 (approximately $9,625) Until November 2016, Mr. Adereth's monthly fee was NIS 35,000 (approximately $8,750). This amount includes social benefits, as required by law. In November 2016, our shareholders approved a grant of 80,000 options to purchase our ordinary shares to Mr. Adereth at an exercise price of NIS 45.17 (approximately $11.29) per share. These options are subject to a 3 year vesting schedule, commencing on the date of grant, so that upon the lapse of 12 months from the date of grant, 34% of the shares underlying the options shall vest, and thereafter, upon the lapse of each calendar quarter, 8.25% of the shares underlying the options shall vest.

On November 26, 2016, Mr. David Schlachet's term as external director ended. In 2016, Mr. Schlachet was entitled to an annual fee of NIS 100,000 (approximately $25,000), and a per-meeting fee of NIS 2,500 (approximately $625).

The following table presents all compensation we incurred for the year ended December 31, 2016, to all persons who served as directors at any time during the year. The table does not include any amounts we paid to reimburse any of these persons for costs incurred in providing us with services during this period.

	Salary, director fees and related benefits	Share-based compensation	Total
Directors			
Jonathan Adereth	$ 117,124	$ 81,801	$ 198,925
Compensation to directors not employed by us	$ 159,269	$ 194,619	$ 353,888

Amounts denominated in NIS were translated using the rate of NIS 3.8406 to USD 1.00, the average exchange rate reported by the Bank of Israel for 2016.

Employment Agreements

We have entered into written employment agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable law. In addition, we have entered into agreements with each executive officer and director pursuant to which we have agreed to indemnify each of them to the fullest extent permitted by law to the extent that these liabilities are not covered by directors and officers insurance. Members of our senior management are eligible for bonuses each year. The bonuses are payable upon meeting certain objectives and targets that are set by our chief executive officer and approved annually by our compensation committee and subsequently by our board of directors, that also set the bonus targets for, and approve the annual bonus, to our chief executive officer. All Israeli executives are entitled to monthly remuneration for a study fund, contribution by the Company to an insurance policy and pension fund, and additional benefits, including communication expenses. The Company also bears the costs of car lease and maintenance.U.S. executives are entitled to customary social benefits (e.g., health insurance, vacation days, and 401(k) plan participation).Certain senior executives are entitled to adjustment payments, in case of termination of employment. Certain executives are entitled to acceleration of all non-vested options, in case of termination of employment, under pre-defined terms.

For a description of the terms of our options and option plans, see "Item 6. Directors, Senior Management and Employees - E. Share Ownership" below.

Annual compensation

The following table presents all compensation we incurred for the year ended December 31, 2016 to the five highest paid officers in U.S. dollars. The table does not include any amounts we paid to reimburse any of these persons for costs incurred in providing us with services during this period:

	Annual Compensation				
Executive Officer	**Base Salary and Related Benefits (1)**	**Bonus**	**Retirement and Other Similar Benefits**	**Share Based Compensation***	**Total**
Ori Hadomi	$ 392,792	$ 359,319	$ 1,950	$ 709,804	$ 1,463,865
Eliyahu Zehavi	$ 294,771	$ 111,441	$ 22,062	$ 189,950	$ 618,224
Christopher Prentice	$ 298,788	$ 75,500	$ 10,600	$ 222,133	$ 607,021
Sharon Levita	$ 287,077	$ 109,358	$ 12,682	$ 189,950	$ 599,067
Anat Kaphan	$ 262,889	$ 19,138	$ 16,956	$ 194,125	$ 493,108

Amounts denominated in NIS were translated using the rate of NIS 3.8406 to USD 1.00, the average exchange rate reported by the Bank of Israel for 2016.

(*) This amount represents expenses recorded in our financial statements for the year ended December 31, 2016, with respect to all options granted to such executive officers.

(1) Includes base salary, social benefits and car allowances.

C. Board Practices

Introduction

Our board of directors presently consists of six members, including two external directors, as generally required to be appointed under the Companies Law. Our articles of association provide that the number of board of directors' members (including external directors) shall be set by the general meeting of the shareholders provided that it will consist of not less than five and not more than nine members. Pursuant to the Companies Law, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our Chief Executive Officer is appointed by, and serves at the discretion of, our board of directors, subject to the employment agreement that we have entered into with him. All other executive officers are appointed by our Chief Executive Officer. Their terms of employment are subject to the approval of the board of directors' compensation committee and of the board of directors, and are subject to the terms of any applicable employment agreements that we may enter into with them; provided, however, that if the terms of employment are not in compliance with our compensation policy, the terms of employment may only be approved by the board of directors' compensation committee and by the board of directors for special reasons to be noted, and with regards to our Chief Executive Officer the terms of employment shall also require the shareholders' approval. An immaterial change in the terms of employment of an executive, other than the Chief Executive Officer, may be approved by the Chief Executive Officer, provided that the amended terms of employment are in accordance with our compensation policy. If the terms of employment of the Chief Executive Officer are immaterially non-compliant with his compensation arrangement and are in compliance with our compensation policy, the approval of the compensation committee is sufficient.

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

In addition, our articles of association allow our board of directors to appoint directors to fill vacancies on our board of directors or in addition to the acting directors (subject to the limitation on the number of directors), until the next annual general meeting or special general meeting in which directors may be appointed or terminated. External directors may be elected for up to two additional three-year terms after their initial three-year term under the circumstances described below, with certain exceptions as described in "*External Directors*" below. External directors may be removed from office only under the limited circumstances set forth in the Companies Law. See "—External Directors" below.

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

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

Pursuant to the Companies Law and our articles of association, a resolution proposed at any meeting of the board of directors, at which a quorum is present, is adopted if approved by a vote of at least a majority of the directors present at the meeting. A quorum of the board of directors (or any committee thereof, other than the audit committee) is at least a majority of the directors then in office who are lawfully entitled to participate in the meeting (until otherwise unanimously decided by the directors). Minutes of the meetings are recorded and kept at our offices.

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

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

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

External Directors

Under the Companies Law, an Israeli company whose shares have been offered to the public or whose shares are listed for trading on a stock exchange in or outside of Israel is required to appoint at least two external directors to serve on its board of directors. However, subject to certain exceptions, Israeli companies whose securities are traded on stock exchanges such as NASDAQ, and who do not have a shareholder holding 25% or more of the company's share capital, do not have to meet this requirement; provided, however, that the audit and compensation committees meets other Companies Law appointment requirements, as well as appointment of independent directors and composition requirements thereof of the jurisdiction where the company's securities are traded. Our external directors are Mr. Gil Bianco and Mr. Yuval Yanai. At least one of the external directors is required to have "financial and accounting expertise," unless another member of the audit committee, who is an independent director under the NASDAQ Stock Market rules, has "financial and accounting expertise," and the other external director or directors are required to have "professional expertise". An external director may not be appointed to an additional term unless: (1) such director has "accounting and financial expertise;" or (2) he or she has "professional expertise," and on the date of appointment for another term there is another external director who has "accounting and financial expertise" and the number of "accounting and financial experts" on the board of directors is at least equal to the minimum number determined appropriate by the board of directors.

A director has "professional expertise" if he or she satisfies one of the following:

- the director holds an academic degree in one of these areas: economics, business administration, accounting, law or public administration;
- the director holds an academic degree or has other higher education, all in the main business sector of the company or in a relevant area for the board position; or

- the director has at least five years' experience in one or more of the following (or a combined five years' experience in at least two or more of these): (a) senior management position in a corporation of significant business scope; (b) senior public office or senior position in the public sector; or (c) senior position in the main business sector of the company.

A director with "financial and accounting expertise" is a person that due to his or her education, experience and skills has high skills and understanding of business-accounting issues and financial reports which allow him to deeply understand the financial reports of the company and hold a discussion relating to the presentation of financial information. The company's board of directors will take into consideration in determining whether a director has "accounting and financial expertise", among other things, his or her education, experience and knowledge in any of the following:

- accounting issues and accounting control issues characteristic to the segment in which the company operates and to companies of the size and complexity of the company;
- the functions of the external auditor and the obligations imposed on such auditor; and
- preparation of financial reports and their approval in accordance with the Companies Law and the securities law.

A person may not serve as an external director if the person is a relative of a controlling shareholder or if at the date of the person's appointment or within the prior two years the person, or his or her relatives, partners, employers or entities under the person's control, or someone to whom he or she is subordinate, whether directly or indirectly, have or had any affiliation with any of: (1) us, (2) any entity controlling us, (3) a relative of the controlling shareholder on the date of such appointment, or (4) any entity controlled, on the date of such appointment or within the preceding two years, by us or by our controlling shareholder. If there is no controlling shareholder or no one shareholder holding 25% or more of voting rights in the company, a person may not serve as an external director if the person has any affiliation with any person who, as of the date of the person's appointment, was the chairman of the board of directors, the general manager (chief executive officer), any shareholder holding 5% or more of the company's shares or voting rights, or the senior financial officer. We refer to each of the relationships set forth in this paragraph as an Affiliated Party.

Under the Companies Law, "affiliation" includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder, excluding service as a director of a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an external director following the initial public offering.

A "relative" is defined as a spouse, sibling, parent, grandparent, descendant, and a descendant, sibling or parent or the spouse of each of the foregoing.

An "office holder" is defined as a general manager, chief operating officer, executive vice president, vice president, director or manager directly subordinate to the general manager or any other person assuming the responsibilities of any of these positions regardless of that person's title. Each person listed in the table under "Item 6. Directors, Senior Management and Employees – A. Directors and Senior Management" is an office holder.

A person may not serve as an external director if that person or that person's relative, partner, employer, a person to whom such person is subordinate (directly or indirectly) or any entity under the person's control has a business or professional relationship with any entity that has an affiliation with any Affiliated Party, even if such relationship is intermittent (excluding insignificant relationships). Additionally, any person who has received compensation in breach of the Companies Law (excluding compensation from insignificant relationships) other than compensation permitted under the Companies Law may not continue to serve as an external director.

A person may not serve as an external director if that person's position or other business activities create, or may create, a conflict of interest with the person's service as a director or may otherwise interfere with the person's ability to serve as a director. If at the time any external director is appointed, all members of the board who are neither controlling shareholders nor relatives of controlling shareholders are the same gender, then the external director to be appointed must be of the other gender. A director of a company shall not be appointed as an external director of another company if at such time a director of the other company is acting as an external director of the first company.

Mr. Yanai is currently serving as an external director of Hadassah Medical Center ("Hadassah"). The Company has business relations with Hadassah for about ten years. The total scope of the Company's business with Hadassah in the last year and in the last five years does not exceed US$ 150,000 and US$ 550,000, respectively. The Companies Regulations (Matters That Do Not Constitute Linkage), 5767-2006 (the "Linkage Regulations") provide that if a company's audit committee resolves that there are negligible business or professional connections between such company and a person who is a candidate to be an external director in such company, then such connections shall not be considered a forbidden link between such company and such candidate. In accordance with the Linkage Regulations and based on the facts presented to it, the Company's audit committee has resolved on October 18, 2016, that the transactions between the Company and Hadassah are negligible and therefore do not constitute a forbidden linkage between the Company and Mr. Yanai.

Until the lapse of two years from the termination of office, none of the company in which such external director served, its controlling shareholder or any entity under the control of such controlling shareholder may, either directly or indirectly, grant such former external director, or his or her spouse or child, any benefit, including via (1) the appointment of such former director or his or her spouse or his child as an office holder in the company or in an entity controlled by the company's controlling shareholder, (2) the employment of such former director and (3) the engagement, either directly or indirectly, of such former director as a provider of professional services for compensation, including through an entity under his or her control. The same restrictions above apply to relatives other than a spouse or a child, but such limitations shall only apply for one year from the date such external director ceased to be engaged in such capacity. However, subject to certain exceptions, Israeli companies whose securities are traded on stock exchanges such as NASDAQ, and who do not have a shareholder holding 25% or more of the company's share capital, do not have to meet these requirements; provided, however, that the audit committee meets other Companies Law requirements, as well as independent directors appointment requirements of the jurisdiction where the company's securities are traded. External directors are elected by a majority vote at a shareholders' meeting, so long as either:

- at least a majority of the shares held by shareholders who are not controlling shareholders and do not have personal interest in the appointment (excluding a personal interest that did not result from the shareholder's relationship with the controlling shareholder) have voted in favor of the proposal (shares held by abstaining shareholders shall not be considered); or

- the total number of shares of such shareholders voted against the election of the external director does not exceed 2% of the aggregate voting rights of our company.

The Companies Law provides for an initial three-year term for an external director. Thereafter, an external director may be reelected by shareholders to serve in that capacity for up to two additional three-year terms, with certain exceptions as explained below, provided that either:

(i) his or her service for each such additional term is recommended by one or more shareholders holding at least one percent of the company's voting rights and is approved at a shareholders meeting by a disinterested majority, where the total number of shares held by non-controlling, disinterested shareholders voting for such reelection exceeds two percent of the aggregate voting rights in the company and such external director is not an interested shareholder or a competitor or relative of such shareholder, at the time of appointment, and is not affiliated with or related to an interested shareholder or competitor, at the time of appointment or the two years prior to the date of appointment.

"Interested shareholder or a competitor " – a shareholder who recommended the appointment for each such additional term or a substantial shareholder, if at the time of appointment, it, its controlling shareholder or a company controlled by any of them, has business relations with the company or any of them are competitors of the company.; or

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

(iii) the external director offered his or her service for each such additional term and was approved in accordance with the provisions of section (i) above.

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

Mr. Bianco has been serving as an external director in the Company since November 2007. On October 16, 2016, our audit committee and board of directors have discussed Bianco's experience, expertise, qualifications and contribution to the Company over the years, and determined that in light of the above, it is in our best interest to re-appoint Mr. Bianco as an external director until the next annual general meeting or until his successor has been duly appointed, and proposed his re-election to the general meeting held on November 28, 2016.

External directors may be removed only by the same special majority of shareholders required for their election or by a court, and in both cases only if the external directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to our company. In the event of a vacancy created by an external director which causes the company to have fewer than two external directors, the board of directors is required under the Companies Law to call a shareholders meeting as soon as possible to appoint such number of new external directors in order that the company thereafter has two external directors.

External directors may be compensated only in accordance with regulations adopted under the Companies Law.

Fiduciary Duties of Office Holders

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

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

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

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

- refrain from any conflict of interest between the performance of his duties in the company and his performance of his other duties or personal affairs;
- refrain from any action that constitutes competition with the company's business;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and

- disclose to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder.

Approval of Related Party Transactions under Israeli Law

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

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

Disclosure of Personal Interests of an Office Holder

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

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

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

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

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

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

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

Disclosure of Personal Interests of a Controlling Shareholder

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

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

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

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

Duties of Shareholders

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

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

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

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

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

Committees of the Board of Directors

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

Audit Committee

Under the Companies Law, the board of directors of any public company must establish an audit committee. The audit committee must consist of at least three directors and must include all of the external directors. However, subject to certain exceptions, Israeli companies whose securities are traded on stock exchanges such as NASDAQ, and who do not have a shareholder holding 25% or more of the company's share capital, do not have to meet this requirement; provided, however, that the audit committee meets other Companies Law composition requirements, as well as independent directors appointment requirements of the jurisdiction where the company's securities are traded . Under the NASDAQ Stock Market rules, we are required to maintain an audit committee of at least three members, all of whom must be independent directors as defined therein. The NASDAQ Stock Market rules also require that at least one member of the audit committee be a financial expert.

Under the Companies Law, the majority of members of the audit committee, as well as a majority of members present at audit committee meetings, must be unaffiliated directors (as defined below), and the audit committee chairman shall be an external director. In addition, the following are disqualified from serving as members of the audit committee: the chairman of the board, a controlling shareholder and his relatives, any director employed by the company or by its controlling shareholder or by an entity controlled by the controlling shareholder, a director who regularly provides services to the company or to its controlling shareholder or to an entity controlled by the controlling shareholder, and any director who derives the majority of his or her income from the controlling shareholder. Any persons disqualified from serving as a member of the audit committee may not be present at the audit committee meetings, unless the chairman of the audit committee has determined that the presence of such person is required to present a matter to the meeting or if such person qualifies under an available exemption in the Companies Law. However, subject to certain exceptions, Israeli companies whose securities are traded on stock exchanges such as NASDAQ, and who do not have a shareholder holding 25% or more of the company's share capital, do not have to meet the above requirements; provided, however, that the audit committee meets other Companies Law composition requirements, as well as independent directors appointment requirements of the jurisdiction where the company's securities are traded .

An "unaffiliated director" is defined under the Companies Law as an external director or a director who meets the following conditions: (1) satisfies the conditions for appointment as an external director (as described above) except for (a) the requirement that the director be an Israeli resident (which does not apply to companies such as ours whose securities have been offered outside of Israel or are listed outside of Israel) and (b) the requirement for accounting and financial expertise or professional qualifications and the audit committee has determined that such conditions have been met and (2) he or she has not served as a director of the company for more than nine consecutive years, with any interruption of up to two years in his or her service not being deemed a disruption in the continuity of such service. In companies such as ours whose securities have been offered outside of Israel or are listed outside of Israel the term of nine years may be extended by the audit committee and by the board of directors in increments up to three years, provided that the audit committee and thereafter the board of directors have approved that in light of such director's expertise and special contribution to the work of board of directors and its committees, the appointment to another term is for the good of the company. On October 16, 2016, our audit committee and board of directors approved that in light of Mrs. Soccary Ben-Yochanan's knowledge and experience with financial reporting and the medical device industry, as well as her unique contribution to our board of directors and its committees, her appointment to another term as an unaffiliated director is in the best interest of the Company, and proposed her re-election to the general meeting held on November 28, 2016.

Our audit committee, acting pursuant to a written charter, is comprised of Mr. Bianco, Mrs. Soccary Ben-Yochanan, and Mr. Yanai.

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

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

determining whether there are deficiencies in the business management practices of our company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the board of directors to improve such practices. If the audit committee determines that such a deficiency is material it shall hold at least one meeting concerning such deficiency in the presence of the internal auditor without the presence of office holders who are not members of the audit committee;

determining whether certain actions of office holders in breach of their fiduciary duties are material or not and whether certain transactions with office holders or in which office holders have a personal interest are extraordinary or ordinary for their approval under the Companies Law.

determining whether transaction with controlling shareholders, even if they are not extraordinary, the duty to employ a competitive process concerning thereto, to be supervised by the audit committee or whoever it will appoint in accordance with criteria determined by it. The audit committee may determine such criteria one a year in advance for the whole year.

determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under Companies Law) (see "Approval of Related Party Transactions under Israeli law");

determining the approval process of non-negligible transactions. For the matter "non-negligible transactions" shall mean transactions with controlling shareholders which the audit committee had defined as not extraordinary and not negligible. The audit committee may determine such criteria one a year in advance for the whole year.

where the board of directors approves the work plan of the internal auditor, to examine such working plan before its submission to the board of directors and proposing amendments thereto;

examining our internal controls and internal auditor's performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities;

examining the scope of our auditor's work and compensation and submitting a recommendation with respect thereto to our board of directors or shareholders, depending on which of them is considering the appointment of our auditor; and

establishing procedures for the handling of employees' complaints as to the management of our business and the protection to be provided to such employees.

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

NASDAQ Stock Market Requirements for Audit Committee

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

In accordance with the Sarbanes-Oxley Act of 2002 and the NASDAQ Stock Market rules, the audit committee is directly responsible for the appointment, compensation and performance of our independent auditors. In addition, the audit committee is responsible for assisting the board of directors in reviewing our annual financial statements, the adequacy of our internal controls and our compliance with legal and regulatory requirements. The audit committee also oversees our major financial risk exposures and policies for managing such potential risks, discusses with management and our independent auditor significant risks or exposure and assesses the steps management has taken to minimize such risk.

As noted above, the members of our audit committee include Mr. Bianco, Mrs. Soccary Ben-Yochanan, and Mr. Yanai, each of whom is "independent," as such term is defined in under NASDAQ Stock Market rules. Mr. Bianco serves as the chairman of our audit committee. All members of our audit committee meet the requirements for financial literacy under the NASDAQ Stock Market rules. Our board of directors has determined that each member of our audit committee is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the NASDAQ Stock Market rules.

Financial Statement Examination Committee

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

Compensation Committee

Under the Companies Law, the board of directors of any public company must establish a compensation committee. The compensation committee must be comprised of at least three directors, including all of the external directors, who must constitute a majority of the members of the compensation committee. However, subject to certain exceptions, Israeli companies whose securities are traded on stock exchanges such as NASDAQ, and who do not have a shareholder holding 25% or more of the company's share capital, do not have to meet this majority requirement; provided, however, that the compensation committee meets other Companies Law composition requirements, as well as independent directors appointment requirements of the jurisdiction where the company's securities are traded. Each compensation committee member that is not an external director must be a director whose compensation does not exceed an amount that may be paid to an external director. The compensation committee is subject to the same Companies Law restrictions as the audit committee as to (a) who may not be a member of the committee and (b) who may not be present during committee deliberations as described above.

Our compensation committee is acting pursuant to a written charter, and consists of Mr. Bianco, Mr. Yanai and Mr. Berman, each of whom is "independent," as such term is defined under the NASDAQ Stock Market rules. Our compensation committee complies with the provisions of the Companies Law, the regulations promulgated thereunder, and the Articles, on all aspects referring to its independence, authorities and practice. Our compensation committee follows home country practice as opposed to complying with the compensation committee membership and charter requirements prescribed under the NASDAQ Stock Market rules.

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

The duties of the compensation committee include the recommendation to the company's board of directors of a policy regarding the terms of engagement of office holders, to which we refer as a compensation policy. That policy must be adopted by the company's board of directors, after considering the recommendations of the compensation committee. The compensation policy is then brought for approval by our shareholders. On November 28, 2016, our shareholders approved our current compensation policy.

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

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

The compensation policy must also include the following principles:

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

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

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

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

Internal Auditor

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

Remuneration of Directors

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

Insurance

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

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

We currently have directors' and officers' liability insurance providing total coverage of $35 million for the benefit of all of our directors and officers, in respect of which we paid a twelve-month premium of approximately $160,000, which expires July 26, 2017. This insurance policy was updated in July 2016 and our coverage was increased from $30 million following the increase in our market capitalization to include additional coverage for our officers and directors.

On November 28, 2016, our shareholders approved the following limits for officers liability insurance coverage with respect to all officers of us and our U.S. Subsidiary: (a) the premium for each policy period shall be not more than $250,000 and (b) the maximum aggregate limit of liability pursuant to the policies shall be not more than $60 million for each insurance period. Notwithstanding the above, the Compensation Committee shall be authorized to increase the coverage purchased, and/or the premium paid for such policies, by up to 20% in any year, as compared to the previous year, or cumulatively for a number of years provided that the coverage purchased shall not be less than 10% of the Company's market value based on the volume weighted average of the closing price of the Company ADSs, as quoted on the NASDAQ over the 30 trading days ending immediately prior to compensation committee's resolution date, without an additional shareholders' approval to the extent permitted under the Companies Law.

Indemnification

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

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

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

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

We have entered into indemnification agreements with all of our directors and with certain members of our senior management. Each such indemnification agreement provides the office holder with the maximum indemnification permitted under applicable law, and limits the total sum to be paid to all such directors and senior management members to 25% of the our shareholders' equity according to our last financial statements prior to the actual payment of any indemnification in addition to any sums received, if received from our D&O insurance.

Exculpation

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

Limitations

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

The foregoing descriptions are general summaries only, and are qualified entirely by reference to the full text of the Companies Law, as well as of our articles of association and our form of indemnification agreement, which are exhibits to this annual report and are incorporated herein by reference.

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

D. Employees.

The following table sets forth certain data concerning our workforce (excluding temporary employees), as of the end of each of the last three fiscal years:

	As of December 31,		
	2016	**2015**	**2014**
Numbers of employees by category of activity			
Management and administrative	28	24	21
Research and development	37	27	26
Operations	21	17	16
Sales and marketing	118	86	79
Total workforce	204	154	142
Numbers of employees by geographic location			
Israel	91	74	67
United States	112	79	74
Other	1	1	1
Total workforce	204	154	142

During the years covered by the above table, we did not employ a significant number of temporary employees.

The increase in the size of our workforce in 2016, 2015 and 2014 was primarily the result of the expansion of our sales, marketing and service activities in the United States, expansion of our Research and Development department and an increase in headcount in the finance department in Israel to support our growth.

We are subject to Israeli labor laws and regulations with respect to our employees located in Israel. These laws principally concern matters such as pensions, paid annual vacation, paid sick days, length of the workday and work week, minimum wages, overtime pay, insurance for work-related accidents, severance pay and other conditions of employment. Our employees are not represented by a labor union. We consider our relationship with our employees to be good. To date, we have not experienced any work stoppages.

The employees of our Subsidiaries are subject to local labor laws and regulations.

E. Share Ownership.

The following table lists as of April 27, 2017, the number of our shares owned, and stock options held, by each of our directors, our CEO and others members of our senior management as a group:

	Number of Ordinary Shares Beneficially Owned[1]	Percent of Class[2]
Directors		
Jonathan Adereth (3)	80,000	*
Ori Hadomi (4)	103,125	*
Gil Bianco (5)	36,700	*
Yuval Yanai (6)	-	-
Sarit Soccary Ben-Yochanan (7)	9,900	*
Michael Berman (8)	44,700	*
Executive Officers		
Sharon Levita (9)	44,557	*
Moshe Shoham (10)	410,037	*
Eliyahu Zehavi (11)	65,725	*
Doron Dinstein (12)	137,013	*
Christopher Prentice (13)	188,473	*
Anat Kaphan (14)	-	-
Inbal Azar (15)	-	-
All directors and executive officers as a group (13 persons)	**1,120,500**	**2.30%**

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The percentages shown are based on 48,092,933 ordinary shares issued and outstanding as of April 27, 2017 plus ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this table, which are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.

(3) Consists of 80,000 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 32.46 ($8.12) per share, and the options expire in November 2020. Does not include 80,000 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options is NIS 45.17 ($11.29) and the options expire in October 2023.

(4) Consists of 103,125 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 26.62 ($6.66) per share. These options expire in July 2021. Does not include 493,449 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) per share, and the options expire between July 2021 and May 2023.

(5) Consists of 36,700 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 27.67 ($6.92) and the options expire in July 2021. Does not include 43,300 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 27.67 ($6.92) and NIS 45.17 ($11.29) per share, and the options expire between July 2021 and October 2023.

(6) Does not include 40,000 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options is NIS 45.17 ($11.29) and expire in November 2023.

(7) Consists of 9,900 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 27.67 ($6.92) and the options expire in July 2021. Does not include 43,300 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 27.67 ($6.92) and NIS 45.17 ($11.29) per share, and the options expire between July 2021 and October 2023.

(8) Includes 8,000 shares and 36,700 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 27.67 ($6.92) and the options expire in July 2021. Does not include 43,300 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 27.67 ($6.92) and NIS 45.17 ($11.29) per share, and the options expire between July 2021 and October 2023.

(9) Includes 26,632 shares and 17,925 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 26.62 ($6.66) and the options expire in July 2021. Does not include 158,720 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) and the options expire between July 2021 and May 2023.

(10) Includes 367,206 shares and 42,831 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 26.62 ($6.66) and the options expire in July 2021. Does not include 84,469 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) and the options expire between July 2021 and May 2023.

(11) Includes 65,725 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options is NIS 26.62 ($6.66) and the options expire in July 2021. Does not include 158,720 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) and the options expire between July 2021 and May 2023.

(12) Includes 137,013 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017, these options have an exercise price that ranges between NIS 8.29 ($2.07) and 26.62 NIS ($6.66) per share. These options expire between December 2017 and July 2021. Does not include 130,100 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) and the options expire between July 2021 and May 2023.

(13) Consists of 2,900 shares and 185,843 ordinary shares issuable upon exercise of outstanding options within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 4.521 ($1.13) and NIS 26.86 ($6.72) per share, and the options expire between August 2019 and February 2022. Does not include 147,567 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) per share, and the options expire between July 2021 and May 2023.

(14) Does not include 175,000 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options ranges between NIS 22.23 ($5.56) and NIS 26.99 ($6.75) and expire between July 2022 and May 2023.

(15) Does not include 30,000 ordinary shares issuable upon exercise of outstanding options that are not exercisable within 60 days of April 27, 2017. The exercise price of these options is NIS 37.47 ($9.37) and expire in July 2023.

Stock Option Plans

The following sets forth certain information with respect to our current share option plans. The following description is only a summary of the plans and is qualified in its entirety by reference to the full text of the plans, which are exhibits to this annual report and are incorporated herein by reference.

All of our share option plans are administered by our board of directors. Upon the expiration of the plans, no further grants may be made thereunder, although any existing awards will continue in full force in accordance with the terms under which they were granted. Options granted under any of the plans may not expire later than ten years from the date of grant, although, in recent years, options grants have generally provided for an expiration date of seven years from the grant date. Unvested awards that are cancelled and/or forfeited go back into the respective plan.

2003 Stock Option Plan

In July 2003, we adopted our 2003 Share Option Plan, or the 2003 Plan, which expired in November 2010. Accordingly no further grants may be made under the 2003 Plan, although any existing awards continue in full force in accordance with the terms under which they were granted. Our directors, officers, employees and certain consultants and dealers were eligible to participate in this plan. As of December 31, 2016, there were 78,500 ordinary shares issuable upon the exercise of outstanding options under the 2003 Plan.

Israeli grantees who were our directors, officers and employees could be granted options under the 2003 Plan that would qualify for special tax treatment under the "capital gains route" provisions of Section 102(b)(2) of the Israeli Income Tax Ordinance, to which we refer as the Ordinance. Pursuant to such Section 102(b)(2), qualifying options and shares issued upon exercise of such options are held in trust and registered in the name of a trustee selected by the board of directors. The trustee may not release these options or shares to the holders thereof before the second anniversary of the registration of the options in the name of the trustee. The Israeli Tax Authority, or the ITA, approved this plan as required by applicable law. The 2003 Plan also permitted the grant to Israeli grantees of options that do not qualify under Section 102(b)(2). The 2003 Plan also provided for the grant of options to U.S. resident employees that are "qualified", i.e., incentive stock options, under the U.S. Internal Revenue Code of 1986, as amended, and options that are not qualified. In addition to the grant of awards under the relevant tax regimes of the United States and Israel, the 2003 Plan allowed for the grant of awards to grantees in other jurisdictions.

2011 Share Option Plan

In May 2011, our board of directors approved and adopted our 2011 Share Option Plan, or the 2011 Plan, which expires in June 2021. As of December 31, 2016, the number of shares reserved for the exercise of options granted under the plan is 9,262,529. Our employees, directors, officer, consultants, advisors, suppliers and any other person or entity whose services are considered valuable to us are eligible to participate in this plan. The 2011 Plan provides for the grant of awards consisting of stock options. As of December 31, 2016, there were 6,589,941 ordinary shares issuable upon the exercise of outstanding options under the 2011 Plan.

The 2011 Plan provides for the grant to residents of Israel of options that qualify under the provisions of Section 102 of the Ordinance (see "2003 Stock Option Plan" above), as well as for the grant of options that do not qualify under such provisions. The 2011 Plan has been approved by the ITA. The 2011 Plan also provides for the grant of options to U.S. resident employees that are "qualified", i.e., incentive stock options, under the U.S. Internal Revenue Code of 1986, as amended, or the Code, and options that are not qualified. In addition to the grant of awards under the relevant tax regimes of the United States and Israel, the 2011 Plan allows for the grant of awards to grantees in other jurisdictions, with respect to which our board of directors is empowered to make the requisite adjustments in the plan.

Both the 2003 Plan and the 2011 Plan are administered by our board of directors or a committee appointed thereby. Subject to the 2003 Plan, the 2011 Plan and applicable law, the board of directors has the authority to make all determinations deemed necessary or advisable for the administration of such plans, including to whom options may be granted, the time and the extent to which the options may be exercised, the exercise price of shares covered by each option, the type of options and how to interpret such plans.

The following table presents certain option data information for the above-described plans as of December 31, 2016:

Plan	Total Ordinary Shares Reserved for Option Grants	Aggregate Number of Options Exercised	Shares Available for Future Grants	Aggregate Number of Options Outstanding	Weighted Average Exercise Price of Options
2003 plan	3,000,000	1,834,961	—	78,500	$ 2.04
2011 plan	9,262,529	1,610,101	1,062,487	6,589,941	$ 6.50
	12,262,529	3,445,062	1,062,487	6,668,441	$ 6.45

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Ownership by Major Shareholders

The following table presents as of April 27, 2017 (unless otherwise noted below) the beneficial ownership of our ordinary shares by each person who is known by us to be the beneficial owner of 5% or more of our outstanding ordinary shares (to whom we refer as our Major Shareholders). The data presented is based on information provided to us by the holders or disclosed in public regulatory filings.

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

Name	Number of Ordinary Shares Beneficially Owned[1]	Percent of Class[2]
Larry Feinberg [3]	4,942,756	10.28%
Jack Schuler [4]	2,811,615	5.85%
Migdal Insurance & Financial Holdings LTD [5]	2,996,893	6.23%
Medtronic plc [6]	3,917,368	8.15%

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person.

2) The percentages shown are based on 48,092,933 ordinary shares issued and outstanding as of April 27, 2017.

(3) Based solely on a Schedule 13D/A filed with the SEC on April 25, 2017, and which reflects holdings as of April 20, 2017. Mr. Feinberg may be deemed to beneficially own 4,942,756 ordinary shares due to his relationship with Oracle Associates, LLC, Oracle Partners, LP, Oracle Institutional Partners, LP, Oracle Ten Master, LP, Oracle Investment Management, Inc., Oracle Investment Management, Inc. Employees' Retirement Plan and The Feinberg Family Foundation.

(4) Based solely on data held by the Company at the date of issuing Mr. Schuler ordinary shares.

(5) Based solely on a Schedule 13G filed with the SEC on January 26, 2017, and which reflects holdings as of December 31, 2016.

(6) Based solely on a Schedule 13G filed with the SEC on August 22, 2016, and which reflects holdings as of August 11, 2016.

Changes in Percentage Ownership by Major Shareholders

Under the Medtronic Agreements in May 2016, Medtronic purchased from Mazor newly issued securities representing four percent of Mazor's issued and outstanding securities on a fully diluted basis, at a price per ADS of $11.42, which was equal to the trailing 20-day volume weighted average price of the shares, or for a total purchase price of $11.9 million.

In August 2016, following the achievement by Mazor of certain operational milestones, Medtronic purchased newly issued securities representing 4.1 percent of Mazor's issued and outstanding securities. This investment brought Medtronic to a total holding of 7.3 percent of Mazor's issued and outstanding securities on a fully diluted basis. The price per ADS was $21.84, which was the average price per share during the 20 trading days following the occurrence of the above-mentioned milestones, for a total purchase price of $20 million.

For a detailed description of the Medtronic Agreements, see "Item 10. Additional Information – C. Material Contracts."

Record Holders

Based upon a review of the information provided to us by TASE, as of March 1, 2017, there were 5,830 holders of record of our ordinary shares, of which 106 record holders holding 30,272,361 shares, or approximately 62.9%, of our outstanding shares had registered addresses in the United States and there was one holder of record of the ADSs. These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside, since many of these shares were held of record by brokers or other nominees.

We are not controlled by another corporation, by any foreign government or by any natural or legal persons except as set forth herein, and here are no arrangements known to us which would result in a change in control of us at a subsequent date.

B. Related Party Transactions

Not applicable.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION.

A. Consolidated Statements and Other Financial Information.

See "Item 18. Financial Statements."

Export Sales

The following table presents total export sales for each of the fiscal years indicated (in thousands):

	For the year ended December 31,		
	2016	**2015**	**2014**
Total export sales*	$ 36,165	$ 25,859	$ 20,766
as a percentage of total revenues	99%	99%	98%

* Export sales, as presented, are defined as sales to customers located outside of Israel.

Legal Proceedings

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

Dividends

We have never declared or paid cash dividends on our Ordinary Shares and do not anticipate that we will pay any cash dividends on our Ordinary Shares or ADSs in the foreseeable future.

We intend to retain our earnings to finance the development and expenses of our business. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on a number of factors, including future earnings, our financial condition, operating results, contractual restrictions, capital requirements, business prospects, applicable Israeli law and other factors our board of directors may deem relevant.

Pursuant to our articles of association, dividends may be declared by our board of directors. Dividends must be paid out of our profits and other surplus funds, as defined in the Companies Law, as of the end of the most recent year or as accrued over a period of the most recent two years, whichever amount is greater, provided that there is no reasonable concern that payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. In addition, because we have received certain benefits under the Israeli law relating to approved enterprises and privileged enterprises, our payment of dividends may subject us to certain Israeli taxes to which we would not otherwise be subject. In the event that we declare cash dividends, we may pay those dividends in NIS. See "Item 3. Key Information – D. Risk Factors—We do not intend to pay any cash dividends on our Ordinary Shares in the foreseeable future and, therefore, any return on your investment in our Ordinary Shares or the ADSs must come from increases in the value and trading price of our Ordinary Shares and the ADSs."

B. Significant Changes

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

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

PRICE RANGE OF OUR ORDINARY SHARES

Our Ordinary Shares have been trading on the TASE under the symbol "MZOR" since August 2007.

The following table sets forth, for the periods indicated, the reported high and low closing sale prices of our Ordinary Shares on the TASE in NIS and U.S. dollars. U.S. dollar per Ordinary Share amounts are calculated using the U.S. dollar representative rate of exchange on the date to which the high or low market price is applicable, as reported by the Bank of Israel.

	NIS Price Per Ordinary Share High	Low	U.S.$ Price Per Ordinary Share High	Low
Annual:				
2017 (through April 26, 2017)	66.49	40.07	18.06	10.59
2016	46.42	16.88	12.26	4.34
2015	28.21	16.40	7.38	4.25
2014	44.92	18.66	12.87	4.83
2013	40.10	8.28	11.26	2.21
2012	9.00	3.46	2.38	0.88
Quarterly:				
Second Quarter 2017 (through April 26, 2017)	66.49	51.15	18.06	14.02
First Quarter 2017	53.49	40.07	14.80	10.59
Fourth Quarter 2016	46.42	39.50	12.24	10.28
Third Quarter 2016	46.08	35.48	12.26	9.23
Second Quarter 2016	35.91	20.08	9.31	5.33
First Quarter 2016	23.14	16.88	6.05	4.34
Fourth Quarter 2015	23.80	16.40	6.17	4.25
Third Quarter 2015	28.21	21.30	7.38	5.43
Second Quarter 2015	26.99	21.67	7.16	5.50
First Quarter 2015	25.48	20.06	6.40	5.06
Most Recent Six Months:				
	66.49	51.15	18.06	14.02
April 2017 (through April 26, 2017)	53.49	41.32	14.80	11.29
March 2017	44.50	43.01	12.07	11.70
February 2017	43.58	40.76	11.63	10.88
January 2017	47.18	40.07	12.25	10.59
December 2016	44.80	40.35	11.69	10.46
November 2016	45.10	39.50	11.75	10.28
October 2016	46.42	42.58	12.24	11.22

PRICE RANGE OF OUR ADSs

The ADSs have been trading under the symbol "MZOR" on the NASDAQ Capital Market since May 2013 and the NASDAQ Global Market since January 16, 2014.

The following table sets forth, for the periods indicated, the reported high and low closing sale prices of the ADSs on NASDAQ in U.S. dollars.

	U.S.$ Price Per ADSs	
	High	**Low**
Annual:		
2017 (through April 26, 2017)	35.68	20.83
2016	25.89	8.79
2015	14.90	8.86
2014	25.34	9.90
2013 (since May 28, 2013)	21.85	10.40
Quarterly:		
Second Quarter 2017 (through April 26, 2017)	35.68	27.82
First Quarter 2017	29.87	20.83
Fourth Quarter 2016	25.89	20.34
Third Quarter 2016	25.87	18.32
Second Quarter 2016	19.14	10.10
First Quarter 2016	11.42	8.79
Fourth Quarter 2015	12.08	8.86
Third Quarter 2015	14.90	10.66
Second Quarter 2015	14.72	11.23
First Quarter 2015	12.74	10.16
Most Recent Six Months:		
April 2017 (through April 26, 2017)	35.68	27.82
March 2017	29.87	22.47
February 2017	23.69	21.52
January 2017	24.59	20.83
December 2016	23.26	20.72
November 2016	23.44	20.34
October 2016	25.89	21.83

B. Plan of Distribution

Not applicable.

C. Markets

Our Ordinary Shares are listed and traded on the TASE. Our ADSs are traded on the NASDAQ Global Market.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

This information is incorporated by reference into this annual report on Form 20-F from our registration statement on Form F-1 filed with the SEC on October 18, 2013.

C. Material Contracts

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

Exclusive Lead Sharing and Distribution Agreement and Purchase Agreement with Medtronic.

On May 18, 2016, Mazor entered into two strategic agreements with Medtronic. One agreement is a two- phase Exclusive Lead Sharing and Distribution Agreement which provides for co-promotion, co-development and, upon meeting certain milestones, potential global distribution of the Mazor X System. The second agreement is a Purchase Agreement which provides for an equity investment by Medtronic in Mazor.

Exclusive Lead Sharing and Distribution Agreement

The Exclusive Lead Sharing and Distribution Agreement is a commercial agreement which has an initial U.S.-based co-promotion phase. Subject to meeting certain milestones defined in the agreement, and the parties' mutual decision to proceed, the relationship will enter a second phase. During the second phase, Medtronic will assume exclusive global sales and distribution rights for the Mazor X system. The second phase includes annual minimum sales amounts with a cumulative potential of hundreds of Mazor X systems over a four-year period. The commercial agreement relates to Mazor X systems and applications for the spine surgery market. Under the agreement, Medtronic placed an order for 15 Mazor X Systems during 2016, of which nine systems were supplied by December 31, 2016 and the remaining six systems were supplied in the first quarter of 2017.

The agreement also provides for collaboration in the following main areas:

Marketing activities – Medtronic is committed to actively marketing the Mazor X system. Mazor and Medtronic are working on joint efforts to create market awareness of the Mazor X System.
Sales Activities – In the first phase of the agreement, Medtronic's sales team is responsible for generating awareness for and interest in the Mazor X System for Spine applications. This involves bringing surgeons to labs and generating qualified leads, before providing the leads to Mazor's capital sales team to close the sales. If triggered, in the second phase of the agreement Medtronic would assume responsibility for global distribution of the Mazor X System for spine applications.
Co-development activities – Mazor and Medtronic will co-develop synergistic products and applications for spine surgery. This activity has already commenced.
Revenue sharing – Mazor will pay a lead sharing fee to Medtronic for Qualified leads Medtronic delivers to Mazor. Medtronic will pay a synergy fee to Mazor for every case where a Mazor X system is used in association with Medtronic implants. Under certain circumstances, Medtronic will pay a synergy fee to Mazor regarding Renaissance usage with Medtronic implants.

Purchase Agreement

The Purchase Agreement provides for a three-tranche equity investment in Mazor. In the first tranche, which closed in May 2016, Medtronic purchased from Mazor newly issued securities representing four percent of Mazor's issued and outstanding share capital on a fully diluted basis, at a price per ADS of $11.42, which was equal to the trailing 20-day volume weighted average price of the shares, or a total of $11.9 million. In the second tranche, which closed in August 2016, upon the achievement by Mazor of certain operational milestones, Medtronic purchased newly issued securities representing 4.1 percent of Mazor's issued and outstanding securities. This investment brought Medtronic to a total holding of 8.4 percent of Mazor's issued and outstanding securities, or 7.3 percent of Mazor's issued and outstanding securities on a fully diluted basis. The price per ADS in the second tranche was $21.84, which was the average price per share during the 20 trading days following the occurrence of the above-mentioned milestones.

In a potential third tranche, Mazor will have the right to require Medtronic to consummate the purchase of Mazor securities such that after the investment they will own up to fifteen percent of Mazor's outstanding ordinary shares on a fully diluted basis. Consummation of this tranche is subject to consummation of the second tranche as well as the commencement of the second phase of the Exclusive Lead Sharing and Distribution Agreement, and, provided certain other conditions are met, will be solely at Mazor's discretion, at a per-share price equal to the trailing 20-day volume weighted average price prior to Mazor's exercise of the option. Medtronic, at its sole discretion, may cap the third tranche at $20 million.

D. Exchange Controls

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

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

E. Taxation.

Israeli Tax Considerations

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

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

Corporate tax rate

Israeli companies are generally subject to corporate tax. In 2016 and 2015, the corporate tax rate is 25% and 26.5% of their taxable income, respectively. However, the effective tax rate payable by a company that derives income from a "Beneficiary Enterprise", as discussed further below, may be considerably less. Capital gains derived by an Israeli company are subject to the same tax rates.

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

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

The Israeli Law for the Encouragement of Capital Investments, 1959

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

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

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

In general, an Approved Enterprise is entitled to receive a grant from the Government of Israel and certain tax benefits under the "Grant Track" or an alternative package of tax benefits under the "Alternative Track". The tax benefits from any certificate of approval relate only to taxable income attributable to the specific Approved Enterprise. Income derived from activity that is not approved by the Investment Center or not integral to the activity of the Approved Enterprise does not enjoy tax benefits.

The tax benefits include a tax exemption for at least the first two years of the benefit period (depending on the geographic location of the Approved Enterprise facility within Israel) and the taxation of income generated from an Approved Enterprise at a reduced corporate tax rate of up to 25% for the remainder of the benefit period. The benefit period is ordinarily seven years commencing with the year in which the Approved Enterprise first generates taxable income. The benefit period is limited to 12 years from the operational year as determined by the Investment Center or 14 years from the start of the tax year in which approval of the Approved Enterprise is obtained, whichever is earlier.

A company that has an Approved Enterprise program is eligible for further tax benefits if it qualifies as a Foreign Investors' Company, or a FIC, which is a company with a level of foreign investment, as defined in the Investment Law, of more than 25%. The level of foreign investment is measured as the percentage of rights in the company (in terms of shares, rights to profits, voting and appointment of directors), and of combined share and loan capital, that are owned, directly or indirectly, by persons who are not residents of Israel. The determination as to whether a company qualifies as a FIC is made on an annual basis. A company that qualifies as a FIC and has an Approved Enterprise program is eligible for an extended ten-year benefit period. As specified above, depending on the geographic location of the Approved Enterprise within Israel, income derived from the Approved Enterprise program may be exempt from tax on its undistributed income for a period of between two to ten years, and will be subject to a reduced tax rate for the remainder of the benefit period. The tax rate for the remainder of the benefits period will be 25%, unless the level of foreign investment exceeds 49%, in which case the tax rate will be 20% if the foreign investment is more than 49% and less than 74%; 15% if more than 74% and less than 90%; and 10% if 90% or more.

If a company elects the Alternative Track and distributes a dividend, out of the exempt earnings, it will be required to recapture the deferred corporate income tax applicable to the gross amount of distributed dividend that is derived from the portion of the company's facilities that has been granted Approved Enterprise status during the tax exemption period at the applicable rate of 10%-25%. In addition, dividends paid out of income attributed to an Approved Enterprise are generally subject to withholding tax at source at the rate of 15% or such lower rate as may be provided in an applicable tax treaty.

The Investment Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property and equipment that are included in an Approved Enterprise program during the first five years in which the equipment is used.

The benefits available to an Approved Enterprise are subject to the fulfillment of conditions stipulated in the Investment Law and its regulations and the criteria in the specific certificate of approval. If a company does not meet these conditions, it may be required to refund the amount of tax benefits, as adjusted by the Israeli consumer price index, and interest. In April 2004 we were granted an Approved Enterprise status with respect to a plan to construct a plant in Caesarea for the manufacture of systems for assisting and guiding complex surgical procedures.

Tax Benefits Subsequent to the 2005 Amendment. The 2005 Amendment changed certain provisions of the Investment Law. As a result of the 2005 Amendment, a company was no longer obliged to obtain Approved Enterprise status in order to receive the tax benefits previously available under the Alternative Track, and therefore generally there was no need to apply to the Investment Center for this purpose (Approved Enterprise status remains mandatory for companies seeking cash grants). Rather, we may claim the tax benefits offered by the Investment Law directly in our tax returns by notifying the Israeli Tax Authority within 12 months after the end of that year, provided that its facilities meet the criteria for tax benefits set out by the 2005 Amendment. A company is also granted a right to approach the Israeli Tax Authority for a pre-ruling regarding its eligibility for benefits under the 2005 Amendment.

The 2005 Amendment applies to new investment programs and investment programs with an election year commencing after 2004, but does not apply to investment programs approved prior to April 1, 2005. The 2005 Amendment provides that terms and benefits included in any certificate of approval that was granted before the 2005 Amendment became effective (April 1, 2005) will remain subject to the provisions of the Investment Law as in effect on the date of such approval.

Tax benefits are available under the 2005 Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of their business income from sales to territories with over 14 million inhabitants and meet additional criteria stipulate in the amendment. This is referred to as a "Beneficiary Enterprise". In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment which meets all of the conditions, including exceeding a minimum investment amount specified in the Investment Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to its Beneficiary Enterprise.

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Beneficiary Enterprise depend on, among other things, the geographic location in Israel of the Beneficiary Enterprise. The geographic location of the company at the year of election will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income for a period of between two to ten years, depending on the geographic location of the Beneficiary Enterprise in Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year if it is a qualified FIC. A company qualifying for tax benefits under the 2005 Amendment which pays a dividend out of income derived by its Beneficiary Enterprise during the tax exemption period will be subject to corporate tax in respect of the gross amount of the dividend at the otherwise applicable rate of 10%-25%. Dividends paid out of income attributed to a Beneficiary Enterprise are generally subject to withholding tax at source at the rate of 15% or such lower rate as may be provided in an applicable tax treaty.

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

In February 2007, our aforementioned Approved Enterprise status was revoked at our request, and in respect of an expansion of our plant in the Caesarea industrial park it was granted a Beneficiary Enterprise status. In accordance with this status, we will be entitled to the tax benefits provided by the Encouragement Law with respect to income of the Beneficiary Enterprise from productive activity. Income of the Beneficiary Enterprise from productive activity will be exempt from tax for two years from the year in which we first have taxable income, and will be subject to tax of 25%, but will not exceed the normal tax rate, in the following 5 years, providing that 12 years have not passed from the beginning of the year of election (*i.e.*, 2005).

In July 2009, we submitted a declaration to the Israeli tax authority that 2008 shall be the "base" year for our beneficiary enterprise status, and hence the tax benefits described above will apply to the increase in revenues compared to that base year. In addition, in the event of a change in the field of activity and/or business model and/or a significant reduction in production levels or in product variety, the tax benefits will become void.

In 2013 we notified the tax authorities that 2012 tax year is the year of election.

Tax Benefits Under the 2011 Amendment

The 2011 Amendment canceled the availability of the benefits granted to companies under the Investment Law prior to 2011 and, instead, introduced new benefits for income generated by a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Investment Law) as of January 1, 2011. Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate tax rate of 15% with respect to its income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in a specified development zone, in which case the rate will be 10%. Under the 2011 Amendment, such corporate tax rate will be 12.5% and 7%, respectively, in 2013 and will increase to 16% and 9% in 2014 and thereafter, respectively.

Dividends paid out of income attributed to a Preferred Enterprise are generally subject to withholding tax at the rate of 15% or such lower rate as may be provided in an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax is required to be withheld (however, if afterward distributed to individuals or non-Israeli companies a withholding of 20% or such lower rate as may be provided in an applicable tax treaty, will apply).

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

We have reviewed and evaluated the implications and effect of the benefits under the 2011 Amendment, and, while potentially eligible for such benefits, we have not yet chosen to be subject to the tax benefits introduced by the 2011 Amendment. From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities in the future.

Grants under the R&D Law

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

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

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

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

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

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

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

Tax Benefits under the Law for the Encouragement of Industry (Taxes), 1969

According to the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law, an Industrial Company is a company resident in Israel, at least 90% of the income of which, in a given tax year, determined in Israeli currency (exclusive of income from some government loans, capital gains, interest and dividends), is derived from an Industrial Enterprise owned by it. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production activity.

Under the Industry Encouragement Law, industrial companies are entitled to the following preferred corporate tax benefits:

- amortization of purchases of know-how and patents over an eight-year period for tax purposes;
- deductions over a three-year period of expenses involved with the issuance and listing of shares on a stock market; and
- the right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli Industrial Companies.

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

We believe that we currently qualify as an Industrial Company within the definition of the Industry Encouragement Law. We cannot assure you that we will continue to qualify as an Industrial Company or that the benefits described above will be available to us in the future.

Israeli Transfer Pricing Regulations

On November 29, 2006, Income Tax Regulations (Determination of Market Terms), 2006, promulgated under Section 85A of the Tax Ordinance, came into force (the "TP Regulations"). Section 85A of the Tax Ordinance and the TP Regulations generally require that all cross-border transactions carried out between related parties will be conducted on an arm's length principle basis and will be taxed accordingly.

Taxation of our Shareholders

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

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the United States-Israel Tax Treaty, the disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset is generally exempt from Israeli capital gains tax unless, among other things, (i) the capital gain arising from the disposition is attributed to business income derived by a permanent establishment of the shareholder in Israel; or (ii) such U.S. resident is an individual and was present in Israel for 183 days or more during the relevant taxable year.

In some instances where our shareholders may be liable for Israeli tax on the sale of their Ordinary Shares, the payment of the consideration may be subject to the withholding of Israeli tax at source.

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

Taxation of the U.S. Subsidiary in the United States

The corporate tax applicable to the U.S. Subsidiary is at graduated rates of up to 34% plus state tax of up to 9.99% (according to the tax rates in the states in which the U.S. Subsidiary operates). Furthermore, certain states in which the U.S. Subsidiary operates have a minimum tax rate.

Israel and the United States have a double tax prevention treaty. According to the treaty, dividends and interest paid to us by our U.S. Subsidiary are generally subject to withholding tax of 12.5% and 17.5%, respectively.

U.S. Tax Considerations

U.S. Federal Income Tax Considerations

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

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

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

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

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

Taxation of Dividends Paid on Ordinary Shares or ADSs

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

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

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

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

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

Taxation of the Disposition of Ordinary Shares or ADSs

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

Gain realized by a U.S. Holder on a sale, exchange or other disposition of ordinary shares or ADSs will generally be treated as U.S. source income for U.S. foreign tax credit purposes. A loss realized by a U.S. Holder on the sale, exchange or other disposition of ordinary shares or ADSs is generally allocated to U.S. source income. The deductibility of a loss realized on the sale, exchange or other disposition of ordinary shares or ADSs is subject to limitations.

Passive Foreign Investment Companies

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

- 75% or more of our gross income (including our pro rata share of gross income for any company, in which we are considered to own 25% or more of the shares by value), in a taxable year is passive; or

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

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

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

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

The PFIC rules described above would not apply to a U.S. Holder who makes a QEF election for all taxable years that such U.S. Holder has held the ordinary shares or ADSs while we are a PFIC, provided that we comply with specified reporting requirements. Instead, each U.S. Holder who has made such a QEF election is required for each taxable year that we are a PFIC to include in income such U.S. Holder's pro rata share of our ordinary earnings as ordinary income and such U.S. Holder's pro rata share of our net capital gains as long-term capital gain, regardless of whether we make any distributions of such earnings or gain. In general, a QEF election is effective only if we make available certain required information. The QEF election is made on a shareholder-by-shareholder basis and generally may be revoked only with the consent of the IRS. Although we have no obligation to do so, we intend to notify U.S. Holders if we believe we will be treated as a PFIC for any tax year in order to enable U.S. Holders to consider whether to make a QEF election. In addition, we intend to furnish U.S. Holders annually with information needed in order to complete IRS Form 8621 and to make and maintain a valid QEF election for any year in which we or any of our Subsidiaries are a PFIC. U.S. Holders should consult with their own tax advisors regarding eligibility, manner and advisability of making a QEF election if we are treated as a PFIC.

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

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

New Tax on Investment Income

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

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

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

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

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

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

Information Reporting and Withholding

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

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

Medical Devices Excise Tax

The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 imposes significant new taxes on medical device makers in the form of a 2.3% excise tax on U.S. medical device sales, with certain exemptions, beginning in January 2013. The Consolidated Appropriations Act, 2016, signed into law on December 18, 2015, includes a two year suspension on the medical device excise tax. Thus, the medical device excise tax does not apply to the sale of a taxable medical device by the manufacturer, producer, or importer of the device during the period beginning on January 1, 2016, and ending on December 31, 2017. However, there is no guarantee that the excise tax will continue to be suspended by congressional action after this two-year period ends, and absent further congressional action, the excise tax will be reinstated for medical device sales beginning January 1, 2018.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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

You may read and copy any document we file with the SEC at its public reference facilities at 100 F Street, NE, Washington, D.C. 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, D.C. 20549. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of this website is http://www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

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

We maintain a corporate website at www.mazorrobotics.com. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report. We have included our website address in this annual report solely as an inactive textual reference.

I. Subsidiary Information.

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to changes in market prices, including interest rates and foreign exchange rates, of financial instruments that may adversely impact our consolidated financial position, results of operations or cash flows.

Risk of Interest Rate Fluctuation

We do not currently anticipate undertaking any significant long-term borrowings. We follow an investment policy that was set by our board of directors whose primary objectives are to preserve principal while maximizing the income that we receive from our investments without significantly increasing risk and loss. Our investments are exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments, provided, however, that given the low levels of interest rates worldwide, our interest income is not material and a further reduction in interest rates would not cause us a significant reduction in the absolute amounts of interest income to us. We manage this exposure by performing ongoing evaluations of our investments. Our investment balances are comprised mainly of bank deposits. The carrying value of the investment balances usually approximates their fair value. It is be our current policy to hold investments to maturity in order to limit our exposure to interest rate fluctuations.

Foreign Currency Exchange Risk

Our functional and reporting currency is the U.S. dollar. Although the U.S. dollar is our functional currency, a significant portion of our expenses are denominated in both NIS and Euros and currently most of our revenues are denominated in U.S. dollars. Therefore, our foreign currency exposures give rise to market risk associated with exchange rate movements of the U.S. dollar, mainly against the NIS and the Euro. Our NIS and Euro expenses consist principally of payroll to our employees in Israel, payments made to subcontractors for purchasing components to our products, research and development activities and marketing and sales activities. We anticipate that a sizable portion of our expenses will continue to be denominated in currencies other than the U.S. dollar. If the U.S. dollar fluctuates significantly against either the NIS or the Euro, it may have a negative impact on our results of operations. To date, fluctuations in the exchange rates have not materially affected our results of operations or financial condition.

Due to the fact that exchange rates between the U.S. dollar and the NIS (as well as between the U.S. dollar and other currencies) fluctuate continuously, such fluctuations have an impact on our results and period-to-period comparisons of our results. The effects of foreign currency re-measurements are reported in our consolidated statements of operations. We engage in short-term currency hedging activities in order to reduce some of this currency exposure. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

As of December 31, 2016, we have open currency hedging transactions in the amount of 4,000,000 NIS (approximately $1,039,000). All transactions were settled in the first quarter of 2017. We will continue to monitor exposure to currency fluctuations. Instruments that may be used to hedge future risks may include foreign currency forward, options and swap contracts. These instruments may be used to selectively manage risks, but there can be no assurance that we will be fully protected against foreign currency fluctuations.

In addition, we have balance sheet exposure arising from assets and liabilities denominated in currencies other than U.S. dollar, mainly in NIS and Euros. Any change of the conversion rates between the U.S. dollar and these currencies may create financial gain or loss.

The tables below provide information as of December 31, 2016 regarding our foreign currency-denominated monetary assets and liabilities.

Foreign currency denominated monetary assets and liabilities.

	Position as of December 31, 2016
	(U.S. $ in thousands)
Current Assets:	
Shekels	3,593
Euros	927
Total	4,520
Long term Assets:	
Shekels	93
Total	93
Current Liabilities:	
Shekels	4,291
Euros	157
Total	4,448
Long term Liabilities:	
Shekels	-
Total	-

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares

Fees and Expenses

The following table shows the fees and expenses that a holder of our ADSs may have to pay, either directly or indirectly:

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

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

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

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 20-F.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2016, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be included in periodic filings under the Exchange Act and that such information is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. In making this evaluation, our management used the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission of 2013 (COSO). Based on this evaluation, our management has concluded that, as of December 31, 2016, our internal control over financial reporting is effective based on those criteria. Management reviewed the results of its assessment with our Audit Committee.

(c) Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2016 has not been audited by our independent registered public accounting firm due to an exemption for emerging growth companies established by the JOBS Act.

(d) Changes in Internal Control over Financial Reporting

During the year ended December 31, 2016, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(e) Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors has determined that Gil Bianco and Yuval Yanai are the financial experts serving on our audit committee and that these individuals along with Sarit Soccary Ben-Yochanan are independent as that term "audit committee financial expert" is defined under the rules under the Exchange Act, and are independent in accordance with applicable Exchange Act rules and the NASDAQ Stock Market rules.

ITEM 16B. CODE OF ETHICS

We have adopted a code of business conduct and ethics applicable to our employees in all locations. The code of business conduct and ethics is available on our website, *www.mazorrobotics.com.*

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following fees were billed by Somekh Chaikin, a member firm of KPMG International, and affiliated firms, for professional services rendered thereby for the years ended December 31, 2016 and 2015:

	2016	2015
	(In Thousands)	
Audit Fees (1)	$ 171	$ 176
Audit-Related Fees	$ -	$ -
Tax Fees (2)	$ 14	$ 13
All Other Fees	$ 10	$ -
Total	$ 195	$ 189

(1) Includes audit fee for registration statements and related prospectuses.

(2) Includes fees for professional services rendered by our auditors for tax compliance and tax advice on actual or contemplated transactions.

Our audit committee pre-approves all audit and non-audit services provided to us and to our Subsidiaries during the periods listed above. Audit services must be pre-approved by the full audit committee. The authority to pre-approve non-audit services has been delegated to the Chairman of the audit committee. Any services pre-approved by the Chairman are reported to the full committee at its next scheduled meeting.

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

Not applicable.

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

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are required to comply with the Listing Rules of the NASDAQ Stock Market. Under those Listing Rules, we may elect to follow certain corporate governance practices permitted under the Companies Law in lieu of compliance with corresponding corporate governance requirements otherwise imposed by the Listing Rules of the NASDAQ Stock Market for U.S. domestic issuers.

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

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

- *Quorum*. While the Listing Rules of the NASDAQ Stock Market require that the quorum for purposes of any meeting of the holders of a listed company's common voting stock, as specified in the company's bylaws, be no less than 33% (1/3) of the company's outstanding common voting stock, under Israeli law, a company is entitled to determine in its articles of association the number of shareholders and percentage of holdings required for a quorum at a shareholders meeting. Our Articles of Association provide that a quorum of two or more shareholders holding at least 25% of the voting rights in person or by proxy is required for commencement of business at a general meeting. However, the quorum set forth in our Articles of Association with respect to an adjourned meeting consists of any number of shareholders present in person or by proxy.

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

- *Compensation of officers*. Israeli law and our amended and restated articles of association do not require that the independent members of our board of directors (or a compensation committee composed solely of independent members of our board of directors) determine an executive officer's compensation, as is generally required under the Listing Rules of the NASDAQ Stock Market with respect to the CEO and all other executive officers.

Instead, compensation of executive officers is determined and approved by our compensation committee and our board of directors, and in certain circumstances by our shareholders, either in consistency with our office holder compensation policy or, in special circumstances in deviation therefrom, taking into account certain considerations stated in the Companies Law.

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

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

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

- *Independent directors*. Israeli law does not require that a majority of the directors serving on our board of directors be "independent," as defined under NASDAQ Listing Rule 5605(a)(2), and rather requires we have at least two external directors who meet the requirements of the Companies Law, as described above under "Management—Board Practices—External Directors." We are required, however, to ensure that all members of our Audit Committee are "independent" under the applicable NASDAQ and SEC criteria for independence (as we cannot exempt ourselves from compliance with that SEC independence requirement, despite our status as a foreign private issuer), and we must also ensure that a majority of the members of our Audit Committee are "unaffiliated directors" as defined in the Companies Law. Furthermore, Israeli law does not require, nor do our independent directors conduct, regularly scheduled meetings at which only they are present, which the NASDAQ Listing Rules otherwise require.

- *Shareholder approval*. We will seek shareholder approval for all corporate actions requiring such approval under the requirements of the Companies Law, rather than seeking approval for corporation actions in accordance with NASDAQ Listing Rule 5635. In particular, under this NASDAQ rule, shareholder approval is generally required for: (i) an acquisition of shares/assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption/amendment of equity compensation arrangements (although under the provisions of the Companies Law there is no requirement for shareholders' approval for the adoption/amendment of the equity compensation plan); and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors/officers/5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. By contrast, under the Companies Law, shareholder approval is required for, among other things: (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors and shareholders are all required, (ii) extraordinary transactions with controlling shareholders of publicly held companies, which require the special approval described below under "Approval of Related Party Transactions under Israeli Law - Disclosure of personal interests of controlling shareholders", and (iii) terms of employment or other engagement of the controlling shareholder of us or such controlling shareholder's relative, which require the special approval described above, under "Approval of Related Party Transactions under Israeli Law - Disclosure of personal interests of controlling shareholders". In addition, under the Companies Law, a merger requires approval of the shareholders of each of the merging companies.

- *Approval of Related Party Transactions*. All related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transactions, set forth in sections 268 to 275 of the Companies Law, and the regulations promulgated thereunder, which require the approval of the audit committee, or the compensation committee, as the case may be, the board of directors and shareholders, as may be applicable, for specified transactions, rather than approval by the audit committee or other independent body of our board of directors as required under the Listing Rules of the NASDAQ Stock Market.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

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

ITEM 18. FINANCIAL STATEMENTS

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

MAZOR ROBOTICS LTD.

CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 2016

Consolidated Financial Statements as of December 31, 2016

Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Mazor Robotics Ltd.

We have audited the accompanying consolidated statements of financial position of Mazor Robotics Ltd. (hereinafter – "the Company") and its subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of income, changes in equity and cash flows, for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 financial position of the Company and its subsidiaries as of December 31, 2016 and 2015 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

Tel-Aviv, Israel
May 1, 2017

Consolidated Statements of Financial Position as of December 31

	Note	2016 USD thousands	2015 USD thousands
Assets			
Cash and cash equivalents	4	**14,954**	13,519
Short-term investments	5	**37,862**	21,687
Trade receivables		**8,225**	5,002
Other current assets	6	**1,728**	1,420
Inventory	7	**4,715**	2,777
Total current assets		**67,484**	44,405
Long-term investments	5	**9,017**	5,023
Property and equipment, net	8	**3,615**	1,432
Intangible assets, net	9	**2,258**	-
Other non-current assets	12D,13B	**351**	110
Total non-current assets		**15,241**	6,565
Total assets		**82,725**	50,970

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

Consolidated Statements of Financial Position as of December 31

	Note	2016 USD thousands	2015 USD thousands
Liabilities			
Trade payables		**5,018**	2,219
Deferred revenue	10A	**4,031**	1,221
Other current liabilities	B10	**8,462**	4,831
Total current liabilities		**17,511**	8,271
Non-current liabilities - Employee benefits	11	**325**	299
Total liabilities		**17,836**	8,570
Equity	22		
Share capital		**124**	110
Share premium		**174,647**	136,107
Amounts allocated to share options		**-**	77
Capital reserve for share-based payment transactions		**9,859**	7,179
Foreign currency translation reserve		**2,119**	2,119
Accumulated loss		**(121,860)**	(103,192)
Total equity		**64,889**	42,400
Total liabilities and equity		**82,725**	50,970

/s/ Jonathan Adereth	/s/ Ori Hadomi	/s/ Sharon Levita
Chairman of the Board of Directors	CEO	CFO

Date of approval of the financial statements: May 1, 2017.

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

Consolidated Income Statements for the Year Ended December 31

	Note	2016 USD thousands	2015 USD thousands	2014 USD thousands
Revenues	14	**36,379**	26,096	21,208
Cost of sales	16	**10,330**	5,827	4,396
Gross profit		**26,049**	20,269	16,812
Research and development expenses, net	17	**5,736**	6,324	5,776
Selling and marketing expenses	18	**33,637**	24,947	21,352
General and administrative expenses	19	**5,697**	4,305	4,392
Operating loss		**(19,021)**	(15,307)	(14,708)
Financing income	20	**438**	272	134
Financing expenses	20	**(41)**	(137)	(553)
Financing income (expenses), net		**397**	135	(419)
Loss before taxes on income		**(18,624)**	(15,172)	(15,127)
Income tax expense	12	**44**	213	145
Net loss		**(18,668)**	(15,385)	(15,272)
Net loss per share				
Basic and diluted loss per share (in USD)	24	**(0.42)**	(0.36)	(0.37)

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

Consolidated Statements of Changes in Equity

	Share Capital	Share premium	Amounts allocated to share options	Capital reserve for share-based payment transactions	Foreign currency translation reserve	Accumulated loss	Total Equity
				USD thousands			
For the year ended December 31, 2016							
Balance as of January 1, 2016	110	136,107	77	7,179	2,119	(103,192)	42,400
Loss for the year	-	-	-	-	-	**(18,668)**	**(18,668)**
Issuance of shares, see note 22C(2)	**11**	**31,386**	-	-	-	-	**31,397**
Exercise of share options	**3**	**6,549**	-	**(2,142)**	-	-	**4,410**
Exercise of warrants	-	**558**	**(77)**	-	-	-	**481**
Expiration of share options	-	**47**	-	**(47)**	-	-	-
Share-based payments	-	-	-	**4,869**	-	-	**4,869**
Balance as of December 31, 2016	**124**	**174,647**	-	**9,859**	**2,119**	**(121,860)**	**64,889**
For the year ended December 31, 2015							
Balance as of January 1, 2015	110	135,182	77	4,586	2,119	(87,807)	54,267
Loss for the year	-	-	-	-	-	(15,385)	(15,385)
Exercise of share options	*-	904	-	(477)	-	-	427
Expiration of share options	-	21	-	(21)	-	-	-
Share-based payments	-	-	-	3,091	-	-	3,091
Balance as of December 31, 2015	110	136,107	77	7,179	2,119	(103,192)	42,400
For the year ended December 31, 2014							
Balance as of January 1, 2014	106	130,472	77	3,854	2,119	(72,535)	64,093
Loss for the year	-	-	-	-	-	(15,272)	(15,272)
Exercise of share options	4	4,635	-	(1,350)	-	-	3,289
Expiration of share options	-	75	-	(75)	-	-	-
Share-based payments	-	-	-	2,157	-	-	2,157
Balance as of December 31, 2014	110	135,182	77	4,586	2,119	(87,807)	54,267

*) Represents an amount less than USD 1 thousand.

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

Consolidated Statements of Cash Flows for the Year Ended December 31

	2016	2015	2014
	USD thousands	USD thousands	USD thousands
Cash flows from operating activities			
Loss for the year	**(18,668)**	(15,385)	(15,272)
Adjustments:			
Depreciation and amortization	**822**	527	540
Financing (income) expenses, net	**(275)**	(207)	278
Gain on sale of property and equipment	**(6)**	-	-
Share-based expenses	**4,439**	3,091	2,157
Income tax expense	**44**	213	145
	5,024	3,624	3,120
Change in inventory	**(1,938)**	273	(980)
Change in trade and other accounts receivable	**(3,512)**	(2,408)	(1,296)
Change in prepaid lease fees	**(20)**	6	(1)
Change in trade and other accounts payable	**8,723**	2,217	138
Change in employee benefits	**26**	21	(33)
	3,279	109	(2,172)
Interest received	**301**	194	85
Income tax paid	**(38)**	(114)	(51)
	263	80	34
Net cash used in operating activities	**(10,102)**	(11,572)	(14,290)
Cash flows from investing activities			
Proceeds from (purchase of) short-term investments, net	**(11,094)**	9,816	22,271
Purchase of long-term investments	**(9,823)**	(7,538)	(7,237)
Proceeds from sale of long-term investments	**748**	992	-
Capitalization of development costs	**(1,902)**	-	-
Purchase of property and equipment	**(2,361)**	(702)	(503)
Net cash provided by (used in) investing activities	**(24,432)**	2,568	14,531
Cash flows from financing activities			
Proceeds from issuance of ADR's, net	**31,416**	-	(294)
Proceeds from exercise of share options by employees and service providers	**4,100**	370	3,042
Proceeds from exercise of warrants by investors	**481**	-	-
Repayment of loans to the Chief Scientist	-	-	(324)
Net cash provided by financing activities	**35,997**	370	2,424
Net (decrease) increase in cash and cash equivalents	**1,463**	(8,634)	2,665
Cash and cash equivalents at the beginning of the year	**13,519**	22,255	19,803
Effect of exchange rate differences on cash and cash equivalents	**(28)**	(102)	(213)
Cash and cash equivalents at the end of the year	**14,954**	13,519	22,255
Supplementary cash flows information:			
Transfer of inventory to property and equipment	-	-	410
Purchase of property and equipment on credit	**(566)**	-	-
Issuance costs on credit	**(19)**	-	-

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

Note 1 - Reporting Entity

A. Mazor Robotics Ltd. (the "Company") is an Israeli company incorporated in Israel. The address of the Company's registered office is 5 Shacham St., Northern Industrial Park, Caesarea, Israel. These consolidated financial statements as of and for the year ended December 31, 2016 comprise the Company and its wholly owned subsidiaries incorporated in the United States (U.S.) and Singapore, Mazor Robotics Inc. and Mazor Robotics Pte. Ltd., respectively (together referred to as the "Group"). The Group is a leading innovator in spine surgery and has pioneered surgical guidance systems and complementary products in the spine and brain surgical markets that provide a safer surgical environment for patients, surgeons and operating room staff. The Group engages in the development, production and marketing of innovative medical devices for supporting surgical procedures in the field of orthopedics and neurosurgery. The Group operates in the field of image guided surgery (also known as computer assisted surgery) that enables the use of surgical instruments with high precision and minimal invasiveness and that simplifies complex surgical procedures. Since August 2007, the ordinary shares of the Company have been registered for trade on the Tel Aviv Stock Exchange. On May 28, 2013, the Company's American Depositary Shares ("ADSs"), each of which represents 2 ordinary shares of the Company, represented by American Depositary Receipts ("ADRs"), were registered for trade on the NASDAQ Capital Market and are currently traded on the NASDAQ Global Market.

B. Definitions

In these financial statements -

(1) The Company - Mazor Robotics Ltd.

(2) The Group - Mazor Robotics Ltd. and its subsidiaries.

(3) Subsidiary - A company, the financial statements of which are fully consolidated, directly or indirectly, with the financial statements of the Company.

(4) Related party - Within its meaning in IAS 24, *"Related Party Disclosures"*.

(5) IIA - The Israel Innovation Authority, formerly known as the Office of the Chief Scientist of the Ministry of Economy ("OCS").

C. Material events in the reporting period

Exclusive Lead Sharing and Distribution Agreement and Purchase Agreement with Medtronic.

On May 18, 2016, Mazor entered into two strategic agreements with Medtronic. One agreement is a two-phase Exclusive Lead Sharing and Distribution Agreement which provides for co-promotion, co-development and, upon meeting certain milestones, potential global distribution of the Mazor X System, a transformative guidance platform for spine surgeries. The second agreement is a Purchase Agreement which provides for an equity investment by Medtronic in Mazor.

Exclusive Lead Sharing and Distribution Agreement

The Exclusive Lead Sharing and Distribution Agreement is a commercial agreement which has an initial U.S.-based co-promotion phase. Subject to meeting certain milestones defined in the agreement, and the parties' mutual decision to proceed, the relationship will enter a second phase. During the second phase, Medtronic will assume exclusive global sales and distribution rights for the Mazor X system. The second phase includes annual minimum sales amounts with a cumulative potential of hundreds of Mazor X systems over a four-year period. The commercial agreement relates to Mazor X systems and applications for the spine surgery market.

Note 1 - Reporting Entity

C. Material events in the reporting period (cont'd)

Purchase Agreement

The Purchase Agreement provides for a three-tranche equity investment in Mazor. In the first tranche, which closed in May 2016, Medtronic purchased from Mazor newly issued securities representing four percent of Mazor's issued and outstanding share capital on a fully diluted basis, at a price per ADS of $11.42, which was equal to the trailing 20-day volume weighted average price of the shares, or a total of $11.9 million. In the second tranche, which closed in August 2016, upon the achievement by Mazor of certain operational milestones, Medtronic purchased newly issued securities representing 4.1 percent of Mazor's issued and outstanding securities. This investment brought Medtronic to a total holding of 8.4 percent of Mazor's issued and outstanding securities, or 7.3 percent of Mazor's issued and outstanding securities on a fully diluted basis. The price per ADS in the second tranche was $21.84, which was the average price per share during the 20 trading days following the occurrence of the above-mentioned milestones.

In a potential third tranche, Mazor will have the right to require Medtronic to consummate the purchase of Mazor securities such that after the investment they will own up to fifteen percent of Mazor's outstanding ordinary shares on a fully diluted basis. Consummation of this tranche is subject to consummation of the second tranche as well as the commencement of the second phase of the Exclusive Lead Sharing and Distribution Agreement, and, provided certain other conditions are met, will be solely at Mazor's discretion, at a per-share price equal to the trailing 20-day volume weighted average price prior to Mazor's exercise of the option. Medtronic, at its sole discretion, may cap the third tranche at $20 million.

Note 2 - Basis of Preparation

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Company's Board of Directors on April 27, 2017.

B. Reporting and functional currency

These consolidated financial statements are presented in US dollars ("USD"), which is the Company's functional currency as of the date of these consolidated financial statements.

C. Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain investments and derivative instruments measured at fair value through profit or loss, inventory (measured at the lower of cost or net realizable value), deferred tax assets and liabilities and assets and liabilities for employee benefits. For further information regarding the measurement of these assets and liabilities see Note 3 regarding significant accounting policies.

Note 2 - Basis of Preparation (cont'd)

D. Use of estimates and judgments

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

The preparation of accounting estimates used in the preparation of the Company's financial statements requires management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Company prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any affected future periods.

Material accounting estimates and judgments - Presented hereunder is information with respect to material assumptions and estimates, which were made by the Group's management while implementing Group accounting policies:

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Capitalization of development costs - Development costs are capitalized and recognized as an intangible asset according to the accounting policy described in Note 3E. The capitalization of the costs is based among others on management's judgment regarding technological and economic feasibility, which generally exists when a product development project reaches a defined milestone. In assessing the recoverable amount of an intangible assets, management makes assumptions as to the future anticipated cash inflows from the assets.

Recognition of deferred tax assets in respect of tax losses - Management of the Company evaluates whether it is probable that in the foreseeable future there will be taxable profits against which losses can be utilized and quantify the portion of tax losses that are more likely than not to be allowable under applicable tax laws, and accordingly it recognizes (or does not recognize) deferred tax assets. For further information on losses for which a deferred tax asset was recognized, see Note 12 regarding taxes on income.

Fair value measurement of share-based payment transactions - The Group grants share-based payment to directors, employees and consultants. The fair value of the share options is measured at grant date on the basis of accepted valuation models and assumptions regarding unobservable inputs used in the valuation models. The value of the transactions, measured as described above, is recognized as an expense over the vesting period. Concurrently with the periodic recognition of an expense, an increase is recognized in a capital reserve, within the Group's equity.

E. New standards and interpretations not yet adopted

(1) IFRS 16, Leases ("IFRS 16")

IFRS 16 replaces International Accounting Standard 17 - Leases (IAS 17) and its related interpretations. IFRS 16 instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements. Similarly, IFRS 16 determines new and expanded disclosure requirements from those required at present.

Note 2 - Basis of Preparation (cont'd)

E. New standards and interpretations not yet adopted (cont'd)

(1) IFRS 16, Leases ("IFRS 16") (cont'd)

IFRS 16 will become effective for annual periods as of January 1, 2019, with the possibility of early adoption, so long as the Company has also early adopted IFRS 15 - Revenue from contracts with customers. IFRS 16 includes various alternative transitional provisions, so that companies can choose between one of the following alternatives at initial application: full retrospective application or application (with the possibility of certain practical expedients) as from the mandatory effective date, with an adjustment to the balance of retained earnings at that date.

The Company is examining the effects of IFRS 16 on the financial statements with no plans for early adoption.

(2) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a new model for recognizing revenue from contracts with customers. IFRS 15 provides two approaches for recognizing revenue: at a point in time or over time. The model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount. Furthermore, IFRS 15 provides new and more extensive disclosure requirements than those that exist under current guidance.

IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted. IFRS 15 includes various alternative transitional provisions, so that companies can choose between one of the following alternatives at initial application: full retrospective application, full retrospective application with practical expedients, or application as from the mandatory effective date, with an adjustment to the balance of retained earnings at that date in respect of transactions that are not yet complete.

The Company began its IFRS 15 implementation assessment by reviewing its current revenue recognition policy, contract with customers and its sales processes. The Company has not identified any major changes compared to the treatment currently applied under IAS 18, although the Company has not yet completed its assessment. In general the Company’s performance obligation is the transfer of goods to the customer and related activities occurring on or around the delivery. In a limited number of cases, certain activities that the Company performs for the customer after delivery may qualify as a separate performance obligation while the fair value of such secondary services are deemed to be immaterial and the realization of such services usually occurs at same point of time as the transfer of the main performance obligation. The Company will complete its examination during 2017.

(3) IFRS 9 (2014), Financial Instruments ("IFRS 9 (2014)")

IFRS 9 (2014) replaces the current guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 (2014) includes revised guidance on the classification and measurement of financial instruments, a new 'expected credit loss' model for calculating impairment for most financial assets, and new guidance and requirements with respect to hedge accounting.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted.

The Group has examined the effects of applying IFRS 9 (2014), and in its opinion the effect on the financial statements will be immaterial.

Note 2 - Basis of Preparation (cont'd)

E. New standards and interpretations not yet adopted (cont'd)

(4) Amendment to IAS 12, *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The Amendment clarifies that for purposes of recognizing a deferred tax asset, the effect of reversal of deductible temporary differences should be excluded when assessing future taxable profit. This assessment should be made separately for different types of deductible temporary differences if tax laws contain restrictions on the types of taxable profit from which losses can be deducted. Moreover, the Amendment provides that probable future profits may include profits from the recovery of assets at more than their carrying value, if there is sufficient supporting evidence.

The Amendment is applicable retrospectively for annual periods beginning on or after January 1, 2017 with early adoption being permitted.

The Group has examined the effects on the financial statements of applying the Amendment for IAS 12 and is of the opinion the effect on the financial statements will be immaterial.

Note 3 - Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

A. Basis of consolidation

(1) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(2) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

B. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign currency differences arising on translation are recognized in profit or loss.

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

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments

(1) Non-derivative financial assets

Initial recognition of financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets acquired in a regular way purchase, including assets designated at fair value through profit or loss, are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument (i.e., on the date the Group undertook to purchase or sell the asset). Non-derivative financial instruments comprise investments in marketable securities, deposits, trade and other receivables, and cash and cash equivalents.

De-recognition of financial assets

Financial assets are de-recognized when the Group's contractual rights to the cash flows from the asset expire, or when the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Regular way sales of financial assets are recognized on the trade date, which is the date that the Company undertook to sell the asset.

See (2) hereunder regarding the offset of financial assets and financial liabilities.

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

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets held for trading comprise investments in marketable securities.

Loans and receivables

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

Cash and cash equivalents comprise cash balances available for immediate use and call deposits. Cash equivalents comprise short-term highly liquid investments (with original maturities of three months or less) that are readily convertible into known amounts of cash and are not exposed to significant risks of change in value.

(2) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are de-recognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise of, trade and other accounts payable.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Note 3 - Significant Accounting Policies (cont'd)

C. Financial instruments (cont'd)

(3) CPI-linked assets and liabilities that are not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, is revalued every period in accordance with the actual increase/decrease in the CPI.

(4) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

(5) Share options

Receipts in respect of share options are classified as equity to the extent that they confer the right to purchase a fixed number of shares for a fixed exercise price.

D. Property and Equipment

(1) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Spare parts, servicing equipment and stand-by equipment are to be classified as fixed assets when they meet the definition of fixed assets in IAS 16, and are otherwise to be classified as inventory.

Gains and losses on disposal of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized net within the relevant line item in profit or loss.

(2) Subsequent costs

The cost of replacing part of a property and equipment asset item is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of day-to-day servicing are recognized in profit or loss as incurred.

(3) Depreciation

Depreciation is a systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount is the cost of the asset, or other amount substituted for cost.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computers and equipment	3 years
Machinery and equipment	3-10 years
Motor Vehicles	7 years
Office furniture and equipment	6-17 years
Leasehold improvements	The shorter of the lease term and the useful life

Note 3 - Significant Accounting Policies (cont'd)

D. Property and Equipment (cont'd)

(1) Depreciation (cont'd)

Depreciation methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

E. Intangible assets

(1) Research and development

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

Development activities involve plans or design for the production of new or substantially improved products and processes.

Development expenditure is capitalized only if:

development costs can be measured reliably;
the product or process is technically and commercially feasible;
future economic benefits are probable; and
the Group intends to and has sufficient resources to complete development and to use or sell the asset.

With regard to some of the Company's products, technological feasibility may occur only after the Company receives approval from the U.S. Food and Drug Administration (the FDA). Sometimes the costs incurred between the successful completion of the product's development and successful clinical trials, and the time the product is ready for sale are immaterial, so that in reality all of the development costs might be recognized in profit or loss as incurred.

Any capitalized expenditure includes the cost of materials, direct labor and other related costs that are directly attributable to developing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

During 2016, the Company reached technological and commercial feasibility regarding one of its projects according to the conditions listed above, see note 9.

(2) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognized in profit or loss as incurred.

(3) Amortization

Amortization is a systematic allocation of the amortizable amount of an intangible asset over its useful life. The amortizable amount is the cost of the asset.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date they are available for use, since these methods most closely reflect the expected pattern of consumption of the future economic benefits embodied in each asset.

Management estimates the useful life of the capitalized development costs as 7 years.

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Note 3 - Significant Accounting Policies (cont'd)

F. Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the moving average method, and includes expenditure incurred in acquiring the inventory and the costs incurred in bringing it to its existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Management regularly evaluates the necessity of provisions for obsolescence, which may result from excess, slow-moving or obsolete inventories.

G. Impairment

(1) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset.

Objective evidence that financial assets are impaired can include:

- Default by a debtor;
- Indications that a debtor or issuer will enter bankruptcy;
- Observable data indicating a measurable decrease in the cash flow expected from a group of financial assets.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. All individually significant financial assets are assessed for specific impairment, and all impairment losses are recognized in profit or loss and reflected in a provision for loss against the balance of the financial asset measured at amortized cost.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the recognition of the impairment loss. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(2) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its net selling price (fair value less costs to sell). In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit, for which the estimated future cash flows from the asset or cash-generating unit were not adjusted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Note 3 - Significant Accounting Policies (cont'd)

H. Employee benefits

(1) Post-employment benefits

Most of the Group's Israeli employees are subject to Section 14 of the Israeli Severance Pay Law - 1963 and therefore substantially all of the post-employment plans of the Group are classified as defined contribution plans.

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

(2) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided, or upon the actual absence of the employee when the benefit is not accumulated.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The employee benefits are classified as short-term benefits or as other long-term benefits depending on when the Company expects the benefits to be wholly settled.

Long-term benefits are presented on a discounted basis and are immaterial to the financial statements.

(3) Share-based payment transactions

The fair value of share-based payment, measured on the grant date, granted to employees is recognized as a salary expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense in respect of share-based payment awards that are conditional upon meeting service and non-market performance conditions, is adjusted to reflect the number of awards that are expected to vest.

I. Provisions

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

J. Revenue Recognition

General
The Group recognizes revenue in accordance with IAS 18, *Revenue Recognition*, including provisions related to recognition of revenue from multiple-component transactions. Accordingly, the Group recognizes revenue from the sale of goods when:

The significant risks and rewards of ownership of the goods have been transferred to the customer;
It is probable that the economic benefits associated with the transaction will flow to the Group;
The costs incurred or to be incurred in respect of the transaction can be measured reliably;
The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
The amount of revenue can be measured reliably.

Note 3 - Significant Accounting Policies (cont'd)

J. Revenue Recognition (cont'd)

The revenue from sales in the ordinary course of business is measured according to the fair value of the consideration received or receivable, which is based on the selling price of each component, net of discounts.

In general, the Group's sales agreements include several components:
Surgical guidance systems ("Systems");
disposable components and accessories; and
warranty and maintenance services related to the systems sold, which includes replacement parts, software updates, preventive maintenance and on-call support as detailed in the agreement.

These components are split into separate accounting units if and only if each component has separate value for the customer and there is reliable evidence of the fair value of the components not yet supplied. Components not split into a separate accounting unit due to non-compliance with the above conditions, are grouped together as a single accounting unit. The revenue from each such accounting unit is recognized upon fulfillment of the conditions for recognition of revenue from the components included therein, according to their type. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item. Usually, fair value of the warranty and maintenance services component is determined based on the renewal quote offered in the sales agreement.

The timing of revenue recognition from the various components is as follows:

Sales of Systems - The revenue from sales of systems is recognized at the time of transfer of the significant risks and rewards of ownership as follows:

Sales to end customers - Upon the completion of installation of the System, training of at least one surgeon, which typically occurs prior to or concurrent with the System installation, and customer acceptance, if required.

Sales to distributors - Upon delivery to the distributor, provided that the significant risks and rewards of ownership of the system are transferred to the distributor upon delivery, the distributor has no right of return, receipt of the consideration is probable and not dependent on the distributor's ability to collect from the end customer, the commitment to carry out installation and training for the end customer lies with the distributor and that the distributor has been authorized to perform the installation and training for the end customers. If the above conditions are not met, the Group recognizes revenue at the time of fulfillment of the conditions for recognition of revenue from the end customer.

For System sales, where a commitment for future trade-in exists, the Company examines whether the transaction meets all revenue recognition criteria. If one or more of the revenue recognition criteria are not met, revenue is deferred and the System is presented in inventory until the earliest of trade-in commitment is fulfilled, or trade-in option expire.

In rare circumstances, the Company may bill a customer for a product and retain physical possession of the product until it is transferred to the customer at a point in time in the future. If such delivery is delayed at the customer's request and the customer assumes title and accepts billing, revenue is recognized when the buyer takes title, provided that:

(i) It is probable that the delivery will be made;
(ii) The item is on hand, identified and ready for delivery to the customer at the time the sale is recognized;
(iii) The customer specifically acknowledges the deferred delivery instructions, and
(iv) The usual payment terms apply.

Note 3 - Significant Accounting Policies (cont'd)

J. Revenue Recognition (cont'd)

Disposable components sales - Revenue from the disposable components sales is recognized at the time of the transfer of the significant risks and rewards of ownership as follows:

In sales to end customers - Upon delivery.

In sales to distributors - Upon delivery to the distributor, provided that the significant risks and rewards of ownership of the components are transferred to the distributor upon delivery, the distributor has no right of return and that the receipt of the consideration is probable and not dependent on the distributor's ability to collect from the end customer.

Warranty and maintenance services ("services") - Revenue from services is recognized proportionately over the period of rendering of the service and subject to the other conditions for revenue recognition specified above.

L. Financing income and expenses

Financing income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, changes in fair value of derivative instruments and foreign currency gains. Interest income is recognized as it accrues using the effective interest method.

Financing expenses comprise changes in fair value of derivative instruments, liability to the IIA as well as changes in the fair value of financial assets at fair value through profit or loss and foreign currency losses.

In the statements of cash flows, interest received and interest paid are presented as part of cash flows from operating activities.

Foreign currency gains and losses are reported on a net basis.

M. Taxes on income

Taxes on income are comprised of current and deferred tax. Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized with respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which that can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Tax benefit arising from tax deduction on exercise of share options is recognized in statement of profit or loss to the extent of the cumulative remuneration expense recognized. Any excess benefit is recognized directly in equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

N. Loss per share

The Group presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options and share options granted to employees.

Note 3 - Significant Accounting Policies (cont'd)

O. Comprehensive income

The Group has no comprehensive income components other than net income or loss.

Note 4 - Cash and Cash Equivalents

	December 31	
	2016	2015
	USD thousands	USD thousands
Current balances in banks	**14,784**	10,972
Deposits held at financial institutions, with original maturity periods of up to three months	**170**	2,547
	14,954	13,519

The deposits outstanding, as of December 31, 2016, bear annual interest of 0.76%-0.80%.

The Group's exposure to credit, interest rate and currency risks and a sensitivity analysis for financial assets are disclosed in Note 26.

Note 5 - Investments

Breakdown according to type of investment

	December 31	
	2016	2015
	USD thousands	USD thousands
Short-term investments		
Deposits held at financial institutions, in USD	**(*)37,849**	21,674
Investments in marketable securities		
Mutual funds	**13**	13
	37,862	21,687
Long-term investments		
Deposits held at financial institutions, in USD	**9,017**	5,023

The deposits outstanding, as of December 31, 2016, bear annual interest of 0.19%-1.64%.

The Group's exposure to credit, interest rate and currency risks, and a sensitivity analysis for financial assets are disclosed in Note 26.

(*) Including restricted cash in the amount of USD 1,331 thousand for bank guarantees.

Note 6 - Other Current Assets

	December 31	
	2016	2015
	USD thousands	USD thousands
Institutions	**1,127**	**656**
Prepaid expenses	**254**	**476**
Interest receivable	**171**	**125**
Advances to suppliers	**1**	**102**
Other receivables	**175**	**61**
	1,728	**1,420**

The Group's exposure to credit and currency risk is disclosed in Note 26.

Note 7 - Inventory

	December 31	
	2016	2015
	USD thousands	USD thousands
Raw materials and spare parts	**1,634**	970
Work in progress	**232**	277
Finished goods	**2,849**	1,530
	4,715	**2,777**

Note 8 - Property and Equipment, net

	Motor vehicles	Machinery and equipment	Office furniture and equipment	Leasehold improvements	Computers and equipment	Total
	USD thousands					
Cost						
Balance as of January 1, 2016	33	1,880	193	301	1,236	3,643
Additions	-	**1,765**	**31**	**828**	**313**	**2,937**
Disposals	**(33)**	**(32)**	**(10)**	**(309)**	**(54)**	**(438)**
Balance as of December 31, 2016	-	**3,613**	**214**	**820**	**1,495**	**6,142**
Balance as of January 1, 2015	33	1,366	178	261	1,146	2,984
Additions	-	514	15	40	133	702
Disposals	-	-	-	-	(43)	(43)
Balance as of December 31, 2015	33	1,880	193	301	1,236	3,643
Depreciation						
Balance as of January 1, 2016	26	954	64	188	979	2,211
Depreciation for the year	**3**	**423**	**13**	**124**	**185**	**748**
Disposals	**(29)**	**(32)**	**(10)**	**(309)**	**(52)**	**(432)**
Balance as of December 31, 2016	-	**1,345**	**67**	**3**	**1,112**	**2,527**
Balance as of January 1, 2015	21	673	52	149	832	1,727
Depreciation for the year	5	281	12	39	190	527
Disposals	-	-	-	-	(43)	(43)
Balance as of December 31, 2015	26	954	64	188	979	2,211
Carrying amount						
Balance as of January 1, 2015	12	693	125	112	315	1,257
Balance as of December 31, 2015	7	926	129	113	257	1,432
Balance as of December 31, 2016	-	**2,268**	**147**	**817**	**383**	**3,615**

Note 9 - Intangible Assets

Intangible assets include capitalized development costs relating to one of the Company's products in accordance with the requirements of IAS 38, *Intangible Assets*, as described in Note 3E.

During 2016 the Company capitalized development costs, as detailed below. In the years 2015 and 2014 the Company did not capitalize development costs.

Presented hereunder is the movement in the carrying amount of intangible assets during the years 2016 and 2015:

	Capitalized development costs USD thousands
Cost	
Balance as of January 1, 2015 and December 31, 2015	-
Capitalization of development costs for the year ended December 31, 2016	**2,332**
Balance as of December 31, 2016	**2,332**
Amortization (recognized as part of cost of goods sold)	
Balance as of January 1, 2015 and December 31, 2015	-
Amortization for the year ended December 31, 2016	**74**
Balance as of December 31, 2016	**74**
Carrying amount	
December 31, 2015	-
December 31, 2016	**2,258**

Amortization

The current amortization of development costs is recognized in cost of sales.

Note 10 - Other Current Liabilities

A. Deferred income

	December 31	
	2016	**2015**
	USD thousands	**USD thousands**
Deferred income relating to warranty and installations commitments	**2,197**	1,221
Deferred income relating to trade-in systems	**1,834**	-
	4,031	1,221

B. Other current liabilities

	December 31	
	2016	**2015**
	USD thousands	**USD thousands**
Salary and related liabilities	**4,905**	3,161
Accrued expenses	**3,029**	1,283
Institutions	**300**	155
Tax provision	**8**	111
Hedging transactions	-	4
Related parties*	**45**	35
Other	**175**	82
	8,462	4,831

* See Note 21 - Related Parties, for additional information regarding transactions and balances with related parties.

The Group's exposure to currency and liquidity risks related to certain payables is disclosed in Note 26.

Note 11 - Employee Benefits

Employee benefits mostly include post-employment benefits for Israeli employees who are in the scope of Section 14 of the Israeli Severance Pay Law - 1963, that are accounted for as defined contribution plans. The Group also has immaterial defined benefit plans for which it deposits amounts in appropriate insurance policies. Such amounts are classified as long-term liabilities.

Regarding short-term benefits see Note 10 - Other Current Liabilities.

Regarding share-based payments see Note 23 - Share-Based Payments.

Post-employment benefit plans - defined contribution plan

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Amount recognized as expense in respect of defined contribution plan	**368**	243	229

Note 12 - Taxes on Income

A. Details regarding the tax environment of the Group

(1) Corporate tax rate

(a) Presented hereunder are the Israeli tax rates in the years 2014-2016:

2014 - 26.5%
2015 - 26.5%
2016 - 25%

Capital gains derived by an Israeli company are subject to the same tax rate.

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

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

(2) Benefits under the Israeli Law for the Encouragement of Capital Investments - 1959 (hereinafter - "the Law")

(a) In April 2004, the Company was granted "Approved Enterprise" status in accordance with the Law with respect to a plan to construct a plant in Caesarea, Israel for the manufacture of systems for assisting and guiding complex surgical procedures. In February 2007, the aforementioned approved enterprise status was revoked at the request of the Company, and in respect of an expansion of its plant in the Caesarea industrial park it was granted "Beneficiary Enterprise" status per the definition of this term in the Law. In accordance with this status, the Company will be entitled to the tax benefits provided by the Law with respect to income of the beneficiary enterprise from productive activity. Income of the beneficiary enterprise from productive activity will be exempt from tax for two years from the year in which the Company first has taxable income, and will be subject to tax of 10%-25% in the following 5 years, provided that 12 years have not passed from the beginning of the year of election. In the event of a dividend distribution from income that is exempt from company tax, as aforementioned, the Company will be required to pay tax of 25% on that income. In 2013, the Company notified the tax authorities that 2012 tax year is the year of election.

Note 12 - Taxes on Income (cont'd)

A. Details regarding the tax environment of the Group (cont'd)

(2) Benefits under the Israeli Law for the Encouragement of Capital Investments - 1959 (hereinafter - "the Law") (cont'd)

In addition, in the event of a change in the field of activity and/or business model and/or a significant reduction in production levels or in product variety, the tax ruling will become void. The Company will be controlled and managed in Israel throughout the benefit period.

(b) On December 29, 2010, the Knesset approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments - 1959 (hereinafter - "the Amendment"). The Amendment is effective from January 1, 2011 and its provisions apply to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment.

Companies can choose not to be included in the scope of the amendment to the Encouragement Law and to stay in the scope of the law before its amendment until the end of the benefits period of its approved/beneficiary enterprise.

The Amendment provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. In addition, the existing tax benefit tracks were eliminated (the tax exempt track, the "Ireland" track and the "Strategic" track) and two new tax tracks were introduced in their place, a preferred enterprise and a special preferred enterprise, which mainly provide a uniform and reduced tax rate for all the company's income entitled to benefits. On August 5, 2013 the Knesset passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) - 2013, which raised the tax rates on preferred income as from the 2014 tax year as follows: 9% for Development Area A and 16% for the rest of the country. Furthermore, an enterprise that meets the definition of a special preferred enterprise is entitled to benefits for a period of 10 consecutive years and a reduced tax rate of 5% in Development Area A and of 8% in the rest of the country.

The Amendment also provides that no tax will apply to a dividend distributed out of preferred income to a shareholder that is an Israeli resident company. A tax rate of 20% shall apply to a dividend distributed out of preferred income to an individual shareholder or foreign resident, subject to double taxation prevention treaties.

The Company meets the conditions provided in the Amendment to the Law for inclusion in the scope of the tax benefits track, but currently chose to stay in the scope of the Law before its amendment.

(3) Benefits under the Law for the Encouragement of Industry (Taxes)

The Company qualifies as "Industrial Companies" as defined in the Law for the Encouragement of Industry (Taxes) – 1969 and accordingly entitled to benefits of which the most significant ones are as follows:

(a) Higher rates of depreciation.
(b) Amortization in three equal annual portions of issuance expenses when registering shares for trading as from the date the shares of the company were registered.
(c) An 8-year period of amortization for patents and know-how serving in the development of the enterprise.
(d) The possibility of submitting consolidated tax returns by companies in the same line of business.

Note 12 - Taxes on Income (cont'd)

A. Details regarding the tax environment of the Group (cont'd)

(4) Measurement of taxable income under the Income Tax (Inflationary Adjustments) Law, 1985

Through 2014, the Company has maintained its books and records for Israeli tax purposes in NIS. Calculation of the Company's results in NIS differs from the results reported in the financial statements, which are based on the functional currency of the Company which is the U.S. Dollar.

The Company has elected, commencing January 1, 2015, to maintain its books and records in U.S. dollars for tax purposes, as permitted under the tax regulations, since the Company is considered a "foreign invested company". The Company must continue to be taxed on this basis for at least three years.

(5) Taxation of the subsidiary in the U.S.

The tax rates applicable to the subsidiary incorporated in the U.S. are federal tax rate of 34% plus state tax of 0.00% to 9.99%, depending on the state. Furthermore, certain states in which the subsidiary operates have a minimum tax.

Israel and the U.S. have a double tax avoidance treaty. According to the treaty, dividends and interest are subject to withholding tax of 12.5% and 17.5%, respectively.

B. Composition of income tax expense

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Current tax expense			
Current tax	**265**	97	194
Deferred tax expense (income)			
Changes in deferred tax assets\ liabilities in subsidiary	**(221)**	116	(49)
Total tax expense	**44**	213	145

C. Reconciliation between the theoretical tax on the pre-tax profit and the tax expense

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Loss before taxes on income	**(18,624)**	(15,172)	(15,127)
Primary tax rate of the Company	**25%**	26.5%	26.5%
Tax calculated according to the Company's primary tax rate	**(4,656)**	(4,021)	(4,009)
Changes to tax in respect of:			
Different tax rate of foreign subsidiaries	**94**	54	20
Non-deductible expenses	**1,179**	875	615
Difference between the measurement basis of the Company's results for tax purposes and the measurement basis of the Company's results in the financial statements (see A(4) above)	-	-	1,905
Tax losses and benefits for which deferred tax assets were not created	**3,583**	3,290	1,578
Other differences	**(156)**	15	36
Income tax expense	**44**	213	145

Note 12 - Taxes on Income (cont'd)

D. Deferred tax assets and liabilities

(1) The Company has recognized deferred tax assets and liabilities in respect of the following items:

	December 31	
	2016	2015
	USD thousands	USD thousands
Property and equipment	**(102)**	(101)
Tax losses and other temporary differences	**360**	138
Deferred tax assets	**258**	37

Deferred taxes in respect of the losses of the U.S. subsidiary were recognized, following the profitability of the U.S. subsidiary in recent years and convincing evidence that the U.S. subsidiary will experience sufficient taxable income in the near future and following the evaluation of the losses that more likely than not will be allowable under applicable tax laws.

During 2016, deduction in current tax liabilities in the amount of USD 310 thousand were recognized directly in equity and not through profit or loss. Deduction in current tax liabilities were recognized in respect of disqualifying dispositions of ISO options by U.S. subsidiary employees.

(2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31	
	2016	2015
	USD thousands	USD thousands
Deductible temporary differences, net	**5,034**	6,112
Capital tax losses	**7,486**	7,375
Operating tax losses	**92,089**	76,178

The deductible temporary differences and tax losses incurred by the Israeli company do not expire under current tax legislation in Israel.

The Group did not recognize deferred tax assets in respect of these items since it is not probable that future taxable income will be available against which the Group can use the benefits therefrom, other than a deferred tax asset in respect of losses of the U.S. subsidiary that will probably be utilized.

In general, the losses of the subsidiary in the USA can be used for up to a period of 20 years according to the tax laws of its state of incorporation. The utilization of the subsidiary's tax losses has been limited to USD 207 thousand per year, by an "ownership change" under Section 382 of the Internal Revenue Code (the "Code"), which occurred during July 2009. An "ownership change" generally is a 50% increase in ownership over a three-year period by stockholders who directly or indirectly own at least 5% of the Company's stock. The limitation applies to all tax losses existing at the time of the ownership change.

The amount of benefits the Company may receive from the operating loss carry forwards for income tax purposes is further dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, such as additional changes in ownership, the effects of which cannot be determined.

E. Carry-forward losses

The Company has carry-forward operating tax losses and carry-forward capital tax losses of USD 90,140 thousand and USD 7,486 thousand, respectively, as of December 31, 2016.

The U.S. subsidiary has carry-forward operating tax losses of USD 2,443 thousand as of December 31, 2016.

F. Tax assessments

Tax years up to and including the year ended 2012 are considered final for the Company and the U.S. subsidiary.

Note 13 - Commitments

A. The Company and the U.S. subsidiary have operating lease agreements with respect to the buildings they use. The agreements of the Company will end in December 2017 and June 2021 and the agreement of the U.S. subsidiary will end in April 2018, respectively. The Company provided a promissory note in the amount of USD 15 thousand and deposited as a lien USD 274 thousand as security for the building lease.

The rent payments for buildings in Israel are linked to the CPI and for those in the U.S. are stated at the U.S. dollar. The minimum annual lease payments under the agreements, including the extension period, are as follows:

	December 31, 2016
	USD thousands
2017	**903**
2018	**634**
2019	**562**
2020	**562**
2021	**281**
	2,942

The lease payments amounted to USD 648 thousand in 2016 and USD 341 thousand in 2015.

B. The Company leases motor vehicles under operating lease agreements for a period of 32 to 36 months. With regards to these agreements, the Company has deposited amounts as security for the future rent payments. As of the reporting date the balance of prepaid expenses on account of the lease of motor vehicles is USD 93 thousand. The deposits are linked to the CPI and do not bear interest. The minimum annual payments according to the agreements are as follows:

	December 31, 2016
	USD thousands
2017	**282**
2018	**199**
2019	**91**
	572

The lease motor vehicles payments amounted to USD 309 thousand in 2016 and USD 280 thousand in 2015.

C. In January 2012, the Company entered into a distribution agreement with Mazor Robotics GmbH (hereinafter: "Mazor Germany"). According to the agreement, the Company will grant to Mazor Germany exclusive distribution rights in Germany, Austria and Switzerland (the "Territory") with respect to various products of the Company, and limited service also in other European countries according to the needs of the Company, and will also pay a monthly fee to support penetration cost to the Territory. The monthly fee will be agreed by both parties in advanced each calendar year. The monthly fee will be paid 3 months in advance each calendar month. The Company granted to Mazor Germany the right to use the name "Mazor", and this right will expire on the last date of a binding agreement. The intellectual property will at all times continue to be the property of the Company. The agreement will continue until terminated by either party with 180 days written notice. During the 180 day advance notice the Company will continue to pay the monthly fee as agreed.

D. As of December 31, 2016, the Company has purchase obligations in the amount of USD 5,590 thousand (as of December 31, 2015: USD 2,468 thousand) which mainly represent outstanding purchase commitments for inventory components and R&D materials ordered in the normal course of business.

Note 14 - Revenues

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Sales of systems	**19,624**	13,373	12,040
Sales of disposables	**10,295**	7,648	4,916
Services and other	**6,460**	5,075	4,252
	36,379	26,096	21,208

Note 15 - Segment Reporting

A. Information about reportable segments

The Group has one reportable segment.

B. Entity level disclosures

(1) Major Customers

In the years ended December 31, 2016 and 2015, there were no major customers.

(2) Information on products and services

The Group's revenues from external parties in respect of each category of similar products and services are presented in Note 14.

(3) Information on geographical areas

	For the year ended December 31, 2016		
	U.S.A.	**International**	**Total**
		USD in thousands	
Total revenues	**30,716**	**5,663**	**36,379**

	For the year ended December 31, 2015		
	U.S.A.	**International**	**Total**
		USD in thousands	
Total revenues	20,271	5,825	26,096

	For the year ended December 31, 2014		
	U.S.A.	**International**	**Total**
		USD in thousands	
Total revenues	15,486	5,722	21,208

Virtually all of the Company's long-lived assets are located in Israel.

Note 16 - Cost of Sales

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Materials and subcontractors	**7,503**	3,669	2,616
Salaries, wages and related expenses	**1,474**	1,264	1,061
Depreciation and amortization	**418**	193	189
Other manufacturing expenses	**935**	701	530
Total cost of sales	**10,330**	5,827	4,396

Note 17 - Research and Development Expenses

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Materials and subcontractors	**2,444**	2,690	2,358
Salaries, wages and related expenses	**4,167**	2,875	2,630
Depreciation	**97**	45	94
Patent registration expenses	**208**	106	139
Overhead	**539**	355	309
Other research and development expenses	**613**	253	246
	8,068	6,324	5,776
Less: capitalized cost	**(2,332)**	-	-
Total research and development expenses	**5,736**	6,324	5,776

Note 18 - Selling and Marketing Expenses

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Salaries, wages and related expenses	**22,270**	(*)16,143	12,952
Consultation	**2,439**	(*)1,834	1,659
Advertising, demonstrations and exhibitions	**3,243**	2,546	2,579
Travel expenses	**3,814**	(*)2,696	2,412
Depreciation	**259**	213	199
Excise tax	-	308	238
Overhead	**919**	707	675
Other selling and marketing expenses	**693**	(*)500	638
Total selling and marketing expenses	**33,637**	24,947	21,352

(*) Reclassified.

Note 19 - General and Administrative Expenses

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Salaries, wages and related expenses	**3,525**	2,395	2,183
Professional services	**1,510**	1,271	1,274
Travel expenses	**192**	214	155
Overhead	**203**	133	125
Other general and administrative expenses	**267**	292	655
Total general and administrative expenses	**5,697**	4,305	4,392

Note 20 - Financing Income and Expenses

	For the year ended December 31		
	2016	**2015**	**2014**
	USD thousands	**USD thousands**	**USD thousands**
Interest income and net change in fair value of financial assets held-for-trading	**399**	269	134
Hedging transactions	**39**	3	-
Financing income recognized in profit or loss	**438**	272	134
Net expenses from change in exchange rates	**(10)**	(113)	(107)
Financing expenses on liabilities to the IIA	-	-	(15)
Hedging transactions	-	-	(408)
Other financing expenses	**(31)**	(24)	(23)
Financing expenses recognized in profit or loss	**(41)**	(137)	(553)
Net financing income (expenses)	**397**	135	(419)

Note 21 - Related Parties

A. Key management personnel compensation (including directors)

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers (such as a car, etc.), and contributes to post-employment plans on their behalf. Executive officers and directors also participate in the Company's share option program (see Note 23 regarding share-based payments).

Compensation to key management personnel (including one director) that are employed by the Group:

	For the year ended December 31					
	2016		**2015**		**2014**	
	Number of people	**USD thousands**	**Number of people**	**USD thousands**	**Number of people**	**USD thousands**
Employee benefits	**9**	**3,012**	9	2,092	7	2,020
Share-based payments	**9**	**1,865**	9	1,285	7	501
		4,877		3,377		2,521

Note 21 - Related Parties (cont'd)

A. Key management personnel compensation (including directors) (cont'd)

Compensation to directors:

	For the year ended December 31					
	2016		2015		2014	
	Number of people	USD thousands	Number of people	USD thousands	Number of people	USD thousands
Total compensation to directors employed by the Company*	**1**	**199**	1	187	1	314
Compensation to independent directors**	**5**	**354**	4	423	4	305

* Including share-based payments in the amount of USD 82 thousand, USD 78 thousand and USD 196 thousand in 2016, 2015 and 2014, respectively.
** Including share-based payments in the amount of USD 194 thousand, USD 287 thousand and USD 166 thousand in 2016, 2015 and 2014, respectively.

B. Engagements between the Company and related parties

(1) On January 22, 2014, the Company's shareholders approved, based on the recommendations of the Company's compensation committee and board of directors, an amendment to the employment terms of the Company's CEO, so that his re-adjustment payment shall be extended from four monthly payments to six monthly payments in the event that the CEO will resign subsequent to a change of control in the Company and it shall be extended from six monthly payments to nine monthly payments in the event that the CEO will be terminated subsequent to a change of control in the Company.

(2) On July 22, 2014, the Company's shareholders approved an amendment to the employment terms of the CEO, based on the compensation committee and the Board of Directors recommendation, such that the CEO salary, effective April 1, 2014, has been updated to NIS 70 thousand (USD 18 thousand) per month.

(3) On July 22, 2014, the Company's shareholders approved additional share-based compensation to one of the directors. On the same date, the terms for granting share-based compensation to three directors were met – For further details, see Note 23(C).

(4) On October 22, 2014, October 8, 2015 and July 19, 2016, the Company's general meeting of shareholders approved additional share-based compensation to the CEO – For further details, see Note 23(C).

Note 21 - Related Parties (cont'd)

B. Engagements between the Company and related parties (cont'd)

(5) On July 19, 2016, the Company's shareholders approved an amendment to the employment terms of the CEO, based on the compensation committee and the Board of Directors recommendation, such that the CEO salary, effective March 1, 2016, has been updated to NIS 80 thousand (USD 20 thousand) per month. On the same date, the Company's shareholders approved the grant of a bonus in the sum of NIS 900,000 to the CEO, in light of his contribution to the Company's successful completion of a private placement of the Company's ADSs and the execution of an Exclusive Lead Sharing and Distribution Agreement in May 2016, as further discussed in Note 1(C).

(6) On November 28, 2016, the Company's shareholders approved share-based compensation to all of the directors - For further details see Note 23(C).

Note 22 - Equity

A. Share capital

	December 31	
	Number of Ordinary shares	
	2016	2015
	Thousands of shares of NIS 0.01 par value	
Issued and paid-in share capital as of January 1	**42,352**	42,133
Issuance of share capital to investors	**3,917**	-
Exercise of warrants by investors	**134**	-
Exercise of share options by employees	**1,216**	219
Issued and paid-in share capital as of December 31	**47,619**	42,352
Authorized share capital	**75,000**	75,000

The holders of ordinary shares are entitled to receive dividends, if declared, and are entitled to one vote per share at general meetings of the Company.

B. Warrants held by investors

	December 31	
	Number of options	
	2016	2015
	Thousands of options of NIS 0.01 par value	
Number of outstanding options as of January 1	**134**	134
Exercised during the period	**(134)**	-
Number of outstanding options as of December 31	-	134

C. Issuances of share capital

(1) Private placement - 2011

As part of private placement that took place in 2011, the Company allotted options, as to the following:

(1) The Phoenix Insurance Company Ltd., for itself and for other companies of the Phoenix Group (together Phoenix), on the basis of an internal distribution agreed to by the parties, 2,000,000 ordinary shares of the Company with a par value of NIS 0.01, and 800,000 non-marketable options that will not be listed for trading and are exercisable into 800,000 ordinary shares of the Company with a par value of NIS 0.01 over a period of five years from the date of their allotment at an exercise price of NIS 14 (approximately USD 3.88) per option.

Note 22 - Equity (cont'd)

(1) Private placement – 2011 (cont'd)

(2) Leader Issuances (1993) Ltd. 421,053 ordinary shares of the Company with a par value of NIS 0.01, and 168,421 non-marketable options that will not be listed for trading and are exercisable into 168,421 ordinary shares of the Company with a par value of NIS 0.01 over a period of five years from the date of closing at an exercise price of NIS 14 (approximately USD 3.88) per option.

According to the binomial model, on the grant date the fair value of each one of the options is USD 1.02 and the fair value of all the options allotted to the offerees is USD 995 thousand.

The Company split the overall consideration from the issuance pro rata to the fair value of the equity instruments that were issued so that an amount of USD 825 thousand was recognized as proceeds from options and an amount of USD 5,561 thousand was included in share capital and premium.

On February 21, 2016, the Company issued an aggregate of 134,421 Ordinary Shares for total aggregate consideration of NIS 1,882 thousand (approximately USD 481 thousand).

(2) Private issuance - 2016

On May 18, 2016, the Company entered into two strategic agreements with Medtronic. One agreement is a two-phase Exclusive Lead Sharing and Distribution Agreement which provides for co-promotion, co-development and, upon meeting certain milestones, potential global distribution of the Mazor X System. The second agreement is a Purchase Agreement which provides for a three-tranche equity investment by Medtronic in Mazor.

On May 25, 2016, Company issued to Medtronic 1,042,992 ADSs, representing 2,085,984 ordinary shares, par value NIS 0.01, at a price of USD 11.42 per ADS, bringing total gross proceeds from the issuance to USD 11,911 thousands before deducting issuance expenses payable by the Company.

The total issuance expenses amounted to approximately USD 265 thousands.

On August 11, 2016, the Company issued to Medtronic 915,692 ADSs, representing 1,831,384 ordinary shares, par value NIS 0.01, the at a price of USD 21.84 per ADS, bringing total gross proceeds from the issuance to USD 20,000 thousands before deducting issuance expenses payable by the Company.The total issuance expenses amounted to approximately USD 249 thousands.

For further details on the agreement and the potential third investment tranche, please refer to Note 1(C).

Note 23 - Share-Based Expenses

A. Grant of share options to employees and directors of the Company

The Company regularly compensates its employees, directors, consultants and other service providers by means of options to purchase ordinary shares of the Company. As of December 31, 2016, the Company has outstanding options to purchase 6,668,441 ordinary shares of the Company with a par value of NIS 0.01. All of the grants are equity grants.

As of that date, options to purchase 1,882,267 ordinary shares are exercisable.

B. As of December 31, 2016, the Company has 2 stock option plans for employees, directors, consultants and other service providers of the Group (the "2003 Plan" and the "2011 Plan"). No further grants may be made under the 2003 Plan.

On May 30, 2011, the Company's Board of Directors approved the 2011 Plan which allows for grants to the Company's employees, directors, consultants and other service providers of the Group. The Company will be able to grant up to 9,262,529 options at any time throughout a period of 10 years from the date of approval of the 2011 Plan according to the terms of the plan.

As of December 31, 2016, there are 1,062,487 additional options available for grant under the 2011 Plan.

C. The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price*	Number of options	Weighted average exercise price*	Number of options	Weighted average exercise price*	Number of options
	2016	2016	2015	2015	2014	2014
	US dollars		US dollars		US dollars	
Balance at January 1	5.43	5,531,623	5.43	4,540,158	2.77	3,715,613
Forfeited during the year	6.83	(235,718)	7.09	(364,408)	4.75	(250,935)
Exercised during the year	3.59	(1,216,115)	1.70	(218,277)	2.31	(1,313,170)
Granted during the year	7.04	2,588,651	6.76	1,574,150	7.96	2,388,650
Outstanding at December 31	6.45	6,668,441	5.43	5,531,623	5.43	4,540,158
Exercisable at December 31	5.19	1,882,267	2.91	1,949,459	2.65	1,640,803

* The exercise price is denominated in NIS.
With respect to options granted to related parties, see Note 21 on related parties.

D. Total expense recognized as salary expense for years ended December 31, 2016 are USD 4,439 thousand (USD 3,091 thousand and USD 2,157 thousand for years ended December 31, 2015 and 2014, respectively).

Note 23 - Share-Based Expenses (cont'd)

E. The fair value of share options granted to employees, directors, consultants and other service providers is measured using the binomial model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on the historical volatility), the expected life span of the options taking in consideration certain acceleration terms, and the risk-free interest rate (based on government debentures). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The table below summarizes the grant terms and the parameters that were used to determine the fair value of the benefit for grants which are not fully vested as of the balance sheet date:

Grant date DD/MM/YEAR	Offerees	Number of instruments	Vesting Period (Years)	Contractual life of the options (Years)	Interest rate	Expected volatility	Average exercise price*	Share price that served as a basis for pricing the option*	Total fair value of the benefit on the grant date
					%	%	USD	USD	USD thousands
02/02/2014	Employees	64,500	1-4	7	3.31	48.55	12.54	12.54	381
03/04/2014	Employees	89,200	1-4	7	3.09	48.26	11.98	10.92	431
22/07/2014	Directors	160,000	1-3	7	2.52	48.11	8.10	7.46	543
31/07/2014	Officers and employees	1,877,450	2-4	7	2.48	48.03	7.76	6.97	5,770
22/10/2014	CEO	150,000	2-4	6.78	1.80	48.50	7.11	5.59	345
29/10/2014	Employees	47,500	2-4	7	1.94	48.09	6.07	5.64	114
29/01/2015	Officer and consultant	110,000	2-4	7	1.5	48.61	5.83	5.35	268
15/02/2015	Employees	104,250	2-4	7	1.65	48.65	5.86	5.86	269
26/02/2015	Officer	100,000	1.5-3.5	7	1.44	48.69	6.28	5.82	261
04/05/2015	Employees and consultant	144,500	2-4	7	1.36	48.88	6.44	6.44	440
15/07/2015	Officers, employees and consultants	941,900	2-4	7	2.03	48.84	7.17	7.17	3,269
08/10/2015	CEO	60,000	2-4	6.77	1.7	49.37	7.01	5.75	153
29/10/2015	Employees	113,500	2-4	7	1.64	48.92	5.81	5.56	294
14/02/2016	Employees and consultants	112,500	2-4	7	1.48	49.25	5.32	4.35	216
02/05/2016	Employee	42,500	2-4	7	1.52	48.14	6.06	6.06	120
10/05/2016	Consultant	25,000	2-4	7	1.47	48.10	5.91	5.58	68
18/05/2016	Officers and employees	1,424,327	2-4	1.95-7.00	0.24-1.5	44.22-48.72	5.80	5.35	3,474
19/07/2016	CEO	386,574	2-4	6.77	1.43	46.83	5.77	9.98	2,333
28/07/2016	Officer, Employees and consultant	116,900	2-4	7	0.18-1.42	46.06-46.73	9.79	9.79	531
06/11/2016	Employees	240,850	2-4	1.48-7.00	0.22-1.64	45.94-46.63	11.57	11.06	1,209
28/11/2016	Directors	240,000	1-3	6.88-7.00	1.90-1.94	46.60-46.62	11.71	11.40	1,266

* The exercise price and share price are denominated in NIS and are re-measured using historic exchange rates.

Expected volatility is estimated by considering historic share price volatility of the Company. The risk-free interest rate was determined on the basis of non-interest bearing NIS-denominated Government debentures with a remaining life equal to the expected term of the options.

Note 24 - Loss Per Share

A. Basic loss per share

The calculation of basic loss per share for the years ended December 31, 2016, 2015 and 2014 was based on the loss attributable to ordinary shareholders divided by a weighted average number of ordinary shares outstanding calculated as follows:

(1) Loss attributable to ordinary shareholders

	For the year ended December 31		
	2016	**2015**	**2014**
	Continuing operations	**Continuing operations**	**Continuing operations**
	USD thousands	**USD thousands**	**USD thousands**
Loss for the year	**18,668**	15,385	15,272

(2) Weighted average number of ordinary shares

	For the year ended December 31		
	2016	**2015**	**2014**
	Thousands	**Thousands**	**Thousands**
Balance as of January 1	**42,352**	42,133	40,820
Effect of shares issued during the year	**2,529**	151	988
Weighted average number of ordinary shares used to calculate basic loss per share	**44,881**	42,284	41,808

B. Diluted loss per share

At December 31, 2016 6,668 thousand options (in 2015 and 2014: 5,532 thousand and 4,540 thousand, respectively) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

Note 25 - Financial Risk Management

A. Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency, interest and other market price risks)

B. Risk management framework

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Note 25 - Financial Risk Management (cont'd)

C. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, as well as from cash and cash equivalents and investment in marketable securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate have only a small effect on the credit risk.

The Group establishes a provision for doubtful debts that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this provision are specific loss components that relate to individually significant exposures.

Cash and cash equivalents and Investments

The Group limits its exposure to credit risk by holding cash and investing only in bank deposits and debentures and only with counterparties that have a credit rating of at least A+ according to the rating accepted in Israel. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

D. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations when due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

E. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk arising primarily from exposure to NIS given that the significant portion of the expenses in respect of consultants, contractors and Israel salary expenses is denominated in NIS. In respect of other monetary assets and liabilities denominated in currency other than the Group's functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company engages in derivative instruments transactions, such as options and forward contracts, for the purposes of hedging the Company's NIS payments to local suppliers and for salaries in Israel. The Company's hedging transactions are aimed to decrease a certain portion of the financial exposure risk of fluctuations in the exchange rates of the Company's operating currency, which is the U.S. dollar against the NIS.

Interest rate risk

The Group is exposed to changes in interest rates, primarily possible changes in the risk-free market interest rate which may have an effect on the fair value of the Group's short and long-term investments.

Note 25 - Financial Risk Management (cont'd)

E. Market risks (cont'd)

(1) Exposure to credit risk

The maximum exposure to credit risk for cash and cash equivalents, deposits, short-term investments, trade receivables and long-term investments at the reporting date by type of counterparty was:

	December 31	
	2016	2015
	Carrying amount	Carrying Amount
	USD thousands	
Cash and cash equivalents	**14,954**	13,519
Mutual funds	**13**	13
Short-term investments - bank deposits	**37,849**	21,674
Trade receivables	**8,225**	5,002
Other current assets	**171**	125
Long-term investments - bank deposits	**9,017**	5,023
	70,229	45,356

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	December 31	
	2016	2015
	USD thousands	
Israel	**29**	14
United States	**7,503**	3,884
Asia Pacific	**497**	870
Rest of the world	**196**	234
	8,225	5,002

(2) Aging of debts and impairment losses

The aging of trade receivables at the reporting date was:

	December 31			
	2016		2015	
	Gross	Impairment	Gross	Impairment
	USD thousands		USD thousands	
Not past due	**7,986**	-	4,827	-
Past due 0-30 days	**215**	-	175	-
Past due 31-60 days	**24**	-	-	-
	8,225	-	5,002	-

The movement in the provision for impairment in respect of trade receivables and other receivables was as follows:

	December 31		
	2016	2015	2014
		USD thousands	
Balance as of January 1	-	-	(2)
Impairment loss recognized	-	-	(6)
Bad debt written off	-	-	8
Balance as of December 31	-	-	-

B. Liquidity risk

All outstanding liabilities at December 31, 2016 and 2015 are to be paid within 6 months.

Note 26 - Financial Instruments (cont'd)

C. Market risk

(1) Linkage and foreign currency risks

The Group's exposure to linkage and foreign currency risk was as follows based on notional amounts:

	December 31, 2016					
	New Israeli Shekels					
	Unlinked CPI	Linked CPI	US dollar	Euro	Non - monetary	Total
	USD thousands					
Current Assets						
Cash and cash equivalents	**2,300**	-	**11,923**	**731**	-	**14,954**
Short-term investments	**287**	-	**37,575**	-	-	**37,862**
Trade receivables	**29**	-	**8,000**	**196**	-	**8,225**
Other current assets	**977**	-	**231**	-	**520**	**1,728**
Inventory	-	-	-	-	**4,715**	**4,715**
Total current assets	**3,593**	-	**57,729**	**927**	**5,235**	**67,484**
Other non-current assets	-	**93**	-	-	**258**	**351**
Property and equipment, net	-	-	-	-	**3,615**	**3,615**
Intangible assets, net	-	-	-	-	**2,258**	**2,258**
Long-term investments	-	-	**9,017**	-	-	**9,017**
Total assets	**3,593**	**93**	**66,746**	**927**	**11,366**	**82,725**
Current Liabilities						
Trade payables	**1,615**	-	**3,264**	**139**	-	**5,018**
Deferred revenue	-	-	-	-	**4,031**	**4,031**
Other current liabilities	**2,676**	-	**5,440**	**18**	**328**	**8,462**
Total current liabilities	**4,291**	-	**8,704**	**157**	**4,359**	**17,511**
Employee benefits	-	-	-	-	**325**	**325**
Total liabilities	**4,291**	-	**8,704**	**157**	**4,684**	**17,836**
Total balance, net	**(698)**	**93**	**58,042**	**770**	**6,682**	**64,889**

	December 31, 2015					
	New Israeli Shekels					
	Unlinked CPI	Linked CPI	US dollar	Euro	Non-monetary	Total
	USD thousands					
Current Assets						
Cash and cash equivalents	2,114	-	10,886	519	-	13,519
Short-term investments	13	-	21,674	-	-	21,687
Trade receivables	14	-	4,754	234	-	5,002
Other current assets	528	-	125(*)	-	767(*)	1,420
Inventory	-	-	-	-	2,777	2,777
Total current assets	2,669	-	37,439	753	3,544	44,405
Prepaid lease fees	-	73	-	-	-	73
Property and equipment, net	-	-	-	-	1,432	1,432
Deferred tax asset	-	-	-	-	37	37
Long-term investments	-	-	5,023	-	-	5,023
Total assets	2,669	73	42,462	753	5,013	50,970
Current Liabilities						
Trade payables	958	-	1,134	127	-	2,219
Deferred revenue	-	-	-	-	1,221	1,221
Other current liabilities	1,627	-	2,852	65	287	4,831
Total current liabilities	2,585	-	3,986	192	1,508	8,271
Employee benefits	-	-	-	-	299	299
Total liabilities	2,585	-	3,986	192	1,807	8,570
Total balance, net	84	73	38,476	561	3,206	42,400

(*) Reclassified

Note 26 - Financial Instruments (cont'd)

C. Market risk (cont'd)

(1) Linkage and foreign currency risks (cont'd)

Information regarding the CPI and significant exchange rates:

	For the year ended December 31,			For the year ended December 31,		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
	% of change			**Spot price of 1 USD at the reporting date**		
1 NIS	**1.5**	(0.3)	(10.8)	**0.2601**	0.2563	0.2571
1 Euro	**(3.4)**	(10.4)	(11.8)	**1.0517**	1.0884	1.2149
CPI in points *	**(0.2)**	(1.0)	(0.2)	**112.60**	112.82	113.96

* According to an average basis of 2008 =100.

The Group's exposure to linkage and foreign currency risk in respect of derivatives is as follows:

	Currency/ linkage receivable	**Currency/ linkage payable**	**Amount receivable**	**Amount payable**	**Date of expiration**	**Fair value**
			NIS thousands	**USD thousands**		**USD thousands**
December 31, 2016						
Instruments not accounted for as hedging:						
Forward	NIS	USD	**4,000**	**(1,039)**	Jan-March 2017	**2**
						2
December 31, 2015						
Instruments not accounted for as hedging:						
Forward	NIS	USD	4,000	(1,029)	Jan-March 2016	(4)
						(4)

(2) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	December 31	
	2016	**2015**
	Carrying amount	**Carrying amount**
	USD thousands	**USD thousands**
Fixed rate instruments		
Deposits held at financial institutions, with original maturity periods of up to three months	**170**	2,547
Short-term investments	**37,849**	21,674
Long-term investments	**9,017**	5,023
	47,036	29,244
Variable rate instruments		
Mutual funds	**13**	13
	13	13

Note 26 - Financial Instruments (cont'd)

D. Fair value

Fair value hierarchy

1. As of December 31, 2016 and 2015, the marketable securities in the amount of USD 13 thousand held for trading are presented at fair value through profit or loss. The fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical instruments (level 1).

2. As of December 31, 2016, derivative financial instruments classified as an asset in the amount of USD 2 thousand (As of December 31, 2015 - a liability of USD 4 thousand) are presented at fair value and changes recognized in the profit or loss statement. The fair value was valued utilizing market observable inputs (level 2). The fair value of these derivative financial instruments is measured based on observable market data, such as spot rate, yield curves and exchange rate volatility, as of the fair value calculation date.

Note 27 - Subsequent Events

Through March 28, 2017, the Company issued an aggregate of 473,337 ordinary shares in connection with the exercise of options granted to employees under the 2003 Plan and 2011 Plan for a total consideration of NIS 8,324 thousand (approximately USD 2,259 thousand).

ITEM 19. EXHIBITS.

Exhibit	Description
1.1*	Articles of Association of Mazor Robotics Ltd. (unofficial English translation from Hebrew).
2.1*	Form of Deposit Agreement between Mazor Robotics Ltd., The Bank of New York Mellon as Depositary, and owners and holders from time to time of ADSs issued thereunder, including the Form of American Depositary Shares.
4.1*	Mazor Robotics Ltd. 2003 Stock Option Plan.
4.2*	Mazor Robotics Ltd. 2011 Share Option Plan.
4.3*	Share Purchase Agreement dated August 8, 2012, among Mazor Robotics Ltd. and the Oracle Investors.
4.4*	Employment Agreement dated December 26, 2007, between Mazor Robotics Ltd. and Jonathan Adereth (unofficial English translation from Hebrew).
4.5*	Personal Employment Agreement dated April 9, 2013, between Mazor Robotics Ltd. and Ori Hadomi.
4.6*	Employment Agreement dated December 12, 2007, between Mazor Robotics Ltd. and Sharon Levita (unofficial English translation from Hebrew).
4.7*	Form of Directors and Officers Indemnification Agreement.
4.8*	Employment Agreement dated November 28, 2000, between Mazor Robotics Ltd. and Eliyahu Zehavi, including an amendment thereto dated January 2003 (unofficial English translation from Hebrew original).

4.9**	Employment Offer dated September 17, 2014, between Mazor Robotics Inc. and Christopher Prentice.
4.10***	Amendment to Mazor Robotics 2011 Share Option Plan
4.11****	Conversion employment agreement dated May 1, 2014 between Mazor Robotics Ltd., Mr. Jonathan Adereth and J. Adereth Marketing and Strategic Consulting Ltd. (unofficial English translation from Hebrew original).
4.12	Share Purchase Agreement dated May 18, 2016 between Mazor Robotics Ltd. and Covidien Group S.a.r.l
4.13^	Exclusive Lead Sharing and Distribution Agreement dated May 18, 2016 between Mazor Robotics Ltd. and Medtronic Navigation Inc.
4.14^	Amendment # 1 to the Exclusive Lead Sharing and Distribution Agreement dated October 24, 2016 between Mazor Robotics Ltd. and Medtronic Navigation Inc.
4.15^	Amendment # 2 to the Exclusive Lead Sharing and Distribution Agreement dated December 22, 2016 between Mazor Robotics Ltd. and Medtronic Navigation Inc.
8.1**	List of Subsidiaries.
12.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
12.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
13.1	Certification of the Chief Executive Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
13.2	Certification of the Chief Financial Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
15.1	Consent of Somekh Chaikin, a member firm of KPMG International, independent registered public accounting firm.

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* Previously filed with the Company's registration statement on Form 20-F, filed with the SEC on May 10, 2013.

** Previously filed with the Company's annual report on Form 20-F, filed with the SEC on April 29, 2015.

*** Previously filed with the Company's registration statement on Form S-8, filed with the SEC on May 9, 2016.

**** Previously filed with the Company's annual report on Form 20-F, filed with the SEC on May 2, 2016.

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

SIGNATURES

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

MAZOR ROBOTICS LTD.

By: /s/ Ori Hadomi
Ori Hadomi
Chief Executive Officer

Date: May 1, 2017

Exhibit 4.12

Execution Version

PURCHASE AGREEMENT

This Purchase Agreement (the **"*Agreement*"**) is made and entered into as of May 18, 2016 by and between:

Mazor Robotics Ltd., a company incorporated under the laws of the State of Israel (the **"*Company*"**), and

Covidien Group S.a.r.l., a company incorporated under the laws of Grand Duchess of Luxembourg (the **"*Investor*"**).

RECITALS

A. The Board of Directors of the Company (the "***Board***") has (i) determined that it is in the best interests of the Company to enter into, deliver and perform this Agreement and the transactions contemplated hereby, including raising capital by means of issuance of Company Shares, and (ii) approved this Agreement and the transactions contemplated hereby.

B. The Investor wishes to purchase from the Company, and the Company wishes to issue and sell to the Investor, the Purchased ADSs (as defined herein) in consideration for certain investments by Investor, under the terms and conditions of this Agreement.

C. The Company and the Investor wish to make certain representations, warranties, covenants and other agreements in connection with the transactions contemplated hereby.

NOW, THEREFORE, in consideration of the mutual agreements, covenants and other promises set forth herein, the mutual benefits to be gained by the performance thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 ***Definitions***. For all purposes of this Agreement, the following terms shall have the following respective meanings:

(a) "***Affiliate***" (and words of similar import) shall mean as set forth in Rule 405 promulgated under the Securities Act.

(b) "***Agreement***" shall have the meaning set forth in the preamble of this Agreement.

(c) "***Anti-Bribery Laws***" shall have the meaning set forth in Section 3.17(c) hereof.

(d) "***Articles***" shall have the meaning set forth in Section 3.1(b).

(e) "***Board***" shall have the meaning set forth in the recitals to this Agreement.

(f) "***Business Day***" shall mean each day that is not a Saturday, Sunday or any other day on which banking institutions in Tel Aviv or Minneapolis are authorized or obligated to close.

(g) "***Code***" shall mean the United States Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(h) "***Company***" shall have the meaning set forth in the preamble to this Agreement.

(i) "***Company ADSs***" shall mean American Depositary Shares issued pursuant to the Deposit Agreement (as defined below), each representing two (2) Company Shares.

(j) "***Company Employee Plan***" shall mean Company's (i) "employee benefit plan" (as defined in Section 3(3) of ERISA) and (ii) other bonus, stock option, stock purchase or other equity-based, benefit, incentive compensation, profit sharing, savings, retirement, disability, vacation (entitlement and accrual), sick days (entitlement and accrual), deferred compensation, severance, termination, retention, change of control and other similar fringe, welfare or other employee benefit plan, program, agreement, contract, written policy or binding arrangement (whether or not in writing), in each case maintained or contributed to for the benefit of any current or former employee, officer or director of the Company, any of its Subsidiaries.

(k) "***Company Group***" shall mean collectively, the Company and its Subsidiaries.

(l) "***Company Intellectual Property***" shall mean any and all Intellectual Property (including Company Registered Intellectual Property) and Intellectual Property Rights that are owned by, licensed to, or otherwise controlled or used by the Company or any member of the Company Group.

(m) "***Company Options***" shall mean all issued and outstanding options (including commitments to grant options) and all other rights (or commitments to grant such rights) to purchase or otherwise acquire Company Shares or any other Company securities, in each case from the Company (whether or not vested).

(n) "***Company Products***" shall mean Company's Renaissance System**.**

(o) "***Company Shares***" shall mean the Ordinary Shares, par value NIS 0.01 per share, of the Company.

(p) "***Contract***" shall mean any written or oral agreement, contract, subcontract, lease, binding understanding, instrument, note, bond, indenture, option, warranty, purchase order, license, sublicense, benefit plan, obligation, commitment or undertaking of any nature.

(q) "***Confidential Information***" shall mean all confidential or proprietary information and data of the Disclosing Party or its Affiliates, disclosed, delivered, furnished or otherwise made available to the Receiving Party or its Representatives in connection with this Agreement, whether disclosed before or after the date of this Agreement and whether disclosed, delivered, furnished or made available electronically, orally or in writing or through other methods to the Receiving Party or its Representatives. Notwithstanding the foregoing, for purposes of this Agreement, Confidential Information will not include information which (i) is or becomes generally available to the public other than as a result of a disclosure by a Receiving Party or its Representatives in breach of this Agreement, (ii) was within a Receiving Party's possession prior to it being furnished to such Receiving Party by or on behalf of a Disclosing Party pursuant hereto, provided that the source of such information was not known to such Receiving Party to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Disclosing Party or any other person with respect to such information, (iii) becomes available to a Receiving Party on a non-confidential basis from a source other than the Disclosing Party or any of its Representatives, provided that such source was not known to such Receiving Party to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Disclosing Party or any other person with respect to such information, (iv) is independently developed by a Receiving Party or its Representatives without the use of any Confidential Information or (v) is generally made available to third parties by a Disclosing Party without restriction on disclosure.

(r) "***control***" (including the terms "controlling", "controlled by" and "under common control with") shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

(s) "***Deposit Agreement***" shall mean the Deposit Agreement signed in May , 2013, among the Company, the Depositary and the owners and holders of Company ADSs from time to time, as such agreement may be amended or supplemented from time to time.

(t) "***Depositary***" shall mean The Bank of New York Mellon, as Depositary under the Deposit Agreement.

(u) "***Disclosing Party***" shall mean the party disclosing or making available Confidential Information (either directly or indirectly through such party's Representatives) to the Receiving Party or the Receiving Party's Representatives.

(v) "***Disclosure Schedule***" shall have the meaning set forth in Article III.

(w) "***ERISA***" shall mean the United States Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder, or any successor statue, rules and regulations thereto.

(x) "***Exchange Act***" shall mean the United States Securities Exchange Act of 1934, as amended.

(y) "***Form 20-F***" shall mean Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed by the Company with the SEC on May 2, 2016.

(z) "***fully diluted and as converted basis***" shall mean all issued and outstanding Company Shares and other Company securities, assuming (i) the issuance of all securities issuable upon conversion into Company Shares of any outstanding convertible securities or loans, (ii) the exercise of all outstanding warrants and options, and other rights (or promises or undertakings to grant such rights) to subscribe for or acquire Company Shares or any securities exchangeable for Company Shares deemed converted or exercised, as the case may be, at their existing conversion/exercise prices, all on an as-converted basis (including any Company Shares issuable as a result of any anti-dilution provisions).

(aa) "***IRS***" shall mean the United States Internal Revenue Service or any successor thereto.

(bb) "***ITA***" shall mean the Israel Tax Authority.

(cc) "***IFRS***" shall mean International Financial Reporting Standards.

(dd) "***Indebtedness***" shall mean any principal, interest, premiums, fees, indemnifications, reimbursement, penalties, damages and other liabilities payable under the documentation governing any such indebtedness, in respect of all indebtedness of the Company Group for money borrowed from third parties, including (i) any obligation of, or any obligation guaranteed by, any member of the Company Group for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other instruments, (ii) all indebtedness of the Company Group due and owing with respect to letters of credit, surety bond, performance bond or other guarantee of contractual performance, (iii) any deferred payment obligation of, or any such obligation guaranteed by, any member of the Company Group for the payment of the purchase price of property or assets evidenced by a note or similar instrument, (iv) obligation of any member of the Company Group under interest rate and currency swaps, caps, floors, collars or similar agreements or arrangements intended to protect the Company Group against fluctuations in interest or currency rates.

(ee) "***Intellectual Property***" shall mean all worldwide, whether common law or statutory, rights in (i) all patents and patent applications; (ii) copyrights, copyright registrations and copyright applications, "moral" rights and mask work rights; (iii) trademarks, trade names, logos, trade dress, domain names and service marks; (iv) analogous rights to those set forth above, (v) rights in computer programs (whether in source code, object code, or other form) and databases, (vi) trade secrets (as defined by Legal Requirements), and (vii) divisions, continuations, renewals, reissuances and extensions of the foregoing (as applicable).

(ff) "***Investor***" shall have the meaning set forth in the preamble.

(gg) "***ISA***" shall mean the Israeli Securities Authority.

(hh) "***Israeli Securities Law***" shall mean the Israeli Securities Law, 5728-1968 and the rules and regulations promulgated thereunder.

(ii) "***knowledge***" or "***known***" shall mean, with respect to any fact, circumstance, event or other matter in question, the knowledge of such fact, circumstance, event or other matter gained with respect to the Company Group, by the officers listed in Item 6 of the Form 20-F as "Senior Management" directors and only with respect to the representations set forth on Sections 3.7, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.17 and 3.18, also the financial officers of the Company (the individuals specified above are collectively referred to herein as the "***Entity Representatives***"). Any such individual or Entity Representative will have or be deemed to have knowledge of a particular fact, circumstance, event or other matter if (i) such fact, circumstance, event or other matter is actually known to such individual or Entity Representative or is reflected in one or more documents (whether written or electronic, including electronic mails sent to or by such individual or Entity Representative) in, or that have been in, the possession of such individual or Entity Representative, or (ii) such individual or Entity Representative, when taking into account its, his or her position and responsibilities, would reasonably be expected to become aware of such fact or other matter in the course of such applicable individual or Entity Representative conducting such reasonable inquiry.

(jj) "***Legal Requirements***" shall mean any federal, state, foreign, local, municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity and, with respect to any Person, any orders, writs, injunctions, awards, judgments and decrees applicable to such Person or such Person's Subsidiaries or to any of their respective assets, properties or businesses.

(kk) "***Liability***" shall mean, with respect to the Company Group, any liability or obligation that is or should be recorded on the Company's balance sheet as of the date hereof and in accordance with IFRS.

(ll) "***Lien***" shall mean any mortgage, pledge, assessment, security interest, lease, lien, easement, covenant, condition, restriction, levy, charge, option, restriction or other encumbrance of any kind, any conditional sale Contract, title retention Contract, voting Contract or Contract relating to the registration, sale or transfer (including Contracts relating to rights of first refusal, co-sale rights or "drag-along" rights) of any capital stock of any member of the Company Group, or other Contract that give rise to any of the foregoing.

(mm) "***Material Adverse Effect***" means any event, change, circumstance, condition, state of facts, effect or other matter, individually or collectively with one or more other events, changes, circumstances, conditions, state of facts, effects or other matters, that have had, or reasonably would be expected to have, a material adverse effect on (a) the business, assets, liabilities, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries, taken as a whole, or (b) the ability of the Company to consummate timely the transactions contemplated by this Agreement.

(nn) "***Nasdaq***" shall mean the Nasdaq Global Market.

(oo) "***Nominee***" - shall mean Mizrahi Tefahot Nominee Company Ltd.

(pp) "***OCS***" means the Israeli National Authority for Technological Innovation, formerly known as the Office of Chief Scientist of the Israeli Ministry of Economy of the State of Israel.

(qq) "***Option Plans***" shall mean each share option plan, program or arrangement of the Company Group, as amended from time to time, all of which are listed in the Form 20-F.

(rr) "***Person***" shall mean an individual, a corporation, a partnership, an association, a trust, an enterprise or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

(ss) "***Receiving Party***" means the party receiving Confidential Information (either directly or indirectly through such party's Representatives) from the Disclosing Party or the Disclosing Party's Representatives.

(tt) "***Registered Intellectual Property***" shall mean Intellectual Property and Intellectual Property Rights that have been registered, applied for, filed, certified or otherwise perfected, issued, or recorded with or by any state, government or other public or quasi-public legal authority and is pending or is in effect and unexpired as of the date hereof, together with any divisions, continuations, renewals, reissuances and extensions of the foregoing, as applicable.

(uu) "***Related Agreements***" shall mean the Exclusive Lead Sharing and Distribution Agreement and any and all other agreements, instruments, certificates or other documents delivered by the Company in connection with the consummation of the transactions contemplated hereby or thereby.

(vv) "***Representatives***" means, as to any Person, its Affiliates and its and their respective directors, officers, employees, agents, attorneys, accountants and financial advisors.

(ww) "***Sarbanes-Oxley Act***" means the Sarbanes-Oxley Act of 2002.

(xx) "***SEC***" shall mean the United States Securities and Exchange Commission.

(yy) "***Securities Act***" shall mean the United States Securities Act of 1933, as amended.

(zz) "***Subsidiary***" shall mean, with respect to any Person, any other Person of which more than 50% of the securities or other ownership interests having by their terms ordinary voting power to elect a majority of the board of directors, or of other Persons performing similar functions, of such other Person is directly or indirectly owned or Controlled by such Person, by one or more of such Person's Subsidiaries or by such Person and any one or more of such Person's Subsidiaries.

(aaa) "***TASE***" shall mean Tel Aviv Stock Exchange Ltd.

(bbb) "***Tax***", whether or not used as a capitalized term, shall mean any federal, state, local, or foreign income, corporate, gross receipts, franchise, estimated, sales, use, transfer, registration, value added, excise, severance, stamp, occupation, premium, customs duty or fee, other import duty or fee, real property, personal property, capital stock, social security, employment and unemployment, disability, payroll, license, employee or other withholding, or other tax, of any kind whatsoever, including any interest, penalties or additions to tax or additional amounts in respect of the foregoing or assessed by a Governmental Entity.

(ccc) "***Tax Returns***" shall have the meaning set forth in Section 3.11(c) hereof.

(ddd) "***Trading Day***" shall mean any day on which the Nasdaq operates.

(eee) "***Trading Price***" shall mean, with respect to any particular date, the volume weighted average of the closing price of the Company ADSs (Ticker – MZOR) as quoted on the Nasdaq over the 20 Trading Days ending immediately prior to such date.

(fff) "***Transfer Agent***" shall mean Bank Leumi Le Israel Ltd. - Israeli/dual listed securities operation, capital markets division.

(ggg) "***Warranty Obligations***" shall mean all written warranties, guarantees and written warranty policies of the Company in respect of any of the Company's Products.

1.2 ***Other Terms***. Other terms may be defined elsewhere in the text of this Agreement and, unless otherwise indicated, shall have such meanings throughout this Agreement.

1.3 ***Other Definitional Provisions***.

(a) The words "***herein***," "***hereof***," "***hereto***" and "***hereunder***" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) Unless otherwise noted, all references to "$" shall be references to U.S. dollars.

ARTICLE II

SALE AND PURCHASE OF SECURITIES

2.1 ***Sale and Purchase of the Initial ADSs***. At the Initial Closing and subject to the terms and conditions of this Agreement, the Company will issue and sell to the Investor, and the Investor will purchase from the Company, 1,042,992 Company ADSs (the "***Initial ADSs***") such that immediately following the issuance thereof, the Company Shares underlying such Initial ADSs will represent four percent (4%) of the issued and outstanding Company Shares on a fully diluted and as converted basis, for consideration per each Initial ADS equal to the Trading Price as of the date of this Agreement (the "***Initial Price Per ADS***").

2.2 ***Initial Closing***. The consummation of the issuance and sale of the Initial ADSs shall take place within three Business Days after the execution of this Agreement, at the offices of Meitar Liquornik Geva Leshem Tal Law Offices, 16 Abba Hillel Rd., Ramat-Gan, Israel or such other location or date as the parties hereto shall mutually agree in writing (the "***Initial Closing***"). All transactions occurring at the Initial Closing shall be deemed to take place simultaneously and no transactions shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered (the date on which the Initial Closing shall occur shall be referred to herein as the "***Initial Closing Date***").

2.3 ***Investor's Deliveries at the Initial Closing***. At the Initial Closing, the Investor shall transfer or deliver, or cause to be transferred or delivered to the Company, the following:

(a) By wire transfer of immediately available funds to an account designated by the Company in writing prior thereto, an amount equal to the product of the Initial Price Per ADS and the Initial ADSs; and

(b) A Counterpart of the Exclusive Lead Sharing and Distribution Agreement between the Company and Medtronic Navigation, Inc. in the form attached hereto as **Exhibit A** (the "***Exclusive Lead Sharing and Distribution Agreement***"), duly executed by Medtronic Navigation, Inc.

2.4 ***Company's Deliveries at the Initial Closing***. At the Initial Closing, the Company shall deliver, or cause to be delivered, to the Investor the following:

(a) A certificate, dated as of the Initial Closing Date, duly executed on behalf of the Company by its Chief Executive Officer certifying(i)that all conditions set forth in Section 2.5 have been satisfied, (ii) theaggregate number of Company Shares, Company ADSs and Company Shares underlying all options, warrants and other rights to purchase Company Shares, in each case outstanding immediately prior to the Initial Closing, and (iii) the Initial Price Per ADS;

(b) A certificate, dated as of the Initial Closing Date, duly executed on behalf of the Company by its Secretary certifying (i) the resolutions of the Board approving the entering into this Agreement and the Related Agreements and the consummation of the transactions contemplated hereby and thereby, including without limitation, the issuance and sale of the Initial ADSs, the Deferred ADSs and the Option ADSs, in each case subject to the terms and conditions herein, (ii) the reservation of such number of Company ADSs necessary from time to time to enable the issuance of the Initial ADSs, Deferred ADSs and Option ADSs, and (ii) the name, title, incumbency and signatures of the officers authorized to execute on the Company's behalf this Agreement and the Related Agreements to which the Company is party;

(c) A duly executed share certificate representing such number of the Company Shares required for the issuance of the Initial ADSs registered in the name of the Nominee (the "***Initial Company Shares Certificate***");

(d) A duly executed irrevocable letter of instructions from the Company, addressed to the Nominee and to the Transfer Agent, in the form to be reasonably agreed between the parties hereto, instructing the Nominee and the Transfer Agent to convert the Company Shares represented by the Initial Company Shares Certificate, using the Depositary, into the Initial ADSs and to deposit the Initial ADSs into an account designated by the Investor in writing prior thereto;

(e) A written opinion from legal counsel to the Company dated as of the date hereof and addressed to the Investor, in the form attached hereto as **Exhibit B**;

(f) Certificates of good standing of each the Company's Subsidiaries to the extent that the jurisdiction of such Subsidiary recognizes the concept of good standing;

(g) A copy of the TASE's approval for the issuance of the Company's Shares underlying the Initial ADSs; and

(h) A counterpart of the Exclusive Lead Sharing and Distribution Agreement, duly executed by the Company.

2.5 ***Conditions to the Initial Closing***. The Investor's obligation to consummate the transactions contemplated at the Initial Closing is subject to the satisfaction and fulfillment, prior to or on the Initial Closing Date, of each of the following conditions precedent (any or all of which may be waived, in whole or in part, by the Investor, which waiver shall be at the sole discretion of the Investor):

(a) The representations and warranties of the Company in this Agreement and the Related Agreements shall be true and correct as of the Initial Closing Date (except for representations and warranties that address matters only as of a specified date, which representations and warranties shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true and correct in all respects) with respect to such specified date) as though such representations and warranties were made on and as of such date.

(b) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of any of the transactions contemplated hereby or in any of the Related Agreements shall be in effect, nor shall any action have been taken by any Governmental Entity seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, entered, enforced or deemed applicable to any of the transactions contemplated hereby or in any of the Related Agreements that makes the consummation of any of such transactions illegal.

(c) From the date hereof through the Initial Closing, there will have been no Material Adverse Effect.

(d) Company shall have performed and complied with all covenants, agreements and undertakings set forth in this Agreement and the Related Agreement required to be performed and complied with by it at or prior to the Initial Closing and has delivered each of the agreements, instruments and other documents set forth in Section 2.4.

2.6 ***Deferred and Option Closing***.

(a) At the Deferred Closing and subject to the terms and conditions of this Agreement, the Company will issue and sell to the Investor, and the Investor will purchase from the Company, such number of Company ADSs (the "***Deferred ADSs***") such that immediately following the issuance thereof, the Company Shares underlying such Deferred ADSs, jointly with the Company Shares underlying the Initial ADSs, will represent ten percent (10%) of the issued and outstanding Company Shares on a fully diluted and as converted basis, for consideration per each Deferred ADS equal to the Trading Price as of the Deferred Closing Date (the "***Deferred Price Per ADS***" and the resulting aggregate consideration for all Deferred ADSs, the "***Deferred Purchase Price***").

(b) The consummation of the issuance and sale of the Deferred ADSs shall take place within three Business Days following the expiration of 20 Trading Days following the first public announcement by the Company on or after July 1, 2016, of the MazorX System (as such term is defined in the Distribution and Lead Share Agreement) (the "***2016 July Unveiling Event***"), *provided* that at the time of such public announcement, it is reasonably expected, based on information provided by the Company and other available information, that the Company will achieve a Demo Installation Date (as such term is defined in the Distribution and Lead Share Agreement) of by September 30, 2016 (the "***Deferred Closing***"). The Company shall notify the Investor in writing at least five (5) Business Days in advance of the first public announcement by the Company of the 2016 July Unveiling Event (the date on which the Deferred Closing shall occur is referred to herein as the "***Deferred Closing Date***").

(c) During the first 21 Trading Days of Distribution Year 1 (as defined in the Exclusive Lead Sharing and Distribution Agreement) (the "***Option Notice Period***"), the Company may provide to the Investor written notice of its decision to issue and sell to the Investor, and the Investor shall be obligated to purchase from the Company, such number of Company ADSs (the "***Option ADSs***" and collectively with the Deferred ADSs and the Initial ADSs (or any of them, in the event that not all of them are eventually purchased by the Investor), the "***Purchased ADSs***"), such that immediately following the issuance and sale thereof to the Investor, the Company Shares underlying such Option ADSs, jointly with the Company Shares underlying the Initial ADSs and the Deferred ADSs, will represent fifteen percent (15%) of the issued and outstanding Company Shares on a fully diluted and as converted basis, in consideration per each Option ADS equal to the Trading Price as of the Option Period Expiry Date (as defined below) (the resulting aggregate consideration for all Option ADSs, the "***Option Purchase Price***").

(d) The consummation of the issuance and sale of the Option ADSs (the "***Option Closing***") shall take place within five (5) Business Days following expiration of the first 21 trading Days of Distribution Year 1 (the "***Option Period Expiry Date***", and the date on which the Option Closing shall occur is referred to herein as the "***Option Closing Date***").

(e) Notwithstanding the foregoing, to the extent that either the Deferred Purchase Price or the Option Purchase Price computed as set forth in Section 2.6(a) or 2.6(c) (as applicable) will exceed US$20,000,000, then the Investor shall have the right, in its sole discretion, to determine that the number of Deferred ADSs and/or Option ADSs (as applicable) to be issued and sold at the Deferred Closing or the Option Closing (as applicable) will be reduced such that the aggregate Deferred Purchase Price and/or Option Purchase Price (as applicable) will be equal to US$20,000,000, *provided, however*, that following the issuance of the Deferred ADSs or Option ADSs, Investor's percentage holding of the issued and outstanding Company Shares will not exceed the thresholds set forth in Section 2.6(a) with respect to the Deferred ADSs and Section 2.6(c) with respect to the Option ADSs.

(f) Investor's obligation to consummate the transactions contemplated at each of the Deferred Closing and Option Closing is subject to the satisfaction and fulfillment, prior to or at the Deferred Closing Date or the Option Closing Date (as applicable), of each of the following conditions precedent (any or all of which may be waived, in whole or in part, by the Investor, which waiver shall be at the sole discretion of the Investor):

(i) The representations and warranties of the Company in this Agreement and the Related Agreements shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true and correct in all respects) as of the Deferred Closing Date or the Option Closing Date (as applicable) (except for representations and warranties that address matters only as of a specified date, which representations and warranties shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true and correct in all respects) with respect to such specified date) as though such representations and warranties were made on and as of such date.

(ii) The Company shall have performed and complied in all material respects with all of its covenants, agreements and undertakings set forth in this Agreement and the Related Agreements required to be performed and complied with by it at or prior to the Deferred Closing or Option Closing (as applicable) and has delivered each of the agreements, instruments and other documents set forth in Section 2.6(g).

(iii) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated at the Deferred Closing or the Option Closing (as applicable) shall be in effect, nor shall any action have been taken by any Governmental Entity seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, entered, enforced or deemed applicable to any of the transactions contemplated at the Deferred Closing or the Option Closing (as applicable) that makes the consummation of such transactions illegal.

(iv) From the date hereof through the Deferred Closing and Option Closing (as applicable), there will have been no Material Adverse Effect.

(v) With respect to the Deferred Closing, the occurrence of the 2016 July Unveiling Event by no later than July 12, 2016, with an option of the Company to extend it by up to a further 30 days.

(vi) With respect to the Option Closing, the consummation of the Deferred Closing.

(g) At the Deferred Closing and the Option Closing (as applicable), the following transactions shall occur, all of which shall be deemed to have taken place simultaneously and no transactions shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered:

(i) The Investor shall transfer, or cause to be transferred, by wire transfer of immediately available funds to an account designated by the Company in writing prior thereto, the Deferred Purchase Price and/or the Option Purchase Price (as applicable); and

(ii) The Company shall deliver, or cause to be delivered, to the Investor the following:

(1) A certificate, dated as of the Deferred Closing Date or the Option Closing Date (as applicable), duly executed on behalf of the Company by its Chief Executive Officer certifying (i) that all conditions set forth in Section 2.6(f) have been satisfied, (ii) the aggregate number of Company Shares, Company ADSs and Company Shares underlying all options, warrants and other rights to purchase Company Shares, in each case outstanding immediately prior to the Deferred Closing or the Option Closing (as applicable), and (iii) the Deferred Price Per ADS or the Option Price Per ADS (as applicable);

(2) A copy of the TASE's approval for the issuance of the Company Shares underlying the Deferred ADSs or the Option ADSs (as applicable); and

(3) A duly executed share certificate representing such number of Company Shares required for the issuance of the Deferred ADSs or the Option ADSs (as applicable), registered in the name of the Nominee (the "***Deferred Company Shares Certificate***" or the "***Option Company Shares Certificate***", as applicable).

(4) A duly executed letter of instruction from the Company, addressed to the Nominee and to the Transfer Agent, in the form to be reasonably agreed between the parties hereto instructing the Nominee and the Transfer Agent to convert the Company Shares represented by the Deferred Company Shares Certificate or the Option Company Shares Certificate, as applicable, using the Depositary, into the Deferred ADSs or the Option ADSs and to deposit the Deferred ADSs or the Option ADSs into an account designated by the Investor in writing prior thereto.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to the disclosures set forth in the disclosure schedule attached hereto as **Exhibit C** (the "***Disclosure Schedule***") (each of which disclosures, shall clearly indicate the Section and, if applicable, the Subsection of this ARTICLE III to which it relates (unless and only to the extent that the relevance to other representations and warranties is readily apparent from the actual text of the disclosures), and each of which disclosures shall also be deemed to be representations and warranties made by the Company to the Investor under this ARTICLE III) and except as otherwise disclosed or incorporated by reference in the Form 20-F or Company's other reports and forms filed with or furnished to the SEC under the Exchange Act after December 31, 2015 but other than any such disclosures (i) contained under the captions "Risk Factors" or "Forward Looking Statements" or (ii) that are predictive, cautionary, forward looking in nature or based on Company's beliefs or knowledge (it being acknowledged and agreed that this exclusion shall not apply to any representations or warranties set forth in Sections 3.1, 3.2, 3.4, 3.5, 3.6, 3.10, 3.20 and 3.21), the Company hereby represents and warrants to the Investor as follows:

3.1 ***Organization of the Company***

(a) Each member of the Company Group is a corporation duly organized, validly existing and, to the extent that such jurisdiction recognizes the concept of good standing, is in good standing under the laws of the jurisdiction of its incorporation or formation and has the requisite power and authority to own its properties and to carry on its business as currently conducted. Each member of the Company Group is duly qualified or licensed to do business and, to the extent that such jurisdiction recognizes the concept of good standing, is in good standing as a foreign corporation or business entity in each jurisdiction in which the failure to be so qualified or licensed would reasonably be expected to be material to the business of the Company Group as a whole.

(b) The Company made available to the Investor a true and correct copy of its Articles of Association, as in effect on the date hereof (the "***Articles***"), and a complete and correct copy of the equivalent organizational documents of each of its Subsidiaries, each as in effect on the date hereof. The Articles and equivalent organizational documents of each such Company's Subsidiaries are in full force and effect. No member of the Company Group is in violation of any of the provisions of the Articles or such other organizational documents, as the case may be.

3.2 ***Company Capital Structure.***

(a) The registered share capital of the Company is NIS 7,500,000 divided into 750,000,000 Company Shares, of which 42,524,280 Company Shares are issued and outstanding as of the date hereof and of which 20,319,698 Company Shares are represented by 10,159,849 Company ADSs. No Company Shares or Company ADSs are dormant shares nor held in treasury by any Person. All outstanding Company Shares and Company ADSs were duly authorized and validly issued and are fully paid and non-assessable and not subject to preemptive rights created by statute, the Articles or any agreement to which the Company is or was a party or by which it is or was bound, that were not waived. All outstanding Company Shares, Company ADSs and Company Options have been issued in compliance with all applicable Legal Requirements. There are no declared or accrued but unpaid dividends with respect to any Company Shares. Except for proxies given by beneficial holders of Company Shares holding such shares through brokers, authorizing their brokers to vote such Company Shares and except for the Deposit Agreement, there are no voting trusts, proxies, or other agreements or understandings with respect to the voting shares of any member of the Company Group to which the Company is a party or by which it is bound. There are no agreements to which any member of the Company Group is a party relating to the registration, sale or transfer (including agreements relating to rights of first refusal, co-sale rights or "drag-along" rights) of any capital stock of any member of the Company Group.

(b) The Purchased ADSs and the underlying Company Shares (the "***Underlying Purchased Shares***" and collectively with the Purchased ADSs, the "***Purchased Securities***") have been duly authorized and, when issued, delivered and paid for in the manner set forth in this Agreement will be validly issued, fully paid, non-assessable, free and clear of all Liens (except for Liens contemplated by this Agreement, the Related Agreements or the Deposit Agreement or arising under applicable securities laws). The Purchased Securities will have the rights, preferences, privileges and restrictions set forth in the Articles and in the Deposit Agreement, as may be amended from time to time. The execution and delivery by the Company of this Agreement and the consummation of the transactions contemplated hereby will not obligate the Company to issue Company Shares or Company ADSs or other securities to any other person or entity and will not result in the adjustment of, or give rise to a right to adjust, the exercise, conversion, exchange or reset price or any other term of any outstanding security of the Company or any other member of the Company Group. The Company does not have outstanding stockholder purchase rights or "poison pill" or any similar arrangement in effect giving any person or entity the right to receive or purchase any equity interest in the Company upon the occurrence of certain events.

(c) True, correct and complete copies of each Option Plan, and the forms of all Contracts and instruments relating to or issued under each Option Plan have been made available to the Investor, and there are no agreements, understandings or commitments to amend, modify or supplement such plans or Contracts. Except for the Option Plans attached to the Form 20-F as exhibits (including by way of incorporation by reference), no member of the Company Group has adopted, sponsored or maintained any stock option plan or any other plan, agreement or arrangement providing for equity compensation to any Person. The Company has reserved an aggregate amount of 8,910,732 Company Shares for issuance under the Option Plans upon the exercise of Company Options, of which: (i) 2,006,085 Company Shares are subject to vested, outstanding and unexercised Company Options, as of the date hereof; (ii) 5,533,233 Company Shares are subject to unvested, outstanding, unexpired and unexercised Company Options; and (iii) 1,371,414 Company Shares remain available for future issuance thereunder.

(d) Other than as set forth inSections 3.2(a) and 3.2(c), and except for such securities of its Subsidiaries held by the Company as listed in Section 3.3 of the Disclosure Schedule (and except as contemplated by this Agreement), there are no (i) securities of any member of the Company Group authorized, convertible into or exchangeable for shares of capital stock or voting securities of any member of the Company Group, (ii) options, warrants, calls, rights, convertible securities or other rights to acquire from any member of the Company Group, and no obligation of any member of the Company Group to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, now or in the future, any share capital, voting securities or securities convertible into or exchangeable for share capital or voting securities of any member of the Company Group, and (iii) equity equivalents, phantom or notional equity interests, interests in the ownership, earnings or price per security of any member of the Company Group or other similar rights.

(e) No bonds, debentures, notes or other Indebtedness of any member of the Company Group (i) granting the holder thereof the right to vote on any matters on which shareholders may vote (or which is in convertible into, or exchangeable for, securities having such right) or (ii) the value of which is based upon or derived from capital or voting share capital of the Company, are issued or outstanding as of the date hereof.

(f) No member of the Company Group has agreed, is obligated to make, or is bound by any Contract under which it may become obligated to, make any future investment in, or capital contributions to, any Person (other than to a member of the Company Group).

3.3 ***Subsidiaries***. Section 3.3 of the Disclosure Schedule lists each of the Company's Subsidiaries as of the date hereof, the jurisdiction of incorporation or formation of each such Subsidiary, the authorized and outstanding shares of capital stock and record and beneficial owners of such capital stock for each Subsidiary of the Company. Except as provided for in Section 3.3 of the Disclosure Schedule concerning the Company's Subsidiary in Singapore, all outstanding shares of the capital stock of each of the Company's Subsidiaries are duly authorized, validly issued, fully paid, non-assessable and were issued in compliance with all applicable Legal Requirements, and all such shares are owned by the Company, beneficially and of record, in each case, free and clear of all Liens. Neither the Company nor any of its Subsidiaries own, directly or indirectly, any equity or similar interest in, or any interest convertible into or exchangeable for, any equity or similar interest in, any Person (other than a member of the Company Group).

3.4 ***Authority***.

(a) The Company has all requisite corporate power and authority to enter into this Agreement and any Related Agreements to which it is a party and to consummate the transactions contemplated by this Agreement and the Related Agreements. The execution and delivery of this Agreement and any Related Agreements to which the Company is a party and the consummation of the transactions contemplated by this Agreement and the Related Agreements have been duly authorized by all necessary corporate action on the part of the Company and no further action is required on the part of the Company to authorize the Agreement and any Related Agreements to which it is a party and consummate the transactions contemplated hereby and thereby.

(b) The Board, by resolutions duly adopted at a duly held meeting (and not thereafter modified or rescinded) by the vote of the Board, has unanimously (i) determined that it is in the best interests of the Company to enter into, deliver and perform this Agreement and the transactions contemplated hereby; and (ii) approved and adopted this Agreement, the Related Agreements and the transactions contemplated hereby and thereby.

(c) This Agreement and each of the Related Agreements to which the Company is a party has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other parties hereto and thereto, constitutes a valid and binding obligation of the Company enforceable against it in accordance with their respective terms, except as such enforceability may be limited by principles of public policy and subject to (i) applicable Legal Requirements relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally or (ii) applicable equitable principles, rules of law governing specific performance, injunctive relief or other equitable remedies (whether considered in a proceeding at law or in equity).

3.5 ***No Conflicts.*** The execution, delivery and performance by the Company of this Agreement and any Related Agreement to which the Company is a party, and the consummation of the transactions contemplated hereby and thereby, will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (i) any provision of the Articles or the equivalent organizational documents of any of the Company's Subsidiaries, (ii) any law, rule, regulation, order, judgment or decree applicable to any member of the Company Group or by which any of its material properties is bound or affected, or (iii) any Contract to which it is a party. The execution and delivery by the Company of this Agreement and any Related Agreement to which the Company is a party and the consummation of the transactions contemplated hereby and thereby, will not result in the creation of any Lien on any of the properties or assets of any member of the Company Group.

3.6 ***Consents.***

The execution and delivery by the Company of this Agreement and any Related Agreement to which the Company is a party, and the consummation of the transactions contemplated hereby and thereby, will not require the Company to obtain or make any consent, waiver, approval, order or authorization or permit of, declaration or filing with or notification to, any United States, Israeli, or foreign court, administrative agency, commission, federal, state, or local governmental or regulatory authority (a "***Governmental Entity***") with respect to any member of the Company Group, except for (a) notices or applications to the Nasdaq and TASE for the issuance and sale of the Purchased Securities, and (b) the filing with the SEC and the ISA of reports under the Exchange Act and the Israeli Securities Law (as applicable) in connection with this Agreement, the Related Agreements and the transactions contemplated hereby and thereby.

3.7 ***SEC Reports; Financial Statements; Undisclosed Liabilities***.

(a) Since May 22, 2013, the Company has timely filed with or furnished all reports, schedules, forms, statements and other documents required to be filed or furnished by the Company under the Securities Act and the Exchange Act to the SEC, under the rules and regulations of the Nasdaq and to the TASE and the ISA under the Israeli Securities Law and the rules and regulations thereunder (all such forms, reports and documents, together with all documents filed or furnished on a voluntary basis and all exhibits and schedules thereto, the "***Company Reports***"). As of its filing date (or, if amended or superseded by a filing prior to the date of this Agreement, as of the date of such amended or superseded filing), (a) each Company Report complied as to form in all material respects with the Legal Requirements applicable thereto, in each case as in effect on the date such Company Report was filed or furnished or amended or superseded, and (b) each Company Report did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. None of the Company's Subsidiaries is required to file or furnish any forms, reports or other documents with the SEC, Nasdaq, the TASE or ISA. No executive officer of the Company has failed to make the certifications required of him or her under Section 302 or 906 of the Sarbanes Oxley Act with respect to any Company Report, except as disclosed in certifications filed with the Company Reports. To the knowledge of the Company, none of the Company Reports is the subject of ongoing SEC, TASE or ISA review or investigation.

(b) The financial statements (including the notes thereto) of the Company included in or incorporated by reference into the Company Reports (including the notes thereto) (the "***Financial Statements***") comply in all material respects with all applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing or furnishing. Such Financial Statements have been prepared in accordance with IFRS accounting principles applied on a consistent basis during the periods involved, except as may be otherwise specified in such Financial Statements or the notes thereto and except that unaudited Financial Statements may not contain all disclosures required by IFRS. Such Financial Statements fairly present in all material respects, in accordance with IFRS, the financial condition as of the dates indicated and the cash flows and the results of operations for the periods specified of the Company and its Subsidiaries on a consolidated basis.

(c) No member of the Company Group has any Liabilities of any type other than those which (i) were incurred in the ordinary course of business, (ii) have been recorded, accrued or reserved against on the Company's balance sheet as of December 31, 2015 included in the Form 20-F, or (iii) were incurred in connection with or as contemplated by this Agreement and the Related Agreements.

(d) Since the date of the registration of the Company ADSs with the SEC, the Company has been a "foreign private issuer" as such term is defined under the Exchange Act.

3.8 ***Restrictions on Business Activities***. There is no Contract, judgment, permanent or temporary injunction, order or decree to which any member of the Company Group is a party or that is otherwise binding upon any member of the Company Group which has the effect of prohibiting, materially limiting, restricting or impairing any business practice of the Company Group or any of its Affiliates in any of its product lines, any acquisition of property (tangible or intangible) by any member of the Company Group, the conduct of business by the Company Group in any of its product lines, or otherwise limiting the freedom of the Company Group and its Affiliates to engage in any of its product lines or to compete with any Person in each case. Without limiting the generality of the foregoing and other than as listed in Section 3.8 of the Disclosure Schedule, no member of the Company Group has entered into any agreement under which any member of the Company Group is restricted from selling, licensing, manufacturing or otherwise distributing any of its technology or products or from providing services to customers or potential customers or any class of customers, in any geographic area, during any period of time, or in any segment of the market.

3.9 ***Title to Properties and Assets***.

(a) Each member of the Company Group has good and valid title to all of its properties and interests in properties and assets, real and personal, or, with respect to leased properties and assets, valid leasehold interests in such leased real property which afford such member of the Company Group valid leasehold possession of the properties and assets that are the subject of such leases, in each case, free and clear of all Liens, except such imperfections of title and non-monetary Liens as do not and will not detract, in any material respect, from or interfere with the use of the properties subject thereto or affected thereby, or otherwise impair business operations involving such properties.

(b) The plant, property and equipment of each member of the Company Group that are used in the operations of their respective businesses are (i) adequate for the conduct of the business of the Company Group as currently conducted and as currently proposed to be conducted, (ii) in good operating condition and repair, regularly and properly maintained, subject to normal wear and tear, and (iii) not obsolete, or in need of renewal or replacement, except for obsolete, renewal or replacement in the ordinary course of business, consistent with past practice and as described in the Form 20-F.

(c) All lease agreements with respect to real properties leased, subleased or licensed by the members of the Company Group are valid and effective in accordance with their respective terms, and there is not, under any of such leases, any event of default by the applicable member of the Company Group, after giving effect to any grace period (or event which, with notice or lapse of time or both, would constitute such default).

(d) Neither the Company nor any of its Subsidiaries owns any real estate property.

3.10 ***Intellectual Property***.

(a) Section 3.10(a) of the Disclosure Schedule sets forth (i) a complete and accurate list of all Registered Intellectual Property owned by, or filed, in whole or in part, in the name of, any member of the Company Group (collectively, the "***Company Registered Intellectual Property***"), (ii) a complete and accurate list of all Contracts currently in effect granting to any member of the Company Group any right to use any Intellectual Property material to the conduct of the business of the Company Group (other than software which is available as a non-development product, or licensed by any Person, in the general commercial marketplace) (collectively, the "***Inbound License Agreements***"), and (iii) a complete and accurate list of all Contracts currently in effect and under which the Company or any member of the Company Group has granted or are obligated to grant licenses to use any rights relating to any Company Intellectual Property (collectively, the "***Outbound License Agreements***" and together with the Inbound License Agreements, the "***Company IP Agreements***"). No member of the Company Group has licensed, granted or otherwise allowed any third party to use any material rights relating to any Company Intellectual Property (or any portion thereof) other than pursuant to a written Outbound License Agreement.

(b) Other than as set in Section 3.10(b) of the Disclosure Schedule, the Company Group (i) is the sole and exclusive owner of all right, title and interest in and to each Company Registered Intellectual Property and each material Company Intellectual Property required for the conduct of the business of the Company Group (together the "***Material Company Intellectual Property***"), free and clear of all Liens (including payment of royalties) and no member of the Company Group has received any written notice or claim questioning or challenging any member of the Company Group's complete and exclusive ownership of, or the validity or enforceability of, any of the Material Company Intellectual Property. Each item of Material Company Intellectual Property is valid, subsisting and in full force and effect and has not been abandoned or passed into the public domain. The Material Company Intellectual Property and the Inbound License Agreements constitute all of the Intellectual Property and Intellectual Property Rights used in, necessary for or which otherwise would be infringed by the conduct of the business of the Company Group.

(c) To the Company's knowledge, no member of the Company Group has infringed, diluted, misappropriated or otherwise violated and no member of the Company Group has received any written notice, claim or other communication of any actual, alleged, possible or potential infringement or misappropriation of, any Intellectual Property or Intellectual Property Rights owned or used by any other Person, and the manufacture, distribution, sale and use of the Company's Products do not infringe, dilute, misappropriate or otherwise violate any Intellectual Property or Intellectual Property Rights owned or used by any other Person. To the knowledge of the Company, no other Person is infringing or misappropriating any Company Intellectual Property and no written claims of any of the foregoing have been brought against any Person by any member of the Company Group that have not been settled or otherwise are outstanding.

(d) The Company Group has taken all steps customary in the Company's line of business to protect its rights in confidential information and proprietary information, including, without limitation, any idea, formula, algorithm, design, pattern, unpublished patent application, compilation, program, specification, data, device, method, technique, process or other know-how as well as any other financial, marketing, customer, pricing and cost confidential and proprietary information related to its business, that derives independent economic value, actual or potential, from not being generally known to the public or to other Persons who can obtain economic value from its disclosure or use (collectively, the "***Trade Secrets***"). No material Trade Secret of the Company Group has been disclosed or authorized to be disclosed to any third party, other than pursuant to a non-disclosure agreement that protects the Company Group's proprietary interests in and to such Trade Secrets. Without limiting the generality of the foregoing, all employees of the Company Group and all representatives, agents and independent contractors of the Company Group who have contributed to or participated in the creation, conception, reduction to practice, or development of the Company Intellectual Property (collectively, "***Personnel***") have executed and delivered to the Company a proprietary information, confidentiality and assignment agreement, (i) restricting such Personnel's right to disclose proprietary information of the Company, and (ii) according and assigning to the Company Group full, effective, exclusive and original ownership of all rights in any derived Intellectual Property and Intellectual Property Rights.

(e) Other than as set forth in Section 3.11(f), there are no outstanding Liabilities of the Company under any grants, incentives (including tax incentives), funding, loan, support, subsidy, award, participation, exemption, status, cost sharing arrangement, reimbursement arrangement, credit, offset or other benefit, relief or privilege programs from any Governmental Entity, including, without limitation, grants received from the OCS (collectively, the "***Governmental Grants***"), and all Governmental Grants received by the Company have been fully repaid for prior to the date hereof. In each application submitted by or on behalf of the Company in connection with any Governmental Grants, the Company has disclosed all information required by such application in a materially accurate and complete manner. The Company has duly fulfilled in all material respects all conditions, undertakings and other obligations relating to the Governmental Grants. To the knowledge of the Company, no event has occurred, and no circumstance or condition resulting from an action of the Company exists, that would reasonably be expected to give rise to any obligation to pay additional payments to any Governmental Entity in connection with any Governmental Grant.

(f) All Company Intellectual Property was created solely by either (i) employees of the Company acting within the scope of their employment who have validly and irrevocably assigned all of their rights therein, including Intellectual Property Rights, to the Company, or (ii) other Persons who have validly and irrevocably assigned all of their rights therein, including Intellectual Property rights, to the Company, has explicitly waived in writing all rights to compensation or royalties of any kind for service inventions under Article 134 of the Patents Law, 5727 – 1967, and no other Person owns or has any rights to any portion of such Intellectual Property (other than non-exclusive end user licenses granted to the customers of the Company).

3.11 ***Taxes.***

(a) The Company Group has duly and timely withheld and paid all Tax amounts required to be so withheld and paid pursuant to applicable laws and regulations.

(b) The Company Group has not made any elections under applicable laws or regulations that are reasonably expected to have an adverse effect on the Company Group, its financial condition, its business or any of its properties.

(c) The Company Group has timely filed all applicable returns, estimates, claims for refund, information statements and reports or other similar documents with respect to Taxes ("***Tax Returns***") required to be filed with the applicable taxing authority in all applicable jurisdictions, and all such Tax Returns were, upon the filing thereof, true, complete and correct in all respects and have been prepared in compliance with all applicable laws.

(d) The Company Group is not in default under any obligations to pay any Tax.

(e) Other than (i) as set forth in Section 3.11(e) of the Disclosure Schedule, and (ii) with respect to rulings received from the Israeli Tax Authority with respect to the dates of grants of Company Options to members of the Company's board of directors (collectively "***Tax Rulings***"), neither the Company nor any of its Subsidiaries has received any rulings from any Tax Governmental Authority. The Company Group has complied with all Tax Rulings.

(f) The Company qualifies as an "Industrial Company" under the Law for the Encouragement of Capital Investment 1959 (the "***Encouragement Law***"). The Company is, and has always been, in compliance with all the conditions and requirements of the tax incentives granted to the Company under the Encouragement Law and the allocation of income entitled to such incentives versus income subject to ordinary tax rates has been performed accurately and in compliance with all applicable legal requirements. The Company has not taken or failed to take any action that would be expected to invalidate any of such tax incentives, no claim or challenge has been made by any taxing authority with respect to the Company's entitlement to such tax incentives and the consummation of the transactions contemplated by this Agreement will not adversely affect the qualification of the Company for such tax incentives or the terms or duration thereof nor require any recapture of any previously claimed tax incentive.

(g) Each Option Plan that is intended to qualify as a capital gains route plan under Section 102 of the Israeli Income Tax Ordinance [New Version], 1961, as amended, and the rules and regulations promulgated thereunder ("***Section 102***", "***Ordinance***" and "***Section 102 Plan***", respectively) has received a favorable determination or any approval letter or is otherwise approved by the ITA as such. All Company Options granted and Company Shares issued under any Section 102 Plan have been granted or issued, as applicable, in compliance in all material respects with the applicable requirements of Section 102 (including the relevant sub-section of Section 102) and the written requirements and guidance of the ITA, including, without limitation, the adoption of the applicable board and shareholders resolutions, the timely filing of the necessary documents with the ITA, the submission of the application to the ITA to approve a Section 102 Plan, the appointment of an authorized trustee to hold the Company Options, and the Company Shares issued upon exercise of Company Options, the execution by each holder of Company Shares underlying Company Option granted under Section 102 Plan of an undertaking to comply with the provisions of Section 102, and the timely deposit of such securities or related documents with such trustee, pursuant to the terms of Section 102 and applicable guidance of the ITA.

3.12 Labor Matters.

(a) Each of the Company and its Subsidiaries are in compliance in all material respects with all applicable Legal Requirements regarding employment, wages, hours, equal opportunity, collective bargaining and payment of social security and other Taxes.

(b) Neither the Company nor any of its Subsidiaries is engaged in any unfair labor practice or discriminatory employment practice and no complaint of any such practice against the Company or its Subsidiary has been filed or, to the knowledge of the Company, threatened to be filed with or by any Governmental Entity. There is currently no pending investigation by any Governmental Entity of the Company or any of its Subsidiaries, and there is no grievance filed or, to the knowledge of the Company, threatened to be filed, against the Company or its Subsidiaries in each case with respect to any alleged unfair labor practice or discriminatory employment practice.

(c) Each of the Company and its Subsidiaries are in compliance in all material respects with all laws and regulations regarding occupational safety and health standards, and has received no complaints from any Governmental Entity alleging violations of any such laws and regulations.

(d) All Company's agreements with its material consultants, sub-contractors, sales agents or freelancers engaged in Israel include provisions pursuant to which, such consultants, sub-contractors, sales agents or freelancer are not entitled to the rights of an employee vis-à-vis the Company or any of the Company's Subsidiaries, including rights to severance pay, vacation, recuperation pay and other employee-related statutory benefits.

(e) None of the Company, any of its Subsidiaries, any officer of the Company or any of its Subsidiaries or any of the Company Employee Plans which are subject to ERISA, any trusts created thereunder or any trustee or administrator thereof, has engaged in a non exempt "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) or any other breach of fiduciary responsibility that would reasonably be expected to subject the Company, any of its Subsidiaries or any officer of the Company or any of its Subsidiaries to any material tax or penalty on prohibited transactions imposed by such Section 4975 of the Code or to any liability under Section 502(i) or 502(1) of ERISA. Each Company Employee Plan has been maintained, operated and administered in compliance in all material respects with its terms. There are no legal proceedings pending or, to the knowledge of the Company, threatened on behalf of or against any Company Employee Plan, the assets of any trust under any Company Employee Plan, or the plan sponsor, plan administrator or any fiduciary or any Company Employee Plan with respect to the administration or operation of such plans, other than claims for benefits in the ordinary course.

3.13 ***Accounting Controls; Sarbanes-Oxley Act***.

(a) The accounting controls of the Company Group have been, since the date on which the Company first became subject to the Sarbanes-Oxley Act, and currently are, sufficient to provide reasonable assurances that (a) all transactions are executed in accordance with management's general or specific authorization, and (b) all transactions are recorded as necessary to permit the accurate preparation of its financial statements and to maintain proper accountability for such items.

(b) The Company has established and maintains disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act). Such disclosure controls and procedures are reasonably designed to ensure that material information relating to the Company Group is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared. For purposes of this Agreement, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Sarbanes-Oxley Act.

(c) Since the date of the Company's first public offering in the United States, each member of the Company Group has established and maintained a system of internal controls over financial reporting (as defined in Rule 13a-15 under the Exchange Act) sufficient to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of Company financial statements for external purposes in accordance with IFRS. The Company has disclosed, based on its most recent evaluation of internal controls prior to the date hereof, to the Company's auditors and audit committee (i) any significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in internal controls. The Company has made available to the Investor a summary of any such disclosure made by management to the Company's auditors and audit committee since the date of the Company's first public offering in the United States. There are no outstanding loans or other extensions of credit made by any member of the Company Group to any executive officer (as defined in Rule 3b-7 under the Exchange Act) or director of the Company. The Company has not, since the enactment of the Sarbanes-Oxley Act, taken any action prohibited by Section 402 of the Sarbanes-Oxley Act.

3.14 ***Warranty Obligations***.

There has not been any deviation from any Warranty Obligation, and no salesperson, employee or agent of the Company is authorized to undertake any obligation to any customer or other Person in excess of such Warranty Obligations. The December 31, 2015 balance sheet included in the Form 20-F reflects adequate reserves for Warranty Obligations. There has not been any customer-wide, SKU-wide or field-wide "recall" or "campaign" or field service action with respect to repair or replacement with respect to any product of the Company Group. Each of the Company Products (x) was, at the time of its installation, free from material defects in construction and design and (y) has been in conformity with all applicable contractual commitments and all express and implied warranties with respect to such Company Product.

3.15 ***Material Contracts***.

(a) Except for Contracts specifically identified in Section 3.15(a) of the Disclosure Schedule (referring to the appropriate sub-section of this Section), no member of the Company Group is a party to, nor is it bound by, any of the following (each, a "***Material Contract***"):

(i) any Contract which the Company or any of its Subsidiaries is a party to or bound by that would be required to be filed by the Company as a "material contract" pursuant to item 10-C of the Form 20-F;

(ii) any Contract pursuant to which any benefits thereunder will be increased, or the vesting thereunder of such benefits will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or any Related Agreement, or the value of which benefits thereunder will be calculated on the basis of any of the transactions contemplated by this Agreement or any Related Agreement;

(iii) any Contract of indemnification or guaranty, other than (i) any Contract of indemnification entered into in connection with the sale or license or manufacturing of products or services in the ordinary course of business or (ii) any Contract of indemnification of any officer or director of any member of the Company Group;

(iv) research and/or development Contracts under which any member of the Company Group has continuing obligations to jointly research and/or develop any Intellectual Property;

(v) any Contract for a joint venture, partnership or similar arrangement;

(vi) any Contract relating to the Material Company Intellectual Property;

(vii) any Contract required to be referred to under Section 3.8 hereof;

(viii) any Contract with any Person known to the Company to be a shareholder or Affiliate of any member of the Company Group, other than relating to the employment or other engagement of such Person by any member of the Company Group;

(ix) Contracts with each of the customers, distributors and resellers of the Company to which the Company sold any Company Product or provided any services during the 2015 fiscal year (each, a "***Material Customer***");

(x) Contracts with each of the ten largest suppliers of the Company Group in 2015 in terms of the total value of goods and services purchased by the Company Group, or that are sole suppliers for material goods and services required for the conduct of the business in each of the Company Group's product lines (each, a "***Material Supplier***").

(b) All Material Contracts are valid, binding and are enforceable against the Company or its Subsidiary, as applicable, and, to the knowledge of the Company, any other party thereto, and each is in full force and effect. Neither the Company nor its Subsidiaries, as applicable, nor, to the knowledge of the Company, any other party thereto is in default or breach in any material respect under (or is alleged to be in default or breach in any material respect under) the terms of, or has provided or received any notice of any intention to terminate, such Material Contracts. To the knowledge of the Company, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default thereunder or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder.

3.16 ***Interested Party Transactions***.

As of the date of filing of the Form 20-F with the SEC, none of the officers or directors of the Company Group has any direct or indirect ownership, participation, royalty or other interest in, or is an officer, director, employee of or consultant or contractor for any firm, partnership, entity or corporation that competes with, or does business with, or has any contractual arrangement with, the Company Group; *provided*, *however*, that ownership of no more than five percent (5%) of the outstanding voting stock of a publicly traded corporation shall not be deemed to be an "interest in any entity" for purposes of this Section 3.16. None of the Company's current officers or directors, nor any former officer or director or any shareholders of the Company holding Company Shares in excess of five percent (5%) of the Company's issued and outstanding share capital or any member of their immediate families, is a party to or otherwise directly or indirectly interested in, any Contract to which the Company Group is a party or by which the Company Group or any of their respective assets or properties may be bound or affected, except for normal compensation for services as a current officer, director, employee or consultant thereof and except as listed in Section 3.16 of the Disclosure Schedule.

3.17 ***Governmental Authorization; Compliance with Legal Requirements***.

(a) Each consent, license, permit, grant or other authorization pursuant to which the Company Group currently operates or holds any interest in any of its properties, or which is required for the operation of the business of the Company Group as currently conducted or the holding of any such interest, has been issued or granted to the Company Group, as the case may be, and is in full force and effect.

(b) Each member of the Company Group, and the conduct and operations of its business, is in, and has since January 1, 2010 been in, compliance in all material respects with all Legal Requirements.

(c) Each member of the Company Group and their respective directors, officers and employees, and, to the knowledge of the Company, each of the agents, independent contractors and other representatives of the Company acting on its or any of its Subsidiaries' behalf, has complied with the U.S. Foreign Corrupt Practices Act of 1977 and any other applicable foreign or domestic anticorruption or anti-bribery laws (the "***Anti-Bribery Laws***"). No member of the Company Group nor any of their respective directors, officers or employees, nor, to the Company's knowledge, any of its or any of its Subsidiaries' respective agents, independent contractors or other representatives acting on its or any of its Subsidiaries' behalf, has directly or indirectly, in each case, taken any action in violation of the Anti-Bribery Laws.

(d) (i) There is no actual, nor to the Company's knowledge any threatened, enforcement action by the U.S. Food and Drug Administration (the "***FDA***") or any analogous Governmental Entity which has jurisdiction over the operations of the Company or any of the Company's Subsidiaries, and (ii) neither the Company nor any of its Subsidiaries has received written notice of any pending or threatened claim by the FDA or any analogous Governmental Entity which has jurisdiction over the operations of the Company or any of the Company's Subsidiaries against the Company or the Company's Subsidiaries.

(e) All material reports, documents, claims and notices required to be filed, maintained, or furnished by the Company or its Subsidiaries to the FDA or any analogous Governmental Entity having jurisdiction over the operations of the Company and its Subsidiaries have been so filed, maintained or furnished, as applicable. All such reports, documents, claims and notices were complete and correct in all material respects on the date filed or furnished, as applicable (or were corrected in or supplemented by a subsequent filing).

(f) Neither the Company nor any of its Subsidiaries has received any FDA Form 483, Warning Letter, untitled letter or other written correspondence or notice from the FDA or analogous Governmental Entity in any jurisdiction in which the Company or any of its Subsidiaries operates alleging or asserting material noncompliance with any applicable Law or Permits, and the Company has no knowledge that the FDA or any Governmental Entity is considering such action.

(g) All studies, tests and preclinical and clinical trials conducted by the Company or the Company's Subsidiaries have been and are being conducted in material compliance with experimental protocols, procedures and controls pursuant to accepted professional scientific standards and applicable local, state and federal Legal Requirements, rules, regulations and guidance, including, but not limited to the applicable requirements of Good Laboratory Practices or Good Clinical Practices (as defined below), as applicable. The Company and the Company's Subsidiaries have not received any notices, correspondence or other communication from the FDA or other analogous Governmental Entity requiring the termination, suspension or material modification of any ongoing or planned clinical trials conducted by, or on behalf of, the Company or the Company's Subsidiaries, and, to the knowledge of the Company, neither the FDA nor other analogous Governmental Entity is considering such action. For the purposes of this Agreement, (i) "***Good Clinical Practices***" mean the FDA's standards for the design, conduct, performance, monitoring, auditing, recording, analysis, and reporting of clinical trials contained in 21 C.F.R. Part 50, 54, 56, 312, 314, 320, 812, and 814 and (ii) "***Good Laboratory Practices***" mean the FDA's standards for conducting non-clinical laboratory studies contained in 21 C.F.R. Part 58.

(h) Neither the Company nor any of its Subsidiaries has, either voluntarily or involuntarily, initiated, conducted, or issued, or caused to be initiated, conducted or issued, any recall, market withdrawal or replacement, safety alert, warning, "dear doctor" letter, investigator notice or other notice or action relating to an alleged lack of safety or efficacy of any product sold by the Company or its Subsidiaries. As of the date of this Agreement, to the Company's knowledge, there are no facts which are reasonably likely to cause (i) the recall, market withdrawal or replacement of any product sold or intended to be sold by the Company or the Company's Subsidiaries; (ii) a material change in the marketing classification or a material change in the labeling of any such products; or (iii) a termination or suspension of marketing of any such products.

(i) There is no civil, criminal, administrative or other action, suit, demand, claim, hearing, investigation, proceeding, notice or demand pending, received or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries which would reasonably be expected to result in its exclusion from participation in Medicare, Medicaid or any other state or federal health care program or other Governmental Entity payment programs in which the Company or any of its Subsidiaries participates.

3.18 ***Litigation***. There is no action, suit, claim, injunctions, decrees, orders, judgments, interference, reexamination, cancellation, opposition or legal proceeding of any nature (collectively, "***Litigation***") pending, or, to the knowledge of the Company, threatened, against any member of the Company Group, its properties (tangible or intangible, and including but not limited to any Material Company Intellectual Property (including any Company Registered Intellectual Property)) or any of its current or former employees, members of management, officers and directors, in their capacities as such, except in the case of current or former employees of the Company Group, Litigation brought against a member of the Company's Group, in its ordinary course of business, which names a current of former employee as a defendant. There is no investigation or other proceeding pending or, to the Company's knowledge, threatened, against any member of the Company Group, any of its properties (tangible or intangible) or any of its current or former employees, members of management, officers and directors, in their capacity as such, by or before any Governmental Entity. No Governmental Entity has in the last three-years initiated proceedings against the Company or any Subsidiary thereof questioning the legal right of any member of the Company Group to conduct its operations as currently or previously conducted during such three-year period. The Company has made available to the Investor correct copies of all material documents under its possession or as per Investor's request relating to the actions, suits, claims, litigations, investigations or other proceedings listed in Section 3.18 of the Disclosure Schedule and has made available to the Investor all material information relating thereto.

3.19 ***Material Customers; Material Suppliers***.

(a) Since December 31, 2015, there has not been (i) any material adverse change in the relationship of any member of the Company Group with any Material Customer, or (ii) except for changes in volumes or prices in the ordinary course of business consistent with past practice, any change in any material term (including credit terms) of the related agreements with any such Material Customer. During the past two years, no member of the Company Group has received any written customer complaint concerning the business, other than written complaints made in the ordinary course of business that, individually or in the aggregate, have not been material.

(b) Since December 31, 2015, there has not been (i) any material adverse change in the relationship of any member of the Company Group with any Material Supplier, or (ii) except for changes in volumes or prices in the ordinary course of business consistent with past practice, any change in any material term (including credit terms) of the supply agreements or related arrangements with any such Material Supplier.

(c) No other Person having a material business relationship with any member of the Company Group has informed any member of the Company Group in writing that such Person, and the Company does not otherwise have reason to believe that any such Person, intends to change such relationship, whether or not as a result of the entering into of this Agreement or the Related Agreements or the consummation of any transaction contemplated hereby or thereby.

3.20 ***Brokers' and Finders' Fees***. Other than as described in Section 3.20 of the Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the origin, negotiation or execution of this Agreement or in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of any member of the Company Group.

3.21 ***Material Adverse Change.*** Since December 31, 2015, all members of the Company Group have conducted their business in all material respects in the ordinary course of business, and there has been no event, occurrence or development that has had or would reasonably be expected to have a Material Adverse Effect.

3.22 ***Representations Complete***. None of the representations or warranties made by the Company herein or in any exhibit or schedule hereto, including the Disclosure Schedule, or in any certificate furnished by the Company pursuant to this Agreement, contains any untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which made, not false or misleading

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE INVESTOR

The Investor hereby represents and warrants to the Company as of the date hereof as follows:

4.1 ***Organization and Power***. The Investor is duly organized and validly existing under the laws of its jurisdiction of incorporation and, to the extent that such jurisdiction recognizes the concept of good standing, is in good standing under the laws of the jurisdiction of its incorporation and has the requisite power and authority to own its properties and to carry on its business as currently conducted.

4.2 ***Authority***. The Investor has all requisite corporate power and authority to enter into this Agreement and each Related Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and each Related Agreement to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Investor. This Agreement and each Related Agreement to which the Investor is a party have been duly executed and delivered by it and, assuming the due authorization, execution and delivery by the other parties hereto and thereto, constitute its valid and binding obligations, enforceable against it in accordance with their terms, except as such enforceability may be limited by principles of public policy and subject to the laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies.

4.3 ***Consents***. The execution and delivery by the Investor of this Agreement and each Related Agreement to which it is a party and the consummation of the transactions contemplated hereby and thereby, will not require any consent, waiver, approval, order or authorization or permit of, or registration, declaration or filing with, or notification to any Governmental Entity.

4.4 ***No Conflicts***. The execution and delivery of this Agreement and each Related Agreement to which the Investor is a party do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with or result in any violation of or default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (i) any provision of the Investor's incorporation or formation documents; (ii) any law, rule, regulation, order, judgment or decree applicable to it or by which any of its properties are bound or affected; (iii) any Contract to which it is a party to; or (iv) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to it or any of its properties or assets.

4.5 ***Accredited Investor***. The Investor is an "accredited investor" within the meaning of Rule 501(a) promulgated under the Securities Act.

4.6 ***Exemption from Registration***. The Investor understands that the Purchased ADSs are being offered and sold to it in reliance upon a specific exemption from the registration requirements of the Securities Act, the rules and regulations thereunder and state securities laws and that the Company is relying upon the truth and accuracy of the representations and warranties of the Investor set forth herein in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Purchased ADSs.

4.7 ***No Current Holdings***. As of the date hereof, the Investor does not hold or own, directly or indirectly any Company Shares or Company ADSs, and does not have any outstanding right to purchase or receive Company Shares or Company ADSs.

4.8 ***Acquisition for Own Account***. The ADSs purchased by Investor are acquired by it for investment for Investor's own account and not with a view to the distribution thereof within the meaning of the Securities Act. The Investor has no present intention of distributing any of the Company's ADSs in violation of the Securities Act or any applicable securities law and has no direct or indirect arrangement or understandings with any other Persons to distribute such Company ADSs.

4.9 ***No Arrangements***. There are no agreements or other arrangements, oral or written, among the Investor and any other shareholder or Company or holder of Company ADS with respect to the voting of Company Shares or Company ADSs.

4.10 ***Disclosure of Information***. No offering memorandum or similar disclosure document has been delivered to the Investor in connection with the sale of the Purchased ADSs. Except for the representations and warranties being set forth in this Agreement and the Related Agreements, the Company does not make any representations or warranty with respect to the Company or its assets, Liabilities or operations.

4.11 ***Transfer or Resale***. The Investor understands that the certificates representing the Purchased ADSs will bear a restrictive legend in substantially the following form:

"THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AUTHORITIES OF ANY STATE OR OTHER JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE OR OTHER JURISDICTION SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY (WHICH OPINION SHALL NOT BE REQUIRED FOR A SALE PURSUANT TO RULE 144(b)(1) UNDER THE SECURITIES ACT, PROVIDED THAT THE COMPANY HAS RECEIVED CUSTOMARY REPRESENTATIONS CERTIFYING AS TO THE AVAILABILITY OF SUCH RULE 144(b)(1). THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES."

ARTICLE V

COVENANTS

5.1 ***Removal of Legends***. Promptly following the earlier of (i) effectiveness of a registration statement under the Securities Act with respect to the sale of any of the Purchased ADSs or (ii) Rule 144 under the Securities Act becoming available with respect to such Purchased ADSs, the Company shall, following the written request of the Investor to transfer its ADSs pursuant to such registration statement or Rule 144(b)(2)(A), deliver to the transfer agent for the Company ADSs (the "***Transfer Agent***") instructions that the Transfer Agent shall remove the restrictions on transfer on such Purchase ADSs upon receipt by such Transfer Agent of (a) the legended certificates for such Purchased ADSs and (b) either (1) a customary written representation by the Investor that Rule 144 under the Securities Act applies to the Purchased ADSs represented thereby or (2) a written statement by the Company that the Investor may sell the Purchased ADSs represented thereby in accordance with the "plan of distribution" section contained in a registration statement that was declared effective under the Securities Act in the case of subparagraph (i) (the date on which the Transfer Agent receives all of the items listed in clauses (a), and (b) above, the "***Legend Removal Date***"), and (B) if required by the Transfer Agent, cause its counsel to deliver to the Transfer Agent one or more opinions to the effect that the removal of such legends in such circumstances may be effected under the Securities Act. From and after the Legend Removal Date, upon the Investor's written request, the Company shall promptly cause certificates evidencing the Purchased ADSs referred to in such written request to be replaced with certificates which do not bear such restrictive legends. If at any time following the Legend Removal Date, any of the Purchased ADSs then held by the Investor become subject to any restriction pursuant to the Securities Act with respect to the offering, selling, pledging or otherwise transferring such Purchased ADSs, the Company shall promptly notify the Investor and the Investor shall thereafter submit the certificates representing such Purchased ADSs to the Transfer Agent for the purpose of placing thereon legends describing the applicable restrictions relating to such Purchased ADSs.

5.2 ***Public Disclosure.*** Except for the joint announcement (the "***Announcement***") of the execution and delivery of this Agreement, the timing and content of which have been mutually agreed by the Company and the Investor, neither the Company nor the Investor shall, nor shall any of them permit any of its respective Representatives, to issue any statement or communication to, or make any filing with or submission to, any third party (other than their respective Representatives that are bound by confidentiality restrictions) regarding the terms and conditions of this Agreement, its existence and content, or the transactions contemplated hereby, except in each case (i) for statements or communications that contain information that is contained in the Announcement or that contain information that has otherwise been publicly disclosed other than as a result of a violation of the terms of this Agreement, or (ii) as required by applicable Legal Requirements or stock exchange regulations (in which case, to the extent practicable and permitted by applicable Legal Requirements, the disclosing party shall provide the other party with an opportunity to review such statement or communication prior to its dissemination and shall consider in good faith the other party's comments with respect to such disclosure).

5.3 ***Confidential Information.*** The parties recognize and acknowledge that they have obtained Confidential Information about each other. Each party shall maintain the confidentiality of, and refrain from using or disclosing to any person, all Confidential Information relating to the other party, except to the extent disclosure of any such Confidential Information is (i) required by any applicable Legal Requirement or Governmental Entity (in which case the Disclosing Party shall, after consultation with counsel, limit such required disclosure of Confidential Information to the minimum disclosure required by any applicable Legal Requirement or Governmental Entity) or (ii) reasonably necessary to be disclosed, solely on a confidential and "need to know" basis, to the equity holders, directors, managers, officers, employees and external legal, financial and accounting advisors of the Disclosing Party in connection with the transactions contemplated by this Agreement. In the event that any Disclosing Party reasonably believes, after consultation with counsel, that such Disclosing Party is required by any applicable Legal Requirement or Governmental Entity to disclose any Confidential Information, such Disclosing Party will (i) if permitted by the applicable Legal Requirement or Governmental Entity, promptly notify the other party in writing before making any such disclosure of Confidential Information and (ii) if permitted by applicable Legal Requirement or Governmental Entity, use its reasonable efforts to cooperate with the other party as such other party may reasonably request to review and comment on such required disclosure of Confidential Information prior to such Disclosing Party's disclosure thereof.

5.4 ***Additional Documents and Further Assurances***. Each party hereto, at the request of the other party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be reasonably necessary or desirable for effecting completely the consummation of this Agreement and the Related Agreements and the transactions contemplated hereby and thereby.

5.5 ***Use of Proceeds***. The proceeds paid by the Investor to the Company for the Purchased Shares shall be used for general corporate purposes as determined by the Company, including for new product development by the Company Group (but shall not be used to pay any dividend or other distribution to the Company's shareholders).

5.6 ***Standstill***. Through the earlier of (I) the Option Period Expiry Date, and (II) December 31, 2017, the Investor shall not purchase, directly or indirectly, any Company Shares or ADSs other than the Purchased ADSs, and will not enter into any voting arrangements, oral or written, with any other shareholder of the Company or Company ADSs holder for the purchase of any Company Shares or Company ADSs, *provided however*, that the restriction set forth in this Section 5.6 shall terminate and be of no further force and effect if (i) any other Person or "group" acquires or publicly proposes to acquire company securities, including the Company Shares and Company ADSs, constituting, when converted or exchanged into Company Shares, more than 19.9% of the outstanding Company Shares or all or substantially all of the consolidated assets of the Company; (ii) any other Person or "group" publicly announces a tender offer for 19.9% or more of the outstanding Company Shares and files a Schedule TO under the Exchange Act, and such Schedule TO has not been withdrawn within 30 days after filing; (iii) the Company agrees to issue its equity securities to any of the of Persons listed in Schedule 5.6 hereto; or (iv) if Investor and its Affiliates (individually, jointly, and/or in concert with any other person or entity) is no longer the beneficial owner of 2% or more of the outstanding Company Shares. For the avoidance of doubt, nothing in this Section shall restrict the Investor from making a proposal regarding a possible transaction directly to the Company.

5.7 ***Information Rights***.

Upon the consummation of the Deferred Closing, and for so long thereafter as the Investor holds at least 5% of the issued and outstanding Company Shares on a fully diluted and as converted basis, the following information rights shall apply:

(a) In the event that the Company Shares or Company ADSs cease to be traded on Nasdaq or TASE, the Company shall deliver to the Investor the following information and documents:

(i) as soon as practicable, but in any event within sixty (60) days of the end of each fiscal quarter, an unaudited statement of income and statement of operations for such fiscal quarter, and an unaudited balance sheet and statement of changes in shareholders' equity as of the end of such fiscal quarter, all prepared in accordance with IFRS or other GAAP, as applicable (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes and disclosures thereto that may be required in accordance with IFRS or other GAAP, as applicable);

(ii) as soon as practicable but in any event within ninety (90) days of the end of each fiscal year, an audited statement of income and statement of operations for such fiscal year, and an audited balance sheet and statement of changes in shareholders' equity as of the end fiscal year, all prepared in accordance with the IFRS or other GAAP, as applicable;

(iii) the material terms of any Material Contract executed by the Company, promptly after the execution by the Company of such Material Contract; and

(iv) a description of any litigation initiated by or against the Company or any Subsidiary, along with all material terms thereof (including the name(s) of the other parties thereto, the claims of the applicable plaintiff, the remedies sought thereunder and – where the Company or any Subsidiary is the respondent – the arguments thereof).

(b) For as long as the Company's securities are listed on Nasdaq and/or Tel-Aviv Stock Exchange, the Company shall within (i) ninety (90) days of the end of each of the first three fiscal quarters and (ii) within the period required pursuant to the Securities Act following each fiscal year (with respect to the annual report), disclose publicly its profit and loss statement and balance sheet for and as of the end of the period ending on the last day of such quarter.

5.8 ***Registration Rights***

(a) Demand Registration.

(i) If, at any time following the earlier of (I) the Option Period Expiry Date, (II) Option Closing Date, (III) the termination of the Exclusive Lead Sharing and Distribution Agreement, or (IV) December 31, 2017, the Company shall receive a written request from the Investor that the Company effect an offering under the Securities Act of all or a portion of the Investor's Company ADS's, which written request shall specify (a) the number of Company ADSs that the Investor intends to dispose of pursuant to such offering (the "***Registrable Securities***"), (b) the intended method or methods of sale or disposition of the Registrable Securities and (c) the expected price range (net of underwriting discounts and commissions) acceptable to the Investor to be received for such Registrable Securities ("***Demand Request***"), then the Company shall:

(1) cause to be filed with the SEC, as soon as practicable, but in any event within 45 days of the date of delivery to the Company of the Demand Request, a registration statement on Form F-1 or, if eligible, a shelf registration statement pursuant to Rule 415 under the Exchange Act on Form F-3 (each, a "***Registration Statement***"), covering such Registrable Securities that the Company has been so requested to register by the Investor; and

(2) use its reasonable best efforts to have such Registration Statement declared effective by the SEC as soon as practicable thereafter, but in no event later than 120 days following the date of initial filing thereof with the SEC.

(ii) A registration requested pursuant to this Section 5.8 shall not be deemed to have been effected (a) unless a Registration Statement with respect thereto has become effective and remained effective until such time as all of the Registrable Securities registered thereunder shall have been disposed of in accordance with the intended methods of disposition by the Investor; provided, however, that such period shall not exceed 120 days, (b) if, after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other Governmental Entity for any reason and has not become effective within 30 days thereafter.

(iii) Investor's right under this Section 5.8(a) may be exercised not more than twice.

(iv) The Company will not be required to effect any registration in response to a Demand Request if the Company gives the Investor written notice within seven (7) days from the receipt of the Demand Request, that the Company is engaged in preparation of a registration statement for a firmly underwritten registered public offering (for which the registration statement must be filed within thirty (30) days of such Company's notice to the Investor); *provided* that the Company is employing in good faith its reasonable best efforts to cause such firmly underwritten registered public offering to become effective, *provided further* that if such firmly underwritten registered public offering is not effected within sixty (60) days of such Company's notice to the Investor, then the Company shall effect the registration in response to the Demand Request as soon as practicable, but in any event within 30 days of expiration of the foregoing 60 days.

(v) The information provided by the Investor pursuant to the sub items (b) and (c) of Section 5.8(a)(i) shall not bind the Investor in any way and shall not obligate the Investor to dispose of the Registrable Securities.

(b) Expenses of Registration. All expenses incurred by the Company in complying with Section 5.8, including without limitation all registration, qualification and filing fees, printing and accounting expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses and all reasonable fees and disbursements of one counsel to the Investor, but excluding underwriting discounts, commissions and stock transfer taxes relating to Registrable Securities, shall be borne by the Company. All underwriting discounts, selling commissions and stock transfer taxes relating to Registrable Securities offered by the Investor shall be borne by the Investor.

(C) Registration Procedures. In the case of each registration, qualification or compliance effected by the Company pursuant to this Section 5.8, the Company will keep the Investor advised in writing as to the initiation of each registration and as to the completion thereof. At its expense, the Company will:

(i) Prepare and file with the SEC a registration statement, and all requisite supplements and amendments thereto, with respect to such securities and use commercially reasonable efforts to cause such registration statement, as amended, to become and remain effective for at least 12 months or until the distribution described in the registration statement has been completed;

(ii) Furnish to the Investor such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, and all supplements and amendments thereto, preliminary prospectus, final prospectus and such other documents as the holder and underwriters may reasonably request to facilitate the public offering of such securities and such other information necessary to allow the Investor to remain reasonably informed about the registration process;

(iii) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter of such offering;

(iv) Notify the Investor, at any time when a prospectus relating to the Registrable Securities is required to be delivered under the Securities Act, of its knowledge of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(v) Cause all such Registrable Securities registered under this Section 5.8 to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(vi) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration; and

(vii) Furnish, at the request of the Investor, on the date that the Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 5.8, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Investor, and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and the Investor.

5.9 ***Interim Conduct of Business.***

(a) Except as expressly contemplated or required by this Agreement, required by applicable Legal Requirements, or as approved by the Investor in writing, at all times during the period commencing on the date hereof through the earlier of the Initial Closing and the termination of this Agreement pursuant to ARTICLE VI, each member of the Company Group shall (A) carry on its business in the usual, regular and ordinary course of business consistent with past practice in substantially the same manner as heretofore conducted and in compliance in all material respects with all applicable Legal Requirements, (B) use its commercially reasonable efforts, consistent with past practices, to preserve substantially intact its business organization, keep available the services of the current officers, employees and consultants, if any, of the Company and its Subsidiaries, and preserve the current relationships of the Company and each of its Subsidiaries with customers, suppliers, distributors, licensors, licensees and other Persons with whom the Company or any of its Subsidiaries has significant business relations and (C) not take any action that would adversely affect or is reasonably likely to delay the ability of either the Investor or the Company to consummate the transactions contemplated hereby or under any Related Agreement.

(b) Except as expressly contemplated or required by this Agreement, required by applicable Legal Requirements, or as approved by the Investor in writing, at all times during the period commencing on the date hereof through the earlier of the Initial Closing and the termination of this Agreement pursuant to ARTICLE VI, neither the Company nor any other member of the Company Group shall (A) declare, set aside or pay any dividend or other distribution (whether in cash, equity securities or other property) in respect of the Company Shares, (B) split, combine or reclassify any equity securities or issue or authorize the issuance of any other equity securities, (C) purchase, redeem or otherwise acquire any of its Company Shares or Company ADSs or any options, warrants or other rights to acquire any of the foregoing, (D) act or omit to act in a manner that would impair or otherwise adversely affect Company's business, properties, assets or Liabilities, (E) take any action, commit to take any action, or execute any Contract which would result in the representations and warranties set forth in ARTICLE III to become untrue, (F) agree, whether in writing or otherwise, to do any of the foregoing.

ARTICLE VI

TERMINATION

6.1 ***Termination***. At any time prior to the Initial Closing, this Agreement may be terminated:

(a) by mutual written agreement of the Company and the Investor;

(b) by either the Investor or the Company, if the Initial Closing shall not have occurred on or before the date which is ten (10) Business Days following the date hereof (the "***Termination Date***"); *provided* that the right to terminate this Agreement under this Section 6.1(b) shall not be available to any party hereto whose breach of this Agreement has resulted in the failure of the Initial Closing to occur on or before the Termination Date;

(c) by either the Investor or the Company, if any permanent injunction or other order of a Governmental Entity of competent authority preventing the consummation of the transactions contemplated hereby shall have become final and non-appealable;

(d) by the Investor, if (i) the Company shall have breached any representation, warranty, covenant or agreement contained herein or in any Related Agreement, or (ii) there shall have been a Material Adverse Effect.

(e) by the Company, if Investor shall have breached any representation, warranty, covenant or agreement contained herein or in any Related Agreement.

6.2 ***Effect of Termination***. In the event of termination of this Agreement as provided in Section 6.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of the Investor or the Company, their respective officers, directors, shareholders or Affiliates; *provided* that (i) the provisions of Section 5.3 (*Confidential Information*), this Section 6.2 (*Effect of Termination*) and ARTICLE VII (*General Provisions*) shall remain in full force and effect and survive any termination of this Agreement and (ii) nothing herein shall be deemed to release any such party from any liability for fraud, intentional misrepresentation or willful misconduct, which shall survive any such termination, or impair the right of a party to obtain any injunction to prevent breaches of this Agreement.

ARTICLE VII

GENERAL PROVISIONS

7.1 ***Entire Agreement***. This Agreement, the exhibits and schedules hereto, the Related Agreements, the Disclosure Schedule, and the documents and instruments and other agreements among the parties hereto referenced herein constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings both written and oral, including any term sheet, among the parties with respect to the subject matter hereof.

7.2 ***Assignment***. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any party hereto without the prior written consent of the other party hereto, and any such assignment or delegation without such prior written consent shall be null and void, except for any assignment by the Investor to any Affiliate thereof upon its agreeing in writing to become subject to the provisions contained in this Agreement, provided that notwithstanding such assignment, the Investor shall remain liable for the performance of all of its agreements, undertakings and obligations hereunder and under the Related Agreements, notwithstanding any assignment hereunder.

7.3 ***Amendment***. Except as otherwise stated, this Agreement may not be amended other than by a written instrument signed by the Investor and the Company (or their approved assignees).

7.4 ***Governing Law; Jurisdiction***. This Agreement shall be governed by and construed solely in accordance with the laws of the State of Israel, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any competent courts located in Tel-Aviv, Israel, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Israel for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

7.5 ***Notices***. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by commercial messenger or courier service, or mailed by registered or certified mail (return receipt requested), sent via facsimile (with electronic confirmation of complete transmission) or sent via email (so long as a receipt of such email is requested and received) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to the Investor, to:

_____

COVIDIEN GROUP S.A.R.L. c/o Medtronic, Inc.
710 Medtronic Parkway NE
Minneapolis, MN 55432-5604, USA

with separate copies thereof addressed to:

Attention: General Counsel
Mail Stop LC400
Facsimile No.: +1 (763) 505-2980
and

Attention: Vice President of Corporate Development
Mail Stop LC270
Facsimile No.: +1 (763) 505-2542

_____

with a mandatory copy (which shall not constitute notice) to:

Meitar Liquornik Geva Leshem Tal, Law Offices
16 Abba Hillel Road, Ramat Gan 5250608, Israel
Attention: Mike Rimon, Advocate
Telephone No.: (972)-(3)-610-3100
Facsimile No.: (972)-(3)-610-3111
Email: mrimon@meitar.com

(b) if to the Company, to:

Mazor Robotics Ltd.
7 HaEshel
Caesarea Park South
Israel 3088900
Attention: Chief Financial Officer
Telephone No.: (972)-(4)-6187100
Facsimile No.: (972)-(4)-6187111

with a mandatory copy (which shall not constitute notice) to:

Salinger, Confino, Ben-Zvi, Luchtenstein, Law Offices
132 Menachem Begin Road, Tel Aviv 6702501, Israel
Attention: Barak Luchtenstein, Advocate
Telephone No.: (972)-(3)-7188700
Facsimile No.: (972)-(3)-7188701
Email: barak@cblslaw.co.il

Any notice sent in accordance with this Section shall be effective: (i) if mailed, seven (7) Business Days after mailing, (ii) if delivered personally or sent by messenger, upon delivery, and (iii) if sent via facsimile or email, one (1) Business Day following transmission and electronic confirmation of receipt, provided that if any communication would otherwise become effective on a non-Business Day or after 5 p.m. on a business day (in the country of the addressee), it shall instead become effective at 9 a.m. on the next business day (in the country of the addressee).

7.6 ***Interpretation***. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words ", but not limited to". The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The phrases "provided to," "furnished to," "made available" and phrases of similar import when used herein, unless the context otherwise requires, shall mean that a paper or electronic copy of the information or material referred to was provided to the Investor or its Representatives.

7.7 ***Severability***. In the event that any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

7.8 ***Remedies***. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement are not performed by any party in accordance with their specific terms or were otherwise breached by such party. The parties accordingly agree that, in addition to any other remedy to which the parties are entitled at law or in equity, each party is entitled to injunctive relief to prevent breaches of this Agreement by the other party and otherwise to enforce specifically the provisions of this Agreement against the other party. Each party expressly waives any requirement that the other party obtain any bond or provide any indemnity in connection with any action seeking injunctive relief or specific enforcement of the provisions of this Agreement.

7.9 ***Rules of Construction***. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that provisions of or ambiguities in an agreement or other document will be construed against the party drafting such provision, agreement or document.

7.10 ***Counterparts***. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart and that signatures may be provided by facsimile transmission or other means of electronic transmission.

- Signature page follows -

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers, as of the date first written above.

MAZOR ROBOTICS LTD.

By: /s/ Gil Bianco
Name: Gil Bianco
Title: Director

By: /s/ Ori Hadomi
Name: Ori Hadomi
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers, as of the date first written above.

COVIDIEN GROUP S.A.R.L.

By: /s/ Michelangelo Stefani
Name: Michelangelo Stefani
Title: General Manager

Exhibit 4.13

****Confidential portions have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission (the "Commission")****

EXCLUSIVE LEAD SHARING AND DISTRIBUTION AGREEMENT

THIS EXCLUSIVE LEAD SHARING AND DISTRIBUTION AGREEMENT (this "Agreement") is made as of this 18th day of May, 2016 (the "Effective Date") by and among Mazor Robotics Ltd., with a principal office located at 7 HaEshel Street, Caesarea Park South, Israel 3088900 ("Mazor"), Medtronic Navigation, Inc., having a principal office located at 826 Coal Creek Circle, Louisville, CO 80027 ("Medtronic" and, together with Mazor, the "Parties") and, solely for purposes of Section 7.2 and Section 27, Medtronic plc ("Medtronic Parent"), having a principal office located at 710 Medtronic Parkway, Minneapolis, MN 55432-5604.

WHEREAS, Mazor is engaged in developing and manufacturing the MazorX System, the Renaissance System and the Software Modules; and

WHEREAS, Mazor wishes to appoint Medtronic as (i) its co-exclusive lead generation partner for the MazorX System for spinal applications in the United States, (ii) its non-exclusive lead generation partner for the MazorX System for spinal applications in Europe, and (iii) subject to the achievement of certain lead generation milestones as set forth herein, its exclusive distributor for the MazorX System for spinal applications in certain Territories throughout the world, and Medtronic wishes to accept such appointments, all in accordance with the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. CERTAIN DEFINITIONS

1.1. "Affiliate" means, with respect to any specified Person, any other Person which, but only for so long as such other Person, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, through the ownership of voting securities or other equity interests, and the terms "controlled" and "common control" shall have correlative meanings.

1.2. "Applicable Law" means, with respect to any business or Person, any federal, state, provincial, local, municipal, foreign, international, multinational, supranational or other constitution, statute, law, treaty, ordinance, policy, guidance, rule, administrative interpretation, regulation or other requirement (including common law) applicable to such business or Person or any of their respective Affiliates, properties, assets, officers, directors, managers, employees, consultants or agents (in connection with their activities on behalf of such business or Person or any of its Affiliates), or any charge, order, writ, injunction, directive, judgment, decree, ruling, determination, award or settlement, whether civil, criminal or administrative, of any Governmental Authority having jurisdiction over such business or Person or any of their respective Affiliates, properties, assets, officers, directors, managers, employees, consultants or agents (in connection with their activities on behalf of such business or Person or any of its Affiliates).

1.3. "Business Day" means a day other than a Saturday, a Sunday or a day on which commercial banks are required to be closed in the State of Delaware.

1.4. "Change of Control" means (a) the sale, lease, transfer, exclusive license or other disposition by a Party of all or substantially all of the assets of such Party to a third party; or (b) a merger or consolidation in which (i) a Party is a constituent party or (ii) a subsidiary of a Party is a constituent party and such Party issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving a Party or a subsidiary of that Party in which the shares of capital stock of such Party outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly-owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation.

1.5. "Demo Installation Date" means the date on which Mazor delivers each of the Demo Units to Medtronic.

1.6. "Disposables" means disposable products for use with the MazorX System.

1.7. "Distribution Period" means the period commencing on the day that is sixteen (16) months following the Demo Installation Date and ending on the 4-year anniversary of the Demo Installation Date.

1.8. "Distribution Period Exclusive Territory" means anywhere in the world, other than **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** and any Distribution Period Non-Exclusive Territory in which Mazor's current distributor is terminated after the date hereof pursuant to Section 8.10.

1.9. "Distribution Period Non-Exclusive Territory" means **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** and any Distribution Period Exclusive Territory with respect to which Medtronic agrees to relinquish its exclusive rights pursuant to Section 8.10.

1.10. "Distribution Year" means any of Distribution Year 1, Distribution Year 2, Distribution Year 3 or Distribution Year 4.

1.11. "Distribution Year 1" means the period commencing on the day that is sixteen (16) months following the Demo Installation Date and ending on the day that is 12 months thereafter.

1.12. "Distribution Year 1 Minimum Sales Amount" **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

1.13. "Distribution Year 2" means the period commencing on the day after the last day of Distribution Year 1 and ending on the day that is 12 months thereafter.

1.14. "Distribution Year 2 Minimum Sales Amount" **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

1.15. "Distribution Year 3" means the period commencing on the day after the last day of Distribution Year 2 and ending on the day that is 12 months thereafter.

1.16. "Distribution Year 3 Minimum Sales Amount" **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

1.17. "Distribution Year 4" means the period commencing on the day after the last day of Distribution Year 3 and ending on the day that is 12 months thereafter.

1.18. "Distribution Year 4 Minimum Sales Amount" **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

1.19. "Documentation" means any and all operator's and user's manuals, training materials, guides, commentary, listings and other materials for use in conjunction with the Products.

1.20. "Europe" means the following countries: the United Kingdom, Ireland, Iceland, Portugal, Spain, France, Belgium, The Netherlands, Luxembourg, Germany, Switzerland, Austria, Italy, Malta, Monaco, Denmark, Norway, Sweden, Finland, Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovak Republic, Hungary, Croatia, Bosnia & Herzegovina, Serbia, Kosovo, FYRO Macedonia, Albania, Greece, Bulgaria, Romania, Moldova, Ukraine and Belarus.

1.21. "Exclusive Lead Generation Territory" means the United States of America.

1.22. "Exclusive Territory" means any Territory in which Mazor grants Medtronic exclusive rights with respect to the MazorX System during the Term, but excluding any Territory in which Medtronic's rights are co-exclusive.

1.23. "Governmental Authority" means any federal, state, local, foreign or supranational governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

1.24. "Hardware Customizations" means any customizations made by Mazor to Mazor hardware and/or tools for use with implants for the MazorX System in order to enable the Software Customizations and use thereof with the Medtronic spinal instruments and implants, but expressly excluding Medtronic Background IP and/or Medtronic Development IP.

1.25. "Intellectual Property" means all rights to patents, patent applications, software, copyrights, trademarks, trade secrets, know-how, concepts, designs, specifications, techniques, formulas, inventions, trade names, labels, trade dress, literature, programs, methodologies, advertising material or other documents, materials or information relating to the products or the business operations of a Party to this Agreement or owned by such Party or any of its affiliated persons or entities.

1.26. "Joint Invention" means any invention that is made or developed jointly by inventors who are employed by, or otherwise who have an obligation to assign their rights to any such invention to Mazor and by inventors who are employed by, or otherwise who have an obligation to assign their rights to such invention to Medtronic, whether or not conceived in conjunction with employees or agents of a third party.

1.27. "Lead Generation Cure Amount" means **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** Qualified Leads.

1.28. "Lead Generation Cure Payment Amount" means an amount equal to (a) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**, times (b) the number of Qualified Leads by which the Lead Generation Milestone Amount exceeds the number of Qualified Leads generated by Medtronic during the Lead Generation Period.

1.29. "Lead Generation Milestone Amount" means **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** Qualified Leads.

1.30. "Lead Generation Adjustment Amount" means that number of MazorX Systems equal to (i) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**, minus (ii) the actual number of Qualified Leads that are converted into sales during the Lead Generation Period.

1.31. "Lead Generation Period" means the period commencing on the Demo Installation Date and ending on the 16-month anniversary of the Demo Installation Date.

1.32. "Mazor Background IP" means any invention(s) in existence and owned by, or licensed to, Mazor prior to the Effective Date of this Agreement.

1.33. "Mazor Close Period" means the four (4)-month period commencing on the 12-month anniversary of the Demo Installation Date.

1.34. "Mazor Development IP" means any invention(s) conceived or reduced to practice solely by Mazor's employees, consultants or agents and arising from work performed by such employees, consultants or agents under, or in connection with, this Agreement.

1.35. "MazorX System" means the Renaissance X surgical guidance system (also known as the MazorX system) as used for spinal applications as set forth in Exhibit A attached to and made a part of this Agreement, and shall include all improvements, updates, upgrades and enhancements thereto, and future generations thereof.

1.36. "Medtronic Background IP" means as any invention(s) in existence and owned by, or licensed to, Medtronic prior to the Effective Date of this Agreement and including without limitation any CAD models relating to Medtronic spine instruments or implants or documentation provided by Medtronic for the development of Software Customizations hereunder.

1.37. "Medtronic Development IP" means any invention(s) conceived or reduced to practice solely by Medtronic's employees, consultants or agents and arising from work performed by such employees, consultants or agents under, or in connection with, this Agreement.

1.38. "Medtronic Sales Representatives" means members of Medtronic's sales force.

1.39. "Medtronic Spinal Construct" means any spinal fixation system consisting of pedicle screws and rods that is designed, manufactured, sold or commercialized by Medtronic or any of its Affiliates.

1.40. "Minimum Sales Amount" means, with respect to a Distribution Year, the applicable Distribution Year Minimum Sales Amount.

1.41. "Non-Exclusive Lead Generation Territory" means **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**.

1.42. "Non-Exclusive Territory" means any Territory in which Mazor grants Medtronic rights with respect to the Products during the Term that are not exclusive rights.

1.43. "Net Sales" means the aggregate amount of gross revenue received as a result of the sale of any Products to third parties during the relevant measurement period (in each case, determined in accordance with GAAP), less any taxes, tariff duties, discounts, returns, marketing grants, or rebates actually given or credited, as determined without duplication, to the extent allocable to such sales of Products.

1.44. "Person" means any natural person or any corporation, partnership, limited liability company, business association, joint venture or other entity.

1.45. "Products" means, collectively, the MazorX System for spinal applications and the Software Modules for spinal applications, and shall include all improvements, updates, upgrades, enhancements and future generations, but excluding any Disposables and Software Customizations.

1.46. "Qualified Lead" means a sales account with respect to which **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

(a) Each (i) Qualified Lead and (ii) Medtronic-initiated non-qualified lead that Medtronic forwards to Mazor and that is approved by a Mazor senior sales manager, that results in the sale of a MazorX System during the Lead Generation Period will constitute **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** Qualified Leads for purposes of this Agreement; and

(b) Each Qualified Lead that results in the purchase of more than one (1) MazorX System will for purposes of this Agreement constitute that number of Qualified Leads equal to (i) one (1), **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

1.47. "Regulatory Approval" means a product-specific approval from a Governmental Authority necessary for the research, development, manufacture, distribution, pricing, reimbursement, marketing or sale of any of the Products in any Territory.

1.48. "Restricted Period" **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

1.49. "Renaissance System" means the Renaissance surgical guidance system (also known as the Mazor system), and shall include all improvements, updates, upgrades and enhancements thereto, and future generations thereof.

1.50. "Sales Cure Payment Amount" means, with respect to a Distribution Year, an amount equal to (a)(i)(A) the Minimum Sales Amount with respect to such Distribution Year, minus (B) the number of MazorX Systems sold by Medtronic in such Distribution Year (the sum of (a)(i)(A), minus (B), the "Shortfall Amount"), times (ii) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**, which amount shall be payable within ten (10) Business Days after the end of such Distribution Year if Medtronic elects to pay the Sales Cure Payment Amount applicable to such Distribution Year, plus (b)(i) only if Medtronic does not exceed the Minimum Sales Amount applicable to the subsequent Distribution Year, an amount equal to (A) the Shortfall Amount, times, (B) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** or (ii) if Medtronic does exceed the Minimum Sales Amount applicable to such subsequent Distribution Year, an amount equal to **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**, which amount shall be payable within ten (10) Business Days after the end of such subsequent Distribution Year.

1.51. "Software Customizations" means any software or software code developed under this Agreement with the specific applicability to deploy Software Modules on the StealthStation and/or to integrate Medtronic spine instruments and/or implants with the MazorX System and/or Software Modules as permitted under this Agreement but expressly excluding Medtronic Background IP and/or Medtronic Development IP.

1.52. "Software Modules" means the software modules associated with the MazorX System as used for spinal applications and shall include all improvements, updates, upgrades and enhancements thereto, and future generations thereof.

1.53. "StealthStation" means Medtronic's pre-operative, intra-operative, or post-operative computer assisted, image-guided surgery system used to facilitate automated localization of instruments for use in a surgical or interventional procedure.

1.54. "Term" is defined in Section 17.

1.55. "Territory" means the Distribution Period Exclusive Territory, the Distribution Period Non-Exclusive Territory, the Exclusive Lead Generation Territory and the Non-Exclusive Lead Generation Territory.

1.56. "Training Materials" means all written training materials and related written guidelines provided by Mazor to Medtronic relating to the Products, including, without limitation, all Promotional Materials.

1.57. "Upgrade" means the exchange by a customer of a Renaissance System for a MazorX System.

1.58. "Upgrade Fee" means the fee payable by a customer in exchange with an Upgrade.

1.59. "U.S. Lead Generation Period" means the period commencing on the Demo Installation Date and ending on the 12-month anniversary of the Demo Installation Date.

2. APPOINTMENT OF LEAD GENERATOR AND DISTRIBUTOR

2.1. Mazor hereby grants to Medtronic, commencing on the Effective Date, the co-exclusive right (with Mazor) to generate sales leads with respect to, and otherwise advertise, promote and market the MazorX System for spinal applications within the Exclusive Lead Generation Territory during the Lead Generation Period, which appointment Medtronic hereby accepts.

2.2. Mazor hereby grants to Medtronic, commencing on the Effective Date, the non-exclusive right to generate sales leads with respect to, and otherwise advertise, promote and market the MazorX System for spinal applications within the Non-Exclusive Lead Generation Territory during the Lead Generation Period, which appointment Medtronic hereby accepts.

2.3. Unless the Agreement is terminated earlier, including by Mazor pursuant to Section 18.3, Mazor shall grant to Medtronic, effective upon the commencement of the Distribution Period, the exclusive right, within the Distribution Period Exclusive Territory, and the non-exclusive right, within the Distribution Period Non-Exclusive Territory, to distribute, sell, advertise, promote, market and otherwise commercialize the MazorX System and the Software Modules for spinal applications, which appointment Medtronic hereby accepts.

2.4. During the Term, Mazor shall not grant to any other Person within any Exclusive Territory the right or license, either directly or indirectly, to distribute, sell, advertise, promote, market or otherwise commercialize, the MazorX System and Software Modules. Without limiting the foregoing, during the Term, Mazor shall not enter into any type of agreement or arrangement for the private-labeling of the MazorX System and Software Modules.

2.5. Medtronic may appoint sub-dealers or sub-distributors and may advertise, promote, market, distribute, sell and otherwise commercialize the Products through such sub-dealers and sub-distributors within any Territory to the extent Medtronic has rights in any such Territory and on terms consistent with the terms of this Agreement. Any contract or similar agreement entered into between Medtronic and a sub-dealer or sub-distributor shall include: (a) confidentiality and use restrictions that are no less restrictive than those set forth in this Agreement; and (b) intellectual property ownership provisions consistent with those set forth in this Agreement. Any breach by a sub-dealer or sub-distributor of its obligations shall be deemed to be a breach by Medtronic.

2.6. Notwithstanding anything to the contrary in this Section 2, nothing in this Agreement shall limit or restrict Mazor from: (a) advertising, promoting, marketing, distributing, selling and otherwise commercializing Disposables; (b) performing all installations and warranty repairs for new systems, preventative maintenance, repairs and software upgrades/updates for the Products; or (c) modifying, manufacturing, distributing, selling, advertising, promoting, marketing or otherwise commercializing (i) the MazorX System or Software Modules for non-spinal applications or (ii) the Renaissance System in any Territory for any purposes, provided however that in the case of (c)(ii), **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

3. MARKETING AND PROMOTION

3.1. Medtronic Marketing Obligations.

(a) Marketing Activities. Medtronic will (i) advertise and promote and (ii) use commercially reasonable efforts to sell and otherwise create a demand for the Products in the Territory ("Marketing Activities"). Mazor acknowledges that Medtronic does not guarantee that the Marketing Activities will successfully create demand for the Products or that the minimums set forth in Section 4.1 and Section 8.1 will be obtained as a result of Medtronic's efforts. The Marketing Activities shall include:

(i) presenting and demonstrating the Products at least at the following industry conferences and trade shows: American Academy of Neurological Surgeons, Congress of Neurological Surgeons, North American Spine Society, and Scoliosis Research Society;

(ii) showcasing, demonstrating and promoting the Products in product marketing suites located in Medtronic facilities in Memphis, TN, Louisville, CO and other facilities as deemed appropriate by Medtronic;

(iii) educating Medtronic's internal staff on the Products;

(iv) developing and executing internal and external marketing campaigns for the Products;

(v) producing and distributing brochures and testimonials suitable to effectively market the Products to surgeons and hospitals;

(vi) promoting the Products through customary media channels, including Medtronic's social media accounts and website;

(vii) targeting potential customers; and

(viii) committing a qualified team of employees to be responsible for overseeing and executing the marketing of the Products.

(b) Sales and Marketing Plan. Exhibit B sets forth Medtronic's initial sales and marketing plan with respect to the Products (the "Medtronic Sales and Marketing Plan"). Medtronic will (i) implement the Medtronic Sales and Marketing Plan promptly following execution of this Agreement, and throughout the Term in accordance with clause (ii), and (ii) cooperate with Mazor to update the Medtronic Sales and Marketing Plan throughout the Term taking into account Mazor's feedback. The Medtronic Sales and Medtronic Sales and Marketing Plan will include detailed descriptions of how Medtronic will meet its obligation to provide the Marketing Activities, as well as details about Medtronic's sales team for the Products. The Steering Committee will review the status of Medtronic's marketing efforts under the Medtronic Sales and Marketing Plan and will discuss updates and deviations therefrom. At intervals reasonably requested by Mazor, Medtronic shall provide Medtronic with (a) its potential customer pipeline, (b) all information relating to the sales of the Products in the Territory, and (c) feedback on the Products received from customers and potential customers.

(c) Sales Incentive Plan. **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

(d) Promotional Materials. Medtronic will use, and will only permit the Medtronic Sales Representatives to use, Promotional Materials approved by Mazor, and then only in accordance with this Agreement and the Training Materials. To assist in the continuing improvement of the Promotional Materials, Medtronic will provide feedback on the Promotional Materials to the Steering Committee. Medtronic will be responsible, at its sole cost, for producing, printing, and distributing the Promotional Materials in accordance with the Medtronic Sales and Marketing Plan.

(e) Promotional Collaboration. As further contemplated in Section 5 hereof, the Steering Committee will collaborate with respect to the Marketing Activities.

(f) Compliance with Laws. Medtronic will comply with all Applicable Laws relating to the execution of its obligations under this Agreement including, without limitation, with respect to the Marketing Activities.

(g) Liability Cap. Notwithstanding anything herein to the contrary, Medtronic may only be liable to Mazor for damages (which damages shall exclude, for the avoidance of doubt, incidental, consequential, special, general, proximate, indirect, punitive or exemplary damages, but may include (i) lost revenue and lost profits regardless of whether such are deemed consequential, indirect or other damages, and (ii) reasonable attorneys' and litigation fees and expenses) resulting from any actual or claimed breach of Sections 3.1, 8.1 or 18.2 (a) to the extent that such damages have been awarded to Mazor pursuant to a final, non-appealable order of any court of competent jurisdiction or a final and binding arbitration order ("Distribution Damages") and the maximum aggregate liability of Medtronic for all claims made by Mazor for any actual or claimed breaches of Sections 3.1, 8.1 or 18.2(a) relating to or arising from a given Distribution Year will not exceed an amount equal to $2,000,000 (the "Distribution Liability Cap"); provided, that reasonable attorneys' and litigation fees and expenses actually incurred by Mazor in connection with any successful attempt by Mazor to recover Distribution Damages (including any of those awarded pursuant to Section 30.2) shall not count toward the Distribution Liability Cap. Notwithstanding the foregoing, the Distribution Liability Cap shall not apply to Medtronic's indemnification obligations pursuant to Section 25 or in connection with an intentional breach by Medtronic of Section 3.1, 8.1 or 18.2(a).

3.2. Mazor Support. Mazor will provide the following promotional support services:

(a) Marketing Support Matters. Without limiting Section 3.1, Mazor will be responsible for, at its own cost and expense, during the Lead Generation Period, the development of all promotional, non-promotional, training and educational materials relating to the Products (the "Promotional Materials"). Mazor will also be responsible for:

(i) Mazor's and the Products' websites;

(ii) patient and market research and support;

(iii) therapy awareness programs;

(iv) ethics and compliance (but only with respect to its employees and materials);

(v) adverse events and reporting;

(vi) call centers/customer service and complaint handling;

(vii) Product pricing; and

(viii) Clinical support plans.

The Promotional Materials and other support shall be provided to Medtronic in the English language. Medtronic shall be responsible for translating the materials into any other languages necessary to distribute them in the Territories. Mazor will be responsible for assuring that no Promotional Materials violate any Applicable Laws at the time of the provision thereof to Medtronic and/or its Affiliates, and will indemnify Medtronic against any losses arising from Medtronic's use or dissemination of the Promotional Materials in accordance with the Promotional Training and Promotional Materials as provided in Section 25 below.

(b) Compliance with Laws. Mazor will comply with all Applicable Laws relating to the execution of its obligations under this Agreement including, without limitation, with respect to the manufacture and supply of the Products, Promotional Training and Promotional Materials.

4. LEAD GENERATION

4.1. Generation of Qualified Leads. During the U.S. Lead Generation Period, Medtronic will generate and provide to Mazor Qualified Leads in accordance with Applicable Laws and the terms and conditions of this Agreement and the Medtronic Sales and Marketing Plan ("Lead Generation Services"). Mazor acknowledges that Medtronic does not guarantee the success of the Lead Generation Services or that the Lead Generation Milestone Amount will be obtained as a result of Medtronic's efforts. Medtronic will provide Mazor with a quarterly report detailing the Lead Generation Services.

4.2. Support Services. Except as expressly stated otherwise herein, Medtronic will provide all requisite management, oversight, facilities, equipment and administrative support necessary for the Medtronic Sales Representatives to perform the Lead Generation Services or Marketing Activities hereunder, including the following:

(a) Management. Medtronic will be solely responsible for the management and discharge of, and shall manage and discharge, all employer obligations in connection with its employees who perform the Lead Generation Services or Marketing Activities (including all members of the Medtronic Sales Representatives, including all human resource issues, the fulfillment of employer obligations required by Applicable Laws, the payment of compensation, the remittance to the proper Governmental Authorities of all employee withholdings and employer contributions required by Applicable Laws or other requirements, the administration of health and benefits plans and other employee benefit plans in compliance with Applicable Laws, the oversight and management of any work performance issues, and all other day to day management and employment issues in connection with its employees who perform the Lead Generation Services and Marketing Activities.

(b) Discipline. Medtronic has sole authority to remove personnel from the Medtronic Sales Representatives involved in the provision of Lead Generation Services and Marketing Activities under this Agreement, and to comply with Medtronic policy regarding the treatment of employees. Notwithstanding the foregoing, Medtronic will reasonably investigate any reports made by Mazor of any non-compliance with this Agreement by a Medtronic Sales Representative and Medtronic will apply such counseling, discipline, removal or termination of such individual as may be warranted in Medtronic's reasonable judgment.

4.3. Retained Rights. Except as contemplated in this Agreement, during the Lead Generation Period within the Exclusive Lead Generation Territory, Mazor will retain all rights and responsibilities with respect to the Products including, without limitation, the following: pricing (including with respect to trade, quantity or other discounts) and terms of sale; research and development; manufacturing, labeling, packaging and distribution (including order processing and fulfillment, returns handling, and credits); all sales matters including order fulfillment; regulatory affairs; safety of the design of the Products; transparency obligations of Mazor under Applicable Laws (*e.g.*, "Sunshine" Act); product policies and procedures; all intellectual property matters relating to the Products; all litigation and claims relating to the Products. In addition to any assistance that Medtronic is required to provide to Mazor to meet its obligations under this Agreement, Medtronic will, at Mazor's cost and expense, provide reasonable assistance to Mazor in support of each of these areas upon reasonable written request.

4.4. Lead Generation Fees and Payment Terms.

(a) Lead Generation Fees. During Lead Generation Period, with respect to each sale of a MazorX System resulting from a Qualified Lead, Mazor will pay to Medtronic a fee (a "Lead Generation Fee") equal to the greater of **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** and (ii) an amount equal to twenty-five percent (25%) of the Net Sales received by such sale; provided, that no Lead Generation Fee shall be payable with respect to any Demo Units or any Initial Placed Unit even if such unit is sold to a customer. Notwithstanding the above, Lead Generation Fees with respect to Upgrades will be 25% of the actual Net Sales price. **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

(b) Reports. Mazor will prepare a report each month during the Lead Generation Period (a "Monthly Lead Generation Report") detailing, with respect to such month (i) the date of each sale of a MazorX System, (ii) each customer to whom a MazorX System was sold, (iii) the Net Sales price of each MazorX System sold and (iv) the aggregate Net Sales resulting from Qualified Leads during the applicable month. Each Monthly Lead Generation Report will be based on data reported by Mazor or a third party data source and will be delivered to Medtronic within fifteen (15) days after the end of each month.

(c) Payment. Mazor will pay Medtronic the Lead Generation Fee applicable to Net Sales included in a Monthly Lead Generation Report no later than thirty (30) days following the actual collection of the gross revenue received as a result of the sale of the Products to which such Net Sales relate, but in any event no later than one hundred twenty (120) days following the installation of such Products.

(d) Net Sales. Each of Mazor and Medtronic will maintain complete and accurate records of and supporting documentation relating to the Lead Generation Services.

4.5. Mazor's sole remedy for any actual or claimed breach by Medtronic of this Section 4 shall be termination in accordance with Sections 18.3 and 18.6, as applicable.

5. GOVERNANCE.

5.1. Steering Committee. Medtronic and Mazor will establish a Steering Committee (the "Steering Committee") to oversee all matters relating to this Agreement, including the performance of the Marketing Activities and Lead Generation Services and to discuss and make decisions regarding strategic and tactical matters and opportunities during the Term. The Steering Committee will be composed of an equal number of representatives of Medtronic and Mazor. Advice delivered by a Party through the Steering Committee will be advisory only and not binding on the other Party absent the agreement of both Parties hereto.

(a) Meetings. Throughout the Term, the Steering Committee will meet monthly by video or telephone conference, or as otherwise agreed by the Steering Committee. The Steering Committee will meet in person on a quarterly basis, or as otherwise agreed by the Steering Committee, and such meetings will be held on an alternating basis between a place designated by Mazor and a place designated by Medtronic, unless otherwise agreed by the Parties. Each of Medtronic and Mazor will be responsible for its own expenses relating to such meetings. As appropriate, other employee representatives of the Parties may attend Steering Committee meetings as non-voting participants, but no third party personnel may attend unless otherwise agreed by the Parties. Each of Medtronic and Mazor may also call for special meetings of the Steering Committee as reasonably required to resolve particular matters identified by such Party, subject to the availability of the other members of the Steering Committee.

(b) Decision-Making. The Steering Committee will make decisions by consensus. Any deadlock of Steering Committee members will be escalated to the Executive Sponsors for resolution.

(c) No Authority to Modify Agreement. Notwithstanding anything in this Agreement to the contrary, the Steering Committee will have no authority to amend or waive compliance with any of the provisions of this Agreement, or to approve actions of the Parties that are in violation of or inconsistent with this Agreement. Any such amendments, waivers or actions will only be effected and implemented in accordance with Section 30.9 of this Agreement.

(d) Establishment of Subcommittees. The Steering Committee shall have the right to establish subcommittees or working teams with respect to issues within its area of responsibility as it sees fit, including at Territory and regional levels.

5.2. Executive Sponsors. Promptly after the Effective Date, each of Medtronic and Mazor will appoint a single person (each, an "Executive Sponsor") who will oversee the activities of the Steering Committee, attempt to resolve issues referred to them by the Steering Committee, and perform such other functions as they may determine from time to time. Issues which cannot be resolved by the Executive Sponsors will be resolved in accordance with Section 30.2 of this Agreement. The Executive Sponsors shall meet (which may be in person or by videoconference or by telephone) on an as-needed basis for these purposes as agreed by the Executive Sponsors at such times and places as they shall determine. Each Party shall have one (1) Executive Sponsor. The provisions of Section 5.1 regarding the Steering Committee shall also apply with the same force and effect with respect to the Executive Sponsors.

6. INITIAL SYSTEM PURCHASE

Upon the execution of this Agreement, Medtronic agrees to submit a binding purchase order to purchase fifteen (15) MazorX Systems (the "Initial System Purchase"). Five (5) of such MazorX Systems (the "Demo Units") will be delivered to Medtronic prior to August 30, 2016 and will be sold to Medtronic for a price of **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** per Demo Unit. The remaining MazorX Systems (the "Initial Placed Units"), eight (8) of which will be delivered by Mazor prior to September 30, 2016 and two (2) of which will be delivered by Mazor prior to October 14, 2016, will be sold to Medtronic for a price of **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** per Initial Placed Unit. Medtronic will utilize the Initial Placed Units to generate clinical experience prior to the commencement of the Distribution Period and will offer such Initial Placed Units to customers for sale at a minimum price of **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** per Initial Placed Unit. Mazor will deliver each Initial Placed Units that is sold prior to its respective delivery date directly to the purchaser of such Initial Placed Units provided that in the event that Medtronic does not sell any Initial Placed Unit by the scheduled delivery date, Medtronic shall accept delivery of such unit(s) on the scheduled delivery date and title to the unsold Initial Placed Unit(s) shall be transferred to Medtronic.

7. EMPLOYEE MATTERS

7.1. **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

7.2. Except as required of Medtronic by Section 7.1, during the Term, and for a period of one (1) year thereafter, each Party and Medtronic Parent shall not solicit for employment or the provision of services, or hire for employment or the provision of services, personnel of the other Party or its Affiliates. The foregoing restriction shall not restrict the right of either Party or Medtronic Parent to solicit or recruit generally in the media, and shall not prohibit either Party or Medtronic Parent from hiring an employee of the other Party who answers any advertisement or who otherwise voluntarily applies for employment or contacts the other Party or Medtronic Parent, without having been initially personally contacted, solicited or recruited by the hiring Party or Medtronic Parent.

8. DISTRIBUTION

8.1. During each Distribution Year, Medtronic shall use commercially reasonable efforts to sell the number of MazorX Systems that is equal to or greater than the Minimum Sales Amount applicable to such Distribution Year. Mazor acknowledges that Medtronic does not guarantee that the Marketing Activities or its other services under this Agreement will result in sales of the Products that are equal to or in excess of the Minimum Sales Amounts as contemplated by this Section 8.1.

8.2. Medtronic's orders for Products from Mazor shall be made by written purchase order. Mazor shall ship the ordered Products in accordance with the schedule and shipping instructions specified by Medtronic. Upon shipment, Mazor shall promptly invoice Medtronic.

8.3. Mazor shall package and label Products in accordance with mutually agreed specifications and good commercial practices for capital and, as applicable, sterile, medical devices, and in a manner sufficient to withstand the rigors of transportation. Packaging shall be appropriately validated in accordance with industry standards.

8.4. Prices for the Products ordered by Medtronic from Mazor shall be at the prices set forth in Exhibit A to this Agreement; provided, however, that the aggregate price of Products ordered by Medtronic from Mazor in Distribution Year 1 shall by reduced by an amount equal to fifty percent (50%) of the Lead Generation Cure Payment Amount, if any, paid by Medtronic to Mazor. Unless otherwise agreed to in writing, prices shall be deemed to include packing and crating expenses, but exclude (except as otherwise set forth in Section 8.5) shipping and taxes (including without limitation, all excise, tariffs, import duties, and VAT). Except with respect to the Initial System Purchase, Mazor agrees to ship only those quantities specified in purchase orders and Medtronic may return Products in excess of specified quantities to Mazor at Mazor's risk and expense.

8.5. The Parties acknowledge that some Products may be shipped to and inventoried at Medtronic and some Product may be shipped directly to customer sites. For Product shipped to and inventoried at Medtronic, shipping will be Ex Works from Mazor's distribution center in Chicago, IL, USA. Title and risk of loss will pass at that point. For Product shipped directly to customer sites in the United States, Products will be shipped from Mazor's distribution center in Chicago, IL, USA, at Medtronic's expense (for clarity, with Medtronic to cover costs of shipping Product from the Mazor Chicago distribution center to the customer site only) and in each case, shipments shall be FOB customer site, so that title and risk of loss will pass from Mazor directly to customer at the customer site upon installation of the Products by Mazor. For Product shipped directly to customer sites outside of the United States, Products will be shipped from Mazor's distribution center in Israel, at Medtronic's expense (for clarity, with Medtronic to cover costs of shipping from the Mazor Israel facility to the customer site only) and in each case, shipments shall be FOB customer site, so that title and risk of loss will pass from Mazor directly to customer at the customer site upon installation of the Products by Mazor. Mazor shall provide Medtronic electronic notice of each Product shipment on the shipment/delivery date.

8.6. All amounts due to Mazor shall be payable in United States Dollars net forty-five (45) days from Medtronic's receipt of Mazor's invoice.

8.7. Forecasts. Prior to the last Business Day in each calendar quarter, Medtronic shall deliver to Mazor a monthly forecast of Products to be purchased during the subsequent nine (9)-month period, together with the requested quantities and the requested delivery date(s) for each of the nine (9) months thereof. Each monthly forecast provided will constitute a non-binding forecast of Medtronic's projected requirements for the Products.

8.8. Inventory Purchases. Based on the Forecasts, Mazor shall purchase, on a rolling basis, components and raw materials as necessary to manufacture Medtronic's forecasted quantity of Products based on any applicable lead times and efficient order quantities ("Inventory").

8.9. Purchase Orders. Mazor will use its best efforts to fulfill orders within ninety (90) days of placement of the relevant purchase order ("Purchase Order").

8.10. Rejection of Products. With respect to any Product shipped to and inventoried at Medtronic, Medtronic shall have the right, within fifteen (15) Business Days from receipt, to reject any Product that does not meet the specifications or any Applicable Laws or regulations or that is otherwise defective. With respect to any Product shipped directly to customer sites, Medtronic shall have the right, until the completion of installation, to reject any Product that does not meet the specifications or any Applicable Laws or regulations or that is otherwise defective. Any such rejection shall be accomplished by a notice from Medtronic identifying and specifying, in reasonable detail, the Product rejected and the reasons for rejection. Any Product rejected by Medtronic shall be made available, on reasonable notice and during normal business hours, for inspection by Mazor or its representatives in a manner consistent with Mazor's return authorization procedures established from time to time and as previously communicated to Medtronic. Mazor will replace any rightfully rejected, unused Product free of charge and will indemnify Medtronic for reasonable direct out-of-pocket expenses (including freight and customs clearance, if any) incurred by Medtronic in connection with (a) shipment of replacement Product to the same location and (b) shipment of the nonconforming Product back to Mazor (if so requested by Mazor and then pursuant to Mazor's return authorization approval procedures) Mazor will cooperate with Medtronic in working to close of Medtronic CAPA tasks associated with any nonconforming Product. In the event of a rejection or return of defective Product, Mazor shall promptly notify Medtronic of such rejection or return, as the case may be, ship replacement Product within seven (7) days of its receipt of the rejected Product and consult with Medtronic regarding the necessary analysis to be performed by Mazor. Mazor shall also be responsible for analyzing material, investigating its own processes, and reporting results to Medtronic within a reasonable period (e.g., 30 Business Days). In no event will Mazor be responsible for paying Medtronic any indirect or consequential damages arising out of or related to any rejection of a Product pursuant to this Section 8.10.

8.11. Distribution Period Non-Exclusive Territory. At the commencement of the Distribution Period, the Steering Committee will develop a plan to initiate global sales of the Products by reviewing the distributor territories where termination of an existing distributor of the Products may be required, and the Parties will mutually agree on termination plans (other than with respect to Medtronic). If the Parties agree to terminate any distributor of the Products, each Party will each pay one-half of any termination fee necessary to effect such termination. Notwithstanding the foregoing, Mazor shall have the right to distribute the Renaissance System or any other product or service other than the Products with its existing or new distributors. Exhibit E lists Mazor's exclusive distributors as of the Effective Date.

8.12. Unutilized Distribution Territory. At any time during the Distribution Period, Mazor may request that Medtronic relinquish the exclusive distribution rights it may have pursuant to this agreement with respect to a Territory, or any portion thereof, in which Medtronic is not actively selling Products at such time, which request may not be unreasonably rejected by Medtronic.

8.13. Exclusive Territories. In the event that any Product is sold or distributed by Mazor or any other party (other than Medtronic or its representative) in an Exclusive Territory, except as otherwise permitted by this Agreement, Medtronic will have the right to deem such sale as a sale made by Medtronic for which Mazor shall pay Medtronic the sales revenue received by Mazor less the transfer price defined in Exhibit A on such sale and which sale shall count as a sale by Medtronic for purposes of this Agreement, including for purposes of Sections 17 and 18.4.

9. TRAINING

9.1. During Lead Generation Period.

(a) Mazor will provide training ("Training") to approximately three hundred (300) to four hundred (400) surgeons and fifty (50) to one hundred and fifty (150) Medtronic Sales Representatives and clinical personnel at its United States bioskills cadaver lab during the Lead Generation Period and will develop the capacity to accommodate such number of surgeons and Medtronic Sales Representatives and clinical personnel, and Mazor will be responsible for the logistics (*e.g.*, arranging air travel, booking accommodations, making transfers, and operating the bioskills labs, surgery observations and surgery videos) relating to such Training sessions; provided, however, that Medtronic will be responsible for arranging air travel and booking accommodations for the Medtronic Sales Representatives and clinical personnel. Each of Medtronic and Mazor will pay one half (1/2) of all of the training costs set forth on Exhibit C hereto relating to surgeon Training. Medtronic shall pay the full amount of the training costs set forth on Exhibit C hereto related to Training for Medtronic Sales Representatives and clinical personnel.

(b) Mazor will facilitate a European bioskills cadaver lab available to Medtronic Sales Representatives and customers up to six (6) times during the Lead Generation Period. Medtronic will reimburse Mazor for all reasonable, documented costs and expenses associated with such Training sessions.

(c) Medtronic will provide up to two (2) training sessions, each of which will accommodate up to forty (40) people, to Mazor's sales and clinical teams on the use of Medtronic Spinal Constructs as determined by the Steering Committee.

9.2. During Distribution Period. Following the commencement of the Distribution Period, and periodically thereafter, as agreed by the Steering Committee, the Steering Committee will meet to develop an estimate as to how many surgeons, Medtronic Sales Representatives and clinical personnel that will require Training at Mazor's United States and European bioskills cadaver labs or, at Medtronic's election, at Medtronic's labs, and to plan Training sessions for such surgeons, Medtronic Sales Representatives and clinical personnel. Mazor will be responsible for the logistics relating to such Training sessions and Medtronic will reimburse Mazor for all reasonable, documented costs and expenses associated with such Training sessions.

9.3. Instruments and Implants. Medtronic will provide a reasonable quantity and quality of the instruments and implants required to be utilized in the Training sessions contemplated by Sections 9.1 and 9.2 at no cost to Mazor.

10. CASE COVERAGE

10.1. Lead Generation Period. During the Lead Generation Period, Mazor will be responsible for case coverage with respect to users of the MazorX System in the Exclusive Lead Generation Territory and Medtronic will be responsible for case coverage with respect to users of the MazorX System in the Non-Exclusive Lead Generation Territory.

10.2. Distribution Period. During the Distribution Period (a) Medtronic will be responsible, at no charge to Mazor, for case coverage with respect to users of the MazorX System in connection with those spinal procedures in which a Medtronic Spinal Construct is used and (b) Medtronic will be responsible for "end-to-end case coverage," consisting of pre-operative planning, system set-up in the operating room, system operation during surgery and system tear-down following surgery, in up to **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** spinal procedures in which a spinal construct other than a Medtronic Spinal Construct is used, for each MazorX System that is sold by Medtronic during the Distribution Period; provided, however, that following such **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** spinal procedures in which Medtronic provides "end-to-end case coverage" at no additional charge, Medtronic shall, if requested by the applicable customer, provide "on-call coverage," consisting of being present in the operating room during surgery upon reasonable notice by the customer at a cost of **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** to Mazor (but no additional charge to the customer) or, if requested by the applicable customer, provide "end-to-end case coverage" at no additional charge to Mazor.

11. IMPLANT FEE

Throughout the Term, Medtronic agrees to pay Mazor a fee (an "Implant Fee") of (a) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** for each single level case in which the MazorX System is utilized and Medtronic Spinal Constructs are implanted, (b) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** for each two level case or three level case in which the MazorX System is utilized and Medtronic Spinal Constructs are implanted and (c) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** for each four level case and above in which the MazorX System is utilized and Medtronic Spinal Constructs are implanted; provided, however, that no Implant Fee shall be payable with respect to any case utilizing an Initial Placed Unit; provided, further, that during any period throughout the Term during which at least five (5) MazorX Systems have been on backorder for at least two (2) months, Medtronic will have no obligation to pay Implant Fees with respect to cases in which Medtronic Spinal Constructs are used until such time as there shall be no MazorX Systems on backorder. Medtronic will pay Mazor each Implant Fee within thirty (30) days following the collection of payment for the Medtronic Spinal Construct used in the surgery, but in any event no later than ninety (90) days following such surgery.

12. DISPOSABLES

Mazor will, on a timely basis, fill Medtronic customer orders for Disposables at prices that are no greater than Mazor's listed prices for such Disposables at the time of such orders. Medtronic shall have no obligation or liability for delivery of Disposables.

13. PAYMENT TERMS

13.1. No Right of Set Off. Each Party expressly waives any right to set-off against any amounts due to it under this Agreement.

13.2. Late Fees. In the event that either Party fails to make a payment of any amounts when due in accordance with this Agreement, such Party will pay a late fee, calculated at the amount of the late payment multiplied by the lesser of one percent (1%) per month or the maximum amount permissible under Applicable Law, for each day between day such amounts were due and the day payment is made.

13.3. Accounting. Each Party will maintain complete and accurate records of and supporting documentation relating to any amounts owed to such Party under this Agreement.

13.4. Account Details. Unless otherwise notified in writing by a Party at least fifteen (15) calendar days before any payment required hereunder, the payment method for the settlement of all payments hereunder will be by wire transfer of immediately available funds to the following bank accounts, and each Party will send the other Party details of any wire transfer at least five (5) days prior to the execution of such wire transfer:

Payments to Medtronic:

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

Payments to Mazor:

Mazor to provide after the Effective Date.

14. SERVICE

14.1. By Mazor.

(a) For all MazorX Systems, Mazor shall provide the full one (1) year product warranty as described in Section 15.1 below; after such warranty period, service agreements shall be made available to customers. Mazor shall be responsible for marketing, promoting and selling service agreements to customers for warranties that expire during the Lead Generation Period.

(b) Mazor shall be responsible for providing all necessary service and maintenance for the MazorX Systems including, without limitation, all installations and warranty repairs for new systems, preventative maintenance, repairs and software upgrades/updates, phone and email support, returns, field corrective actions, service tools and calibrations, and spare parts processing and shipping for (i) MazorX Systems during the warranty period and (ii) for MazorX Systems after the warranty period for customers under active service agreements.

(c) Mazor shall ensure phone support capability to an average answer time of 60 seconds between core hours of 8:00 a.m. Eastern Time to 5:00 p.m. Western Time, Monday through Friday, and with twenty-four (24) hour on-call support for patient-on-the-table emergencies.

(d) Throughout the Distribution Period, Mazor shall ensure:

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

14.2. By Medtronic.

(a) Medtronic shall be responsible for responding directly to requests for support from end users and directing such end users to Mazor. Medtronic shall have no responsibility for, nor shall Medtronic incur any costs for, providing any service or maintenance including without limitation, preventative maintenance, repairs, and software upgrades/updates on behalf of customers or Mazor.

(b) With the exception of service agreements sold by Mazor pursuant to Section 14.1(a) above, Medtronic may sell renewal service agreements for the MazorX System at the pricing provided in Mazor's then-current services price list. For each such renewal service agreement sold by Medtronic, Medtronic shall pay to Mazor an amount equal to **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** of the amount received by Medtronic.

15. PRODUCT WARRANTIES

15.1. Mazor hereby represents and warrants to, and covenants with, Medtronic as follows:

(a) Product Warranty. The Products have been and shall be designed, manufactured, labeled, packaged and sold by Mazor in a manner consistent with good commercial practice and regulations and guidelines of the U.S. Food and Drug Administration for such medical devices, free from defects in material and workmanship, and shall conform to all Applicable Laws and regulations in the Territory relating to medical devices and to the Product's published specifications and all other applicable manufacturing and Quality System certification requirements, including but not limited to the obligations set forth in Exhibits A and D hereto. To the knowledge of Mazor, the Products do not infringe upon or misappropriate in any respect any patent, trademark, copyright or any trade secret or other proprietary right of any Person. The Products shall, for a period of 12 months from installation by Mazor, be free from material defects in material and workmanship and remain in good working order, and function properly and in conformity with the terms of this Agreement and with published specifications and Documentation. Mazor shall, at the request of Medtronic, its customer or end-user, promptly repair or replace at its sole cost and expense any Product found to be defective (in accordance with the above) within the applicable warranty period. Mazor further represents and warrants to Medtronic that Mazor's manufacturing and quality system has been certified to be in compliance with the requirements set forth by the ISO 13485 Standard: Medical Devices – Quality Management Systems – Requirements for Regulatory Purposes. The parties acknowledge that certain issues commonly associated with the introduction of new technology (e.g. instability of mechanical parts, software bugs, issues associated with rigidity, and ergonomics) may occur but that such issues are covered under the warranties provided by Mazor in Sections 15.1(a) and (b).

(b) Software Warranties. The Software Modules and the software components of the Products shall: (i) operate in accordance with and otherwise conform to the applicable Product specifications and Documentation; and (ii) be free of viruses, malware, malicious code, time bombs, Trojan horses, back doors, drop dead devices, worms, self-replicating or other code of any kind that may alter, destroy, inhibit, disable, or disable or discontinue effective use of the Products; and (iii) not infringe upon or misappropriate in any respect any patent, trademark, copyright or any trade secret or other proprietary right of any Person. In addition, the Software Customizations shall be of free of viruses, malware, malicious code, time bombs, Trojan horses, back doors, drop dead devices, worms, self-replicating or other code of any kind that may alter, destroy, inhibit, disable, or disable or discontinue effective use of the Products.

(c) Medtronic may pass the above warranties from Mazor to its customers and to end-users. In the event that any Products supplied by Mazor hereunder provided to customers by Mazor do not meet the warranties contained in this Agreement, in addition to all other remedies available hereunder and at law or equity, Mazor shall provide at no charge replacement Products and/or the necessary repairs and/or services required to attain the levels or standards set forth in said warranties.

16. RELATIONSHIP

The relationship between Mazor and Medtronic is that of independent contractors. Nothing contained in this Agreement shall be construed to imply a joint venture, partnership, or principal-agent relationship between the Parties; and neither Party by virtue of this Agreement shall have any right, power or authority, express or implied, to act on behalf of or enter into any undertaking binding the other Party. Mazor and Medtronic shall each refrain from any such representations. All costs of each Party's operations, including but not limited to salaries, wages, taxes (corporate, service, employment, franchise, etc.) and employee benefits of each Party and its employees shall be paid solely by such Party, and the other Party hereto shall have no liability or responsibility therefore.

17. TERM AND RENEWAL

Subject to earlier termination as provided in Section 18 hereof, the term of this Agreement shall commence on the Effective Date and continue in full force and effect until the final day of Distribution Year 4 (the "Term"); provided, however, that the Term shall automatically be renewed for an additional three (3)-year period ("Renewal Term") if during Distribution Year 4 (a) Medtronic shall have sold a number of MazorX Systems that is greater than the Distribution Year 4 Sales Amount or (b) Medtronic shall have sold a number of MazorX Systems that is greater than the Sales Cure Amount applicable to Distribution Year 4 and, prior to the end of Distribution Year 4, either (i) made payment to Mazor of the Sales Cure Payment Amount applicable to Distribution Year 4 or (ii) purchased for its own account that number of MazorX Systems by which the Minimum Sales Amount applicable to Distribution Year 4 exceeds the number of MazorX Systems sold by Medtronic during Distribution Year 4; provided, further, that at any time, this Agreement may be extended by the mutual written agreement of the Parties. At the commencement of the Renewal Term, if any, the Parties shall negotiate in good faith with respect to the prices for the Products and any other terms.

18. TERMINATION

18.1. Medtronic may terminate this Agreement in its sole discretion by delivering written notice to Mazor within thirty (30) days following the end of the U.S. Lead Generation Period.

18.2. Medtronic may terminate this Agreement at any time after the twenty-four (24)-month anniversary of the commencement of the Distribution Period upon twelve (12) months' written notice (a "Medtronic Discretionary Termination Notice") to Mazor (*i.e.*, termination cannot be effective until at least thirty-six (36) months after the commencement of the Distribution Period); provided, however, that following delivery by Medtronic of a Medtronic Discretionary Termination Notice:

(a) Medtronic will use commercially reasonable efforts to sell the Products during the twelve (12) months following delivery by Medtronic of the Medtronic Discretionary Termination Notice that are substantially equivalent to the efforts used by Medtronic during the twelve (12) months prior to delivery by Medtronic of the Medtronic Discretionary Termination Notice and will not make any material changes to the compensation plans of the Medtronic Sales Representatives responsible for selling the Products; provided, that Mazor's sole remedy for any actual or claimed breach by Medtronic of this Section 18.2(a) shall be termination in accordance with Sections 18.4 and 18.6, as applicable;

(b) Medtronic's exclusive right to distribute the Products in the Exclusive Territories will automatically, upon delivery by Medtronic of the Medtronic Discretionary Termination Notice, become non-exclusive, and Mazor will thereafter have the right to sign sales, marketing and distribution agreements with Persons other than Medtronic;

(c) Medtronic's obligation to pay Implant Fees shall remain in effect throughout the twelve (12) months following delivery by Medtronic of the Medtronic Discretionary Termination Notice; and

(d) Notwithstanding anything herein to the contrary, Mazor will have the right to solicit for employment any employee of Medtronic that is a former employee of Mazor.

18.3. Mazor may terminate this Agreement by delivering written notice to Medtronic (i) at any time within thirty (30) days following the end of the U.S. Lead Generation Period if, as of the end of the U.S. Lead Generation Period, Medtronic shall not have generated Qualified Leads totaling an amount that is equal to or greater than the Lead Generation Cure Amount, or (ii) at any time within thirty (30) days following the end of the Lead Generation Period if as of the end of the U.S. Lead Generation Period, Medtronic shall not have generated Qualified Leads totaling an amount that is equal to or greater than the Lead Generation Milestone Amount, unless (a) as of the end of the U.S. Lead Generation Period, Medtronic shall have generated Qualified Leads totaling an amount that is equal to or greater than the Lead Generation Cure Amount and shall have, prior to the end of the Lead Generation Period, made payment to Mazor of the Lead Generation Cure Payment Amount or (b) Mazor shall have sold at least **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** during the Lead Generation Period. For the avoidance of doubt, Upgrades shall be counted as sales for purposes of this Section 18.3.

18.4. Mazor may terminate this Agreement by delivering written notice within thirty (30) days following the end of a Distribution Year if, during such Distribution Year, Medtronic shall not have sold a number of MazorX Systems in such Distribution Year that is equal to or greater than the Minimum Sales Amount applicable to such Distribution Year, unless during such Distribution Year, Medtronic shall have sold that number of MazorX Systems in such Distribution Year that is at least eighty percent (80%) of the Minimum Sales Amount applicable to such Distribution Year (the "Sales Cure Amount") and, within ten (10) Business Days following the end of such Distribution Year, either (i) made payment to Mazor of that portion of the Sales Cure Payment Amount applicable to such Distribution Year that is payable at such time if Medtronic elects to pay the Sales Cure Payment Amount or (ii) delivered a firm purchase order for that number of MazorX Systems by which the Minimum Sales Amount applicable to such Distribution Year exceeds the number of MazorX Systems sold by Medtronic during such Distribution Year (such purchase, a "Distribution Continuation System Purchase"); provided, however, that the MazorX Systems purchased by Medtronic in connection with such Distribution Continuation System Purchase shall not count as sales in subsequent Distribution Years, or alternatively, Mazor may, in lieu of terminating this Agreement pursuant to this Section 18.4 and upon delivery of written notice within the thirty (30)-day period described above, convert all Territories that are Exclusive Territories at the time of the delivery of such notice to Non-Exclusive Territories.

18.5. Mazor may terminate this Agreement by delivering written notice within thirty (30) days of the consummation of a Change of Control of Mazor or Medtronic.

18.6. Each Party shall have the right to terminate this Agreement if the other Party is in uncured material breach of any term or condition herein; provided, with respect to Mazor, a breach of the following sections of this Agreement shall not be considered a "material breach" giving rise to the right to terminate this Agreement: Sections 4.4(d), 6 (provided, however, that notwithstanding the foregoing, the failure by Mazor to deliver all or any portion of the Initial System Purchase prior to December 31, 2016 *shall* be considered a "material breach" giving rise to the right to terminate this Agreement), 8.8, 8.9, 8.10 and 12. A Party that materially breaches this Agreement shall be given written notice of such breach by the other Party and shall have the opportunity to take remedial action within a period of thirty (30) days or other longer period defined in such notice. If the breaching Party fails to remedy the breach within such thirty (30) day or other longer defined period, the other Party shall have the right to terminate this Agreement upon ten (10) days written notice to the breaching Party.

18.7. If either Party becomes insolvent or files, or has filed against it, any petition under any bankruptcy or insolvency law or similar law which is not dismissed or stayed within sixty (60) days, is adjudged bankrupt or insolvent or the like, makes or attempts to make an assignment for the benefit of creditors or the like, or a trustee in bankruptcy or a receiver is appointed for either Party, the other Party shall have the right to immediately terminate this Agreement.

19. EFFECT OF TERMINATION

19.1. Any expiration or termination of this Agreement shall not alter the rights, duties and obligations of the Parties for any purchase orders placed by Medtronic, or amounts due, prior to the date of such expiration or termination, nor shall it affect the rights of end-users of the Products to continue using the Products.

19.2. Following termination or expiration of this Agreement for any reason, then, in addition to any other rights and remedies available at law, in equity or otherwise, Medtronic may, at its option, sell its inventory of Products within the Territory.

19.3. Within thirty (30) days of termination or expiration of this Agreement, Medtronic shall deliver to Mazor (i) any Qualified Leads not previously delivered to Mazor and (ii) a list (including contact information) of all customers that purchased Products from Medtronic during the Term. Following termination or expiration of this Agreement, Medtronic shall, at Mazor's sole cost and expense, cooperate with Mazor as reasonably requested with respect to (a) the completion of any in progress regulatory approvals and (b) the transfer to Mazor of any regulatory approvals held or maintained by Medtronic.

19.4. Notwithstanding the termination or expiration of this Agreement, it is acknowledged and agreed that those rights and obligations which, by their nature, are intended to survive such expiration or termination shall survive, including Sections 1, 3.1(g), 4.4, 4.5, 7.2, 8.6, 11, 13, 14.1(a), 14.1(b), 15, 18.2(a), 19, 22.3, the last sentence of each of Section 22.4(a) and Section 22.4(b), and Sections 22.5, 24(f), 25, 26, 27, 29 and 30.

20. QUALITY AND REGULATORY MATTERS

20.1. Product Modifications. Mazor reserves the right to control all decisions relating to the functionality and engineering of the Products and to discontinue or modify the Products and their specifications subject however to Mazor's obligations in Section D.2.7 (Document Controls and Changes) of the Quality Agreement.

20.2. Mazor will be responsible for obtaining and maintaining (i) all necessary FDA Regulatory Approvals required in the United States and (ii) CE marking (commencing on a date determined by Mazor in 2017). Medtronic will be responsible for obtaining and maintaining all other Regulatory Approvals that may from time to time be required by Applicable Law, including those required throughout Europe; except to the extent Applicable Law requires Mazor as manufacturer to be responsible for such Regulatory Approval. Mazor and Medtronic will use commercially reasonable efforts to obtain and maintain all necessary Regulatory Approvals in all additional jurisdictions within any Territory; provided, that in those countries where Mazor will hold the regulatory approval certificate in its name, Mazor will take the lead in obtaining regulatory clearance and Medtronic will provide reasonable assistance to Mazor. In those countries where Medtronic will hold the regulatory approval certificate in its name, Medtronic will take the lead in obtaining regulatory clearance and Mazor will provide reasonable assistance to Medtronic. In any case, Mazor will provide, free of charge, samples of Disposables, data and investigation reports and all other documentation that it possesses to the extent that they are required by Applicable Law and will facilitate registration throughout the Territory. **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

20.3. The quality assurance and regulatory provisions relating to the Products are in the Quality Agreement set out in Exhibit D.

21. DEVELOPMENT PROJECTS

21.1. The parties will conduct certain development activities during the Term in accordance with the following short and long-term development plans.

(a) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

(b) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**, Medtronic will deliver to Mazor a development plan detailing the scope of such project within one-hundred and eighty (180) days from the Effective Date of this Agreement. All such development work will be performed by Mazor at Medtronic's sole expense, with such Development Expenses to be reimbursed to Mazor, and Medtronic will cooperate and support such development activities.

(c) Medtronic recognizes the long-term nature of the Agreement and it is Medtronic's intention to work exclusively with Mazor to develop future generations of the spinal robotics platforms during the Term and any non-competition period pursuant to Section 27.

22. INTELLECTUAL PROPERTY

22.1. Medtronic Intellectual Property. As between the Parties, Medtronic owns all right, title and interest throughout the world in and to any Medtronic Background IP, any Medtronic Development IP and Medtronic's Confidential Information and Mazor acknowledges that under this Agreement, Mazor shall acquire no right, title, or interest in or to any of the foregoing, or any other intellectual property rights that are owned or controlled by Medtronic, by implication, estoppel or otherwise.

22.2. Mazor Intellectual Property. As between the Parties, Mazor owns all right, title and interest throughout the world in and to any Mazor Background IP, any Mazor Development IP and Mazor's Confidential Information, and Medtronic acknowledges that under this Agreement, Medtronic shall acquire no right, title, or interest in or to any of the foregoing, or any other intellectual property rights that are owned or controlled by Mazor, by implication, estoppel or otherwise.

22.3. Joint Development. Mazor and Medtronic shall jointly own all right, title and interest, including all intellectual property rights, in and to any Joint Invention. Unless otherwise specified in this Agreement, or by law, each of the Parties, as owners of a joint and undivided interest in the Joint Invention, shall have the right to fully exploit (including by way of sublicense and sale of such ownership rights) such Joint Invention, and all intellectual property rights thereto without an accounting or obligation to the other Party and for the avoidance of doubt, unless otherwise specified in this Agreement or by law, nothing in this Agreement shall limit either party's rights to use Joint Inventions during or after the Term of this Agreement. For the avoidance of doubt, a Joint Invention that is a part of a Hardware Customization shall still be considered a Joint Invention.

22.4. Licenses.

(a) Mazor hereby grants to Medtronic a non-exclusive, nontransferable, royalty-free license in the Territory to use Mazor Background IP, Mazor Development IP, Software Modules and Software Customizations during the Term of the Agreement in connection with Products supplied by Mazor and in accordance with this Agreement in connection with advertising, promoting, marketing, distributing and selling the Products and complying with its regulatory requirements hereunder. Without limitation, Medtronic may (i) (a) use, reproduce, distribute and translate, and (b) modify and otherwise create derivative works of the Promotional Materials as approved by Mazor or the Steering Committee in furtherance of Medtronic's marketing activities under this Agreement, and (ii) use and reproduce Mazor trademarks associated with the Products in accordance with any written trademark usage guidelines as provided by Mazor. Medtronic acknowledges and agrees that the use of any Mazor trademarks in connection with this Agreement shall not create any right, title or interest, in or to the use of the trademarks and that all such use and goodwill associated with the Mazor trademarks will inure to the sole benefit of Mazor. The licenses in this subsection 22.4(a) shall (x) during the Lead Generation Period, be non-exclusive to Medtronic; and (y) during the Distribution Period with respect to the MazorX and the Software Modules, be exclusive to Medtronic in the Exclusive Territory and non-exclusive to Medtronic in the Non-Exclusive Territory. In the event that Medtronic or any of its sub-dealers or sub-distributors obtains any registrations for or common law rights to Mazor's trademarks or other designations of source or origin of Mazor, Medtronic shall assign, or take any action necessary, to cause such sub-dealer or sub-distributor to assign, any and all rights in such trademarks or other designations of source or origin to Mazor, with Mazor to provide any reimbursement to such parties for the actual registration expenses of such assignments to Mazor. For clarification and notwithstanding any other provision of this Agreement, Medtronic shall have no rights to use any Mazor Background IP, Mazor Development IP, Software Modules or Software Customizations after the Term of this Agreement.

(b) Medtronic hereby grants to Mazor a non-exclusive, nontransferable, royalty-free license in the Territory to use Medtronic Background IP and Medtronic Development IP during the Term of the Agreement and in accordance with this Agreement solely for purposes of integrating Medtronic Background IP and Medtronic Development IP into the Software Customizations pursuant to Section 21. For clarification and notwithstanding any other provision of this Agreement, Mazor shall have no rights to use any Medtronic Background IP or Medtronic Development IP after the Term of this Agreement.

(c) Mazor may use Medtronic's trademarks, as made available by Medtronic, in connection with its advertising, promotion, marketing, distribution, and sale of the Products and necessary regulatory filings; provided that any such use by Mazor shall be subject to Medtronic's prior review and approval and in accordance with any written trademark usage guidelines provided by Medtronic. Mazor acknowledges and agrees that the use of any Medtronic trademarks in connection with this Agreement shall not create any right, title or interest, in or to the use of the trademarks and that all such use and goodwill associated with the Medtronic trademarks will inure to the sole benefit of Medtronic.

(d) The foregoing licenses remains subject to each Party's obligations with respect to Confidential Information and no other licenses to any Mazor Background IP, Mazor Development IP, Medtronic Background IP, or Medtronic Development IP are granted, and none are to be implied.

22.5. Ownership and Use of Customizations. The Software Customizations shall be deemed Mazor Development IP provided however that Mazor shall have no right to use, license, or otherwise distribute Software Customizations after termination of this Agreement. The parties acknowledge that in the course of developing Software Customizations, Mazor may also develop Hardware Customizations. The parties further acknowledge that Hardware Customizations (i) shall be deemed Mazor Development IP, and (ii) nothing in this Agreement shall restrict Mazor's rights to use such Hardware Customizations during or after the Term of this Agreement.

22.6. Obligations to Prosecute and Maintain. Mazor shall, subject to its reasonable business judgment or consistent with its past practices, prosecute and maintain its rights with respect to the Mazor Background IP and any Mazor Development IP including but not limited to (a) filing applications for registration of patents covering inventions in the Mazor Background IP or any Mazor Development IP with in any jurisdiction in which Mazor manufacturers or has manufactured the Products and in any event in the U.S., Israel, and Europe, prosecuting such applications to issuance, and maintaining any issued patents covering the Mazor Background IP or any Mazor Development IP (including continuations or modifications thereof); and (b) taking reasonable steps to maintain the trade secret status of any trade secrets within the Mazor Background IP and any Mazor Development IP.

23. REPRESENTATIONS, WARRANTIES AND COVENANTS OF MEDTRONIC

Medtronic hereby represents, warrants and covenants to Mazor that:

(a) Medtronic is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified to do business in all jurisdictions where it does business, and has all requisite corporate power and authority to execute, deliver and perform the terms of this Agreement.

(b) The execution, delivery and performance of the obligations of this Agreement have been validly authorized by all necessary corporate action of the Medtronic, and this Agreement represents the Medtronic's valid and legally binding obligation.

(c) Medtronic has due and proper authority to make and perform all duties and obligations set forth and envisioned by this Agreement.

(d) Each of Medtronic's employees assigned to perform services under this Agreement shall have the proper skill, training and background so as to be able to perform in a competent and professional manner and all work will be performed in accordance with the standards set forth in this Agreement.

24. REPRESENTATIONS, WARRANTIES AND COVENANTS OF MAZOR

Mazor hereby represents, warrants and covenants to Medtronic that:

(a) Mazor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and in all jurisdictions where it does business, and has all requisite corporate power and authority to execute, deliver and perform the terms of this Agreement.

(b) The execution, delivery and performance of the obligations of this Agreement have been validly authorized by all necessary corporate action on the part of Mazor, and this Agreement represents Mazor's valid and legally binding obligation.

(c) Each of Mazor's employees assigned to perform services under this Agreement shall have the proper skill, training and background so as to be able to perform in a competent and professional manner and all work will be performed in accordance with the standards set forth in this Agreement.

(d) Mazor does not have any obligations or liabilities that might reasonably be expected to have a material adverse effect on its ability to perform its obligations hereunder.

(e) There are no actions, suits, or proceedings instituted or pending or, to the best knowledge of Mazor's management, threatened against Mazor that might reasonably be expected to have a material adverse effect on the ability of Mazor to perform its obligations hereunder.

(f) Mazor represents and warrants that the manufacture, use, sale and provision of the Products by Mazor, and Medtronic's use and distribution of the Products as contemplated under this Agreement, will not infringe or violate the patent, copyright, or other property or proprietary rights of any third party, except that the warranty in this subsection does not apply to any infringement or violation to the extent such infringement results from a combination of the Products with Medtronic Development IP or Medtronic Background IP. Medtronic will provide Mazor with notice of any claim or allegation that would implicate the warranty this Section 24(f) as soon as practicable but in no event more than thirty (30) days after receipt of such claim or allegation provided however that if Medtronic fails to notify Mazor within such period, Mazor's obligations under this section shall be reduced only to the extent Mazor is prejudiced by such delay. Mazor shall defend, indemnify and save harmless Medtronic, and at Medtronic's request in its sole discretion from all damages, costs and expenses related to a claim that the Product infringes a patent or other intellectual property right of any third party provided however that Mazor shall have no liability for, nor shall Mazor indemnify Medtronic against, any infringement claim to the extent it is based on the Medtronic Development IP and/or Medtronic Background IP. If the use of any Products is enjoined, at Mazor's option, Mazor may at its expense, work to either substitute a fully functionally equivalent product or process (as applicable) not subject to such injunction, modify such Product or process (as applicable) so that it is no longer subject to such injunction, or obtain the right to continue using and distributing such Product or process (as applicable) so long as such Product or process meets all regulatory requirements.

(g) Mazor represents that it has due and proper authority to make and perform all duties and obligations set forth and envisioned by this Agreement.

25. INDEMNIFICATION.

25.1. Medtronic shall indemnify and defend Mazor, its affiliates, and their respective directors, officers, representatives, employees, agents, subcontractors, successors and assigns, against and hold them harmless from any liability, damage, cost or expense resulting from any claim made by any third party (including without limitation any claim alleging personal injury or property damage) arising from or attributable to:

(a) any breach of this Agreement by Medtronic;

(b) any intentional or negligent act or omission of Medtronic, its employees, agents, subcontractors, sub-dealers or sub-distributors in connection with the performance of this Agreement, including with respect to negligence on the part of Medtronic's sales or clinical teams; and

(c) any case support, or other services provided by Medtronic in connection with the Products;

except to the extent that such claim is caused by the negligence or willful misconduct of Mazor, its employees, agents, or subcontractors.

25.2. Mazor shall indemnify and defend Medtronic, its affiliates, and their respective directors, officers, representatives, employees, agents, subcontractors, successors and assigns, against and hold them harmless from any liability, damage, cost or expense resulting from any claim made by any third party (including without limitation any claim alleging personal injury or property damage) arising from or attributable to:

(a) any breach of this Agreement by Mazor;

(b) any intentional or negligent act or omission of Mazor, its employees, agents, or subcontractors in the performance of this Agreement;

(c) services (including, without limitation, warranty services or services under a services agreement) to a customer or end user;

(d) defects in design or manufacture of the Products; and

(e) any Product recalls or replacements by any competent Governmental Authority or otherwise deemed appropriate by mutual agreement of Mazor and Medtronic;

except to the extent such claim is caused by the negligence or willful misconduct of Medtronic.

26. CONFIDENTIALITY AND NON-DISCLOSURE

26.1. Both Parties acknowledge and agree that this Agreement creates a confidential relationship between Medtronic and Mazor and that information concerning both Parties' business affairs, customers, vendors, finances, properties, methods of operations, computer programs and documentation, diagrams, verbal and written disclosures, drawings, samples, technical descriptions, specific configurations, dimensions, materials, concepts, developments, techniques, know-how, inventions, and other such materials and information, whether written or oral, is confidential in nature. All such information is hereinafter collectively referred to as "Confidential Information." Neither Party will use, directly or indirectly, for its own benefit or the benefit of others, both during the Term of this Agreement and subsequent to its termination, any Confidential Information of the other Party which may be acquired or developed in connection with or as a result of the performance of this Agreement without the prior written consent of the other Party.

26.2. Both Parties agree, except as directed by the other Party or provided in this Section 26.2, not to disclose any Confidential Information of the other Party to any Person whatsoever at any time during or after the Term of this Agreement. Upon termination of this Agreement and at a Party's written request, each Party will turn over to the other Party all documents, papers and other matter in its possession or control that relate to the other Party or the Intellectual Property of the other Party. Both Parties further agree to bind its employees and subcontractors to the terms and conditions of this Agreement. Each Party acknowledges that disclosure of any Confidential Information of the other Party by it may give rise to irreparable injury to the other Party, its subsidiaries and/or affiliated companies or the owner of such information, inadequately compensable in damages. Accordingly, the disclosing Party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies that may be available. Each Party acknowledges and agrees that the covenants contained herein are necessary for the protection of legitimate business interests of the other Party, its subsidiaries and/or affiliated companies and are reasonable in scope and content.

26.3. Each Party's obligation of non-disclosure and non-use shall not apply to information (i) which at the time of its disclosure to the receiving Party is available to the public, (ii) which the receiving Party can show was in its possession prior to disclosure, (iii) that is published or otherwise becomes available to the public through no fault of the receiving Party, (iv) that the receiving Party can show was received by it from a third party without breach of a confidential obligation, (v) is independently developed by the receiving Party without use of any Confidential Information of the other Party, or (vi) is required to be disclosed by any governmental agency, provided that the disclosing Party shall give the other Party reasonable notice of such requirement and shall afford the other Party the opportunity to prevent such disclosure.

26.4. Notwithstanding anything to the contrary in this Section 26, each of the Parties to this Agreement hereby agrees with the other Parties hereto that, except as may be required to comply with the requirements of applicable law and the Tel Aviv Stock Exchange (TASE) or New York Stock Exchange or NASDAQ, no press release or similar public announcement or communication will be made or caused to be made concerning the execution or performance of this Agreement unless specifically approved in advance by Medtronic and Mazor. The foregoing shall not restrict Medtronic's and Mazor's internal communications with their respective employees and advisors.

27. NON-COMPETITION

During the Restricted Period, each of Medtronic and Medtronic Parent agrees not to, and agrees to cause each of their Affiliates not to, develop, co-develop, fund, acquire, manufacture, market, distribute or sell, independently or with a third party, anywhere in the world a robotic surgical system for spinal applications; provided, however, that if Medtronic delivers a Medtronic Discretionary Termination Notice at any time following the twenty-five (25) month anniversary of the commencement of the Distribution Period, this Section 26.3 shall not prevent any of Medtronic, Medtronic Parent or any of their Affiliates from, immediately following delivery of such Medtronic Discretionary Termination Notice, developing, co-developing, funding or manufacturing (but not marketing, distributing or selling) a surgical guidance system for spinal applications. The Parties acknowledge and agree that the foregoing restriction is reasonable considering the circumstances of the relationship between the Parties and the mutual desire to effectively commercialize the Mazor technology and that, if the arbitral panel contemplated by Section 30.2 determines the restriction is unreasonable, then the Parties agree that the maximum period, scope or geographical area reasonable under the circumstances shall be substituted for the stated period, scope or area. If Medtronic, Medtronic Parent or any of their Affiliates breaches, or threatens to commit a breach of, any of the provisions of this Section 26.3, Mazor shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to Mazor at law or in equity: (i) the right and remedy to have this Section 26.3 specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of this Section 26.3 would cause irreparable injury to Mazor and that money damages would not provide an adequate remedy to Mazor; and (ii) the right and remedy to require the breaching party to account for and pay over to Mazor any profits, monies, accruals, increments or other benefits derived or received as the result of any transactions constituting a breach of this Section 26.3.

28. ASSIGNMENT

This Agreement shall be binding upon the Parties' respective successors and permitted assigns. Neither Party may assign or subcontract, without the prior written consent of the other Party, any of its rights, duties or obligations under this Agreement to any Person, in whole or in part, and any such attempted assignment or subcontracting shall be null and void; provided, however, that Mazor may: (i) assign this Agreement, or any rights or obligations hereunder, to its Affiliates without the written consent of Medtronic; (ii) use any of its United States domiciled Affiliates to perform any of its obligations under this Agreement that need to be performed in the United States; and (iii) subcontract its manufacturing obligations under this Agreement. For clarity, if a Party experiences a Change of Control, such Change of Control shall not constitute an assignment of this Agreement.

29. NOTICES

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered by (a) personal delivery, (b) expedited delivery service, (c) e-mail or facsimile transmission or (d) certified or registered mail, postage prepaid, addressed as follows:

If to Medtronic:

Medtronic Navigation, Inc.
826 Coal Creek Circle
Louisville, CO 80027
Attn: Scott Hutton
Title: General Manager
Phone: (720) 890-3302
E-mail: scott.hutton@medtronic.com

With a copy to:

Scot M. Elder
Vice President and Chief Legal Counsel
Medtronic Xomed, Inc.
6743 Southpoint Drive North
Jacksonville, FL 32216
Telephone: (904) 332-2485
Facsimile: (904) 332-8914

If to Mazor:

Mazor Robotics Ltd.
7 HaEshel Street Caesarea Park South 3088900 Israel
Attn: Sharon Levita
Title: Chief Financial Officer
Telephone: 972 4 618-7103
Facsimile: 972-4-6187111

With a copy to:

Salinger, Confino, Ben-Zvi, Luchtenstein, Law Offices
5 Azrieli Center
Square Tower, 35th Floor
Tel Aviv 6702501 Israel
Attn: Barak Luchtenstein, Advocate
Telephone: 972 3 71887700
Facsimile: 972 3 7188701

Each Party may, by notice given in accordance with this Section 29 to the other Party, designate another address or person for receipt of notices.

30. GENERAL PROVISIONS

30.1. Governing Law. This Agreement shall be governed by, and enforced and construed in accordance with, the laws of the State of Delaware without regard to its conflicts of law provisions. The United Nations Convention for the International Sale of Goods shall not apply to the transactions contemplated herein. No failure or delay by a Party to exercise any right or remedy provided under this Agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall preclude or restrict the further exercise of that or any other right or remedy. If any provisions herein are found to be unenforceable on the grounds that they are overly broad or in conflict with Applicable Laws, it is the intent of the Parties that such provisions be replaced, reformed or narrowed so that their original business purpose can be accomplished to the extent permitted by Applicable Laws, and that the remaining provisions shall not in any way be affected or impaired thereby. The provisions of this Agreement shall be severable and the invalidity or unenforceability of one provision shall not affect any other provision of this Agreement.

30.2. Dispute Resolution and Arbitration. Except as provided in Section 26.3, in the event of any controversy or dispute arising out of or relating to any provision of this Agreement, or the construction, validity or breach thereof (a "Dispute"), the Parties shall try to settle the Dispute amicably between themselves, through the Steering Committee and/or Executive Sponsors. If the Parties fail to settle such Dispute within thirty (30) days after written notice of such Dispute by one Party to the other Party, such matter may be referred by either Party to be exclusively and finally resolved by binding arbitration in accordance with the following provisions. Either Party may demand in writing such arbitration by sending a notice to arbitrate to the other Party and to the American Arbitration Association (the "AAA"), which shall administer the arbitration under its Commercial Arbitration Rules then in effect. In no event may any demand for arbitration be filed after the running of any applicable statute of limitation. The arbitration shall be held at the AAA's offices located in the State of New York. The law applicable to the arbitration, including the administration and enforcement thereof, shall be the Federal Arbitration Act (9 USC §§1-16), as amended. This agreement to arbitrate shall be specifically enforceable in any court of competent jurisdiction. For all Disputes, each Party shall select a neutral third party arbitrator, and the two Party-chosen arbitrators shall select a third neutral arbitrator who shall chair the arbitration panel. The arbitration shall be governed by the express terms of this Agreement and the laws of the State of Delaware. The arbitral panel shall have the power to grant monetary damages as well as injunctive or other specific relief. Notwithstanding the foregoing, each Party shall have the right to seek, without establishment of the arbitral panel, injunctive or other provisional relief from a court of competent jurisdiction that may be necessary to avoid irreparable harm or preserve the subject matter of a Dispute. Each Party shall bear its own costs and expenses and attorneys' fees, and the arbitral panel may, in its discretion, require the non-prevailing Party to pay the arbitrators' fees and any administrative fees of arbitration, reasonable attorneys' fees and costs to the prevailing Party (in proportion to the extent to which the prevailing Party actually prevailed, given all of the monetary and non-monetary claims included within such arbitration), and the other Party shall pay the remainder of such arbitrators' fees and administrative fees of arbitration; provided that, will respect to any claim brought by Mazor against Medtronic for breach of Section 3.1, 8.1, or 18.2(a) of this Agreement, the arbitral panel will require that the non-prevailing Party pay the arbitrators' fees and any administrative fees of arbitration, reasonable attorneys' fees and costs to the prevailing Party. Any award or portion thereof, whether preliminary or final, shall be in writing, signed by the arbitral panel, and shall state the reasons upon which the award or portion thereof is based. The award rendered by the arbitral panel shall be final and judgment may be entered upon it in accordance with applicable law in any court of competent jurisdiction. The Parties and the arbitral panel shall treat all aspects of the arbitration proceedings, including discovery, testimony, other evidence, briefs, and the award, as strictly confidential, not subject to disclosure to any third party or entity, other than to the Parties, the arbitral panel, and the AAA. These arbitration provisions shall survive the termination or expiration of this Agreement.

30.3. This Agreement and the Purchase Agreement dated May 18, 2016 constitute the entire Agreement between the Parties with respect to the subject matter hereof and supersede all previous proposals, negotiations, representations or commitments between the Parties, both written and oral, including without limitation the Agreement for Mutual Exchange of Confidential Information dated December 7, 2015. The terms of this Agreement shall prevail in the event that there is a conflict or variance with the terms and conditions of any purchase order form or other document submitted by Medtronic or with any invoice or other document submitted by Mazor.

30.4. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently.

30.5. The failure by either Party to enforce any term or condition of this Agreement, the written waiver of any term or condition of this Agreement or the acceptance of any payment shall not be deemed a waiver of further enforcement of that or any other term or condition. No course of dealing between the Parties and no delay or omission by either Party in exercising any right or remedy hereunder shall operate as a waiver thereof or of any other right or remedy and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy.

30.6. The captions used herein are for convenience only and shall not be considered in construing or interpreting the provisions hereof.

30.7. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

30.8. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all such counterparts together shall constitute but one and the same instrument.

30.9. This Agreement shall not be valid until signed and accepted by authorized representative for each Party, and no Party shall be bound by any change, alteration, amendment modification, termination or attempted waiver of any of the provisions hereof unless in writing and signed by an authorized officer of the Party against whom it is sought to be enforced. This Agreement shall be binding on and inure to the benefit of the Parties hereto and their respective successors, legal representatives and permitted assigns.

30.10. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Person other than the Parties to this Agreement and their respective successors and permitted assigns.

30.11. In this Agreement, except to the extent otherwise provided or that the context otherwise requires: (a) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated; (b) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement; (c) whenever the words “include,” “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation”; (d) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement; (e) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein; (f) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (g) references to a Person are also to the Person’s heirs, executors, administrators, personal representatives, successors and permitted assigns, as applicable; and (h) the use of “or” is not intended to be exclusive unless expressly indicated otherwise.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the date above written.

MEDTRONIC NAVIGATION, INC.

By: /s/ Garry L. Ellis
Name: Garry L. Ellis
Title: Executive Vice President and Chief Financial Officer
Date: May 18, 2016

MAZOR ROBOTICS LTD.

By: /s/ Ori Hadomi
Name: Ori Hadomi
Title: Chief Executive Officer
Date: May 17, 2016

By: /s/ Gil Bianco
Name: Gil Bianco
Title: Director
Date: May 17, 2016

SOLELY FOR PURPOSES DESCRIBED IN
SECTION 7.2 AND 27 OF THIS AGREEMENT:

MEDTRONIC PLC

By: /s/ Garry L. Ellis
Name: Garry L. Ellis
Title: Executive Vice President and Chief Financial Officer
Date: May 18, 2016

EXHIBIT A

PRICING

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

SPECIFICATIONS

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

EXHIBIT B

MEDTRONIC SALES AND MARKETING PLAN

[THE CONFIDENTIAL PORTION OF 30 PAGES HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

EXHIBIT C

TRAINING COSTS

Training during the Lead Generation Period will be as follows:

Surgeon training:

The base cost for Surgeon training for a one (1) day training session in the **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** per session and will be split equally between Mazor and Medtronic. The base costs for each session will include bioskills training, including one (1) cadaver and live surgery case observation, for up to six (6) surgeons.
Air travel, hotel accommodations, ground transportation and meals are not included in the above cost and will be split equally between Mazor and Medtronic.

Medtronic Sales and clinical team training:

The base cost for Medtronic Sales Representatives and clinical personnel training for one (1) day training session in the **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** per session and will be paid exclusively by Medtronic. The base cost for each session will include bioskills training, including one (1) cadaver, for up to twelve (12) Medtronic Sales Representatives and clinical personnel.
Air travel, hotel accommodations, ground transportation and meals are not included in the above cost and will be paid exclusively by Medtronic.

The following Mazor training price list was used to calculate the base costs set forth above:

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

EXHIBIT D

QUALITY AGREEMENT

D.1. Definitions.

"Approved Manufacturing Sites" means the Mazor sites approved by Medtronic for the applicable Product(s) as of the Effective Date of this Quality Agreement or otherwise agreed to by the Parties via the change notification section (Sect B.2.8).

"Authority" means any government regulatory or other authority responsible for granting approvals for the performance of Services under this Quality Agreement or for the Manufacturing, use, marketing, sale, pricing and/or other disposition of Medtronic product(s) in which the Product(s) are used.

"CAPA" means a corrective action and preventive action system for identifying and preventing or eliminating the cause of an existing or potential nonconformity, defect, or other undesirable situation in order to prevent occurrence or recurrence.

"Certificate/Certification of Conformance/Compliance" means a document, signed by an authorized representative of Mazor, attesting that a particular Product is Manufactured or Serviced in accordance with applicable Quality Management System requirements, the Specifications and this Quality Agreement.

"Component" means any raw material, substance, piece, part, software, firmware, labeling or assembly which is intended to be included as part of the Product(s) or consumed during the Manufacture of the Product(s).

"Control Plan" means a document that identifies key Manufacturing process steps, critical inputs to and critical variables of such steps, and that defines process monitoring control strategies and tools.

"Correction(s)" means the repair, modification, adjustment, relabeling, destruction, or inspection (including patient monitoring) of a device without its physical Removal from its point of use to some other location.

"Critical Feature" or "CFI" means the process specified by Medtronic for identifying features requiring control.

"Design Input" means the physical and performance requirements of the Product(s) that are used as a basis for device design.

"Device History Record" or "DHR" means a compilation of Records containing the production history of the Product(s).

"Field Action" or "FA" means an activity outlining the steps for management of and/or communication regarding the performance of distributed clinical, custom, and/or market released Product currently in use by the customer. These activities may include educational briefs, health safety alerts, notifications, Corrections, Removal, or recall of Product(s) in any Medtronic product(s).

"Good Manufacturing Practice" or "GMP" means FDA regulations and guidelines regarding manufacturing practices and quality systems, including 21 CFR Part 820.

"ISO 13485" means the "ISO Quality Management Systems - Medical Devices - System Requirements for Regulatory Purposes" standard.

"ISO 9001" means the "Quality Management Systems - Requirements" standard.

"Lot/Batch" means one or more Products Manufactured under essentially the same conditions that are intended to have uniform characteristics and quality within specified limits.

"Manufacture(d)" and "Manufacturing" means all steps, processes and activities necessary to produce Product(s), including without limitation, the design, manufacturing, processing, quality control testing, any inspection, release and storage of Product(s) in accordance with the terms and conditions of this Quality Agreement.

"Nonconforming Product" means any Product that does not meet the Component or Product Specifications or all the applicable requirements of this Quality Agreement.

"Notified Body" means a public or private organization accredited in a member state of the European Union to carry out conformity assessment procedures for some classes of medical devices.

"Product(s)" means all goods supplied by Mazor to or for the benefit of Medtronic on or after the Effective Date of this Quality Agreement.

"Qualification" or "Qualify" means activity and analysis performed to demonstrate adherence to the applicable Specifications for the Product. Qualification for a Product means Product testing or inspection conducted according to an approved and controlled protocol to ensure the Product meets Specifications.

"Quality System" or "Quality Management System" or "QSR" means the regulatory requirements for the methods used in, and the facilities and controls used for, the design, Manufacture, packing, labeling, storage, installation and servicing of Product.

"Records" means written or electronic accounts, notes, data, record of, and information and results obtained from performance of Services of all work done under this Quality Agreement.

"Refurbished Material" means used Products or Components that are re-used in the Manufacture of new or modified Products.

"Removal" means the physical removal of a device from its point of use to some other location for repair, modification, adjustment, relabeling, destruction, or inspection.

"Services" means the Manufacturing and other activities that Mazor is engaged in to provide to Medtronic under this Quality Agreement.

"Specification(s)" means all applicable specifications, drawings, protocols and other documents relative to the design, physical characteristics, function, performance, Manufacture, packaging, labeling and quality of the Product(s).

"Sub-tier Supplier" means any supplier, excluding Medtronic and all entities owned by Medtronic, that either directly or indirectly provides any product or services to the Mazor in connection with any Product.

"Validation" or "Validate" means confirmation by examination and provision of objective evidence that the applicable requirements can consistently be fulfilled.

D.2. Compliance with Applicable Quality System Requirements. Mazor shall comply with the following Quality System requirements.

D.2.1. General. Unless otherwise specifically agreed in writing by Medtronic, all Product supplied under this Quality Agreement shall be Manufactured in accordance with: (a) all applicable ISO 13485 and ISO 9000 standards and applicable ISO-certified processes, including without limitation ISO 13485; (b) FDA 21 CFR Part 820, current GMP; (c) all other quality standards and quality assurance plans referenced in the Specifications; and (d) Medical Device Directive MDD 93/42/EEC to the extent necessary to support CE marking and declarations of conformity to the Essential Requirements of the directive for the Products in scope. Mazor shall also comply with any quality provisions included within the Specification. Mazor shall notify Medtronic of changes to the status of Mazor certificates that affect the status of the Products. Mazor shall ensure that entities that supply Components used by Mazor in the production of Products comply with any applicable regulatory provisions and the provisions of this Quality Agreement or any applicable quality provisions included within the Mazor's Specification or other documentation provided by the Mazor. Mazor shall continue to be in compliance with this Quality Agreement for so long as Mazor provides Products to Medtronic. Mazor shall bear all reasonable costs associated with compliance with this Section.

D.2.2. Quality Management System Requirements. Each Party shall establish and maintain a Quality System that is appropriate for the activities for which the Party is responsible under this Quality Agreement and that is in compliance with Quality Management System requirements.

D.2.3. Management Responsibility.

D.2.3.1. *Management and organization*. Mazor shall have personnel with executive responsibility to oversee its quality system. Mazor also shall maintain an organizational structure which ensures the Product(s) are designed, developed and/or manufactured in accordance with this quality agreement.

D.2.3.2. *Executive Representative*. Mazor shall assign a person or person(s) with executive responsibility, or who report(s) directly to a person with executive responsibility, to serve as a contact for Medtronic under this Quality Agreement, and to oversee compliance with this Quality Agreement.

D.2.3.3. *Personnel and Training*. Mazor shall have sufficient personnel with the necessary education, background, training and experience to perform under this Quality Agreement. Training Records shall be maintained by Mazor.

D.2.3.4. *Quality Plan*. Mazor shall have a quality plan and/or quality system manual that defines the elements of the Quality System relevant to the design, development and/or Manufacture of the Product(s), and shall establish how the quality requirements shall be met.

D.2.4. Identification. Mazor shall ensure that Product(s) and Components are identified during all stages of receipt, production and shipping/distribution. Mazor shall have systems in place that provide a means of identifying the status of Product(s) not yet transferred to Medtronic. At a minimum, identification and segregation is required for:

(i) Receiving inspection

(ii) Production work-in-progress

(iii) Nonconforming Product

(iv) Rejected Product

(v) On-hold (quarantined) Product

(vi) Conforming Product ready for transfer to Medtronic or a Medtronic contract manufacturer

D.2.5. Traceability. Mazor shall be responsible for setting up and maintaining controlled documentation of Product and Component traceability during all stages of receipt, production and shipping/distribution. Traceability and quality Records shall be maintained in accordance with Section B.15 (Record Production and Retention). Once Products are received by Medtronic, Medtronic shall be responsible for traceability of the Products. Traceability requirements include, but are not limited to the following:

D.2.5.1. *Minimum Traceability*. All Products and Components thereof are traced by Lot/batch at a minimum.

D.2.5.2. Each shipment shall include a manifest that identifies at a minimum:

(i) Purchase order reference

(ii) Quantity released

(iii) Product part number

(iv) Revision of Product part number.

(v) Serialized Product – The list of serial numbers included in that shipment.

(vi) Lot controlled Product – The list of lot number(s) included in that shipment.

(vii) Use By Date

D.2.5.3. *Process Information*. Process information is traced to all levels of Manufacture. At a minimum, this includes operator performing the operation and date performed, shift (as applicable), Manufacturing instructions used, use of Validated equipment and identification of equipment used, BOM/design revision and configuration, resolution of any discrepancies, and Record of any rework performed.

D.2.5.4. *Raw Materials*. Raw material is traced to original material Manufacturing Lot/batch at a minimum.

D.2.6. Corrective and Preventive Actions/Performance.

D.2.6.1. *Procedures*. Mazor shall establish and maintain procedures for implementing a CAPA system in compliance with the Quality Management System requirements. The CAPA system shall include, at a minimum, the following requirements:

(i) Analysis of quality data (e.g., Manufacturing processes, operations, quality audit Records and reports, complaints, returned Product or similar product) to identify root causes of Nonconforming Product or other quality problems.

(ii) Investigation of the causes of nonconformities.

(iii) Identification of the actions needed to correct the nonconformance and to prevent recurrence.

(iv) Verification or validation of the corrective and preventive action.

(v) Implementation of and recording changes to methods and procedures needed to correct and prevent quality problems. Prior notification and approval may be required by Medtronic pursuant to Section B.2.8 (Document Controls and Changes).

(vi) Assurance that information concerning quality problems or Nonconforming Product is disseminated to appropriate quality personnel.

(vii) Submission of relevant information on identified quality problems, as well as corrective and preventive action, to Mazor management for their review.

(viii) Documentation of activities under the CAPA system.

(ix) Effectiveness verification of corrective and preventive action.

D.2.6.2. *Resolution*. Mazor shall implement the CAPA system with regard to any quality, Manufacturing or performance issue raised by Mazor or Medtronic related to Product(s). Such efforts may include making appropriate Mazor personnel available (at the Mazor's expense) at the Mazor and/or Medtronic facilities where such Product quality or performance issues are identified and/or need to be addressed within the timeframe requested by Medtronic.

D.2.7. Nonconforming Product. With respect to any Product shipped to and inventoried at Medtronic, Medtronic shall have the right, within fifteen (15) Business Days from receipt, to reject any Product that does not meet the specifications or any Applicable Laws or regulations or that is otherwise defective. With respect to any Product shipped directly to customer sites, Medtronic shall have the right, until the completion of installation, to reject any Product that does not meet the specifications or any Applicable Laws or regulations or that is otherwise defective. Any such rejection shall be accomplished by a notice from Medtronic identifying and specifying, in reasonable detail, the Product rejected and the reasons for rejection. Any Product rejected by Medtronic shall be made available, on reasonable notice and during normal business hours, for inspection by Mazor or its representatives in a manner consistent with Mazor's return authorization procedures established from time to time and as previously communicated to Medtronic. Mazor will replace any rightfully rejected, unused Product free of charge and will indemnify Medtronic for reasonable direct out-of-pocket expenses (including freight and customs clearance, if any) incurred by Medtronic in connection with (a) shipment of replacement Product to the same location and (b) shipment of the nonconforming Product back to Mazor (if so requested by Mazor and then pursuant to Mazor's return authorization approval procedures) Mazor will cooperate with Medtronic in working to close of Medtronic CAPA tasks associated with any nonconforming Product. In the event of a rejection or return of defective Product, Mazor shall promptly notify Medtronic of such rejection or return, as the case may be, ship replacement Product within seven (7) days of its receipt of the rejected Product and consult with Medtronic regarding the necessary analysis to be performed by Mazor. Mazor shall also be responsible for analyzing material, investigating its own processes, and reporting results to Medtronic within a reasonable period (e.g., 30 Business Days). In no event will Mazor be responsible for paying Medtronic any indirect or consequential damages arising out of or related to any rejection of a Product pursuant to this Section D.2.7.

D.2.8. Document Controls and Changes. Mazor shall notify Medtronic in writing of any material change to Quality Management, business location, acquisition, bankruptcy, Device Component supplier, Product, Product Design/Specification, Manufacturing Process, or Special Processes with respect to the Products using Process Change Notification (PCN) form provided by Medtronic. PCN for changes to product Design or Specification are required at least sixty (60) days prior to Company's proposed implementation change. Company shall submit PCN for any change in the packaging and/or labeling of the Products at least sixty (60) days prior to making any such change. If circumstances allow, Medtronic shall have the option to make a last-time buy of the then-current product revision for the Product and/or product components before such change is implemented.

D.2.9. Purchasing Controls. For Components not supplied by Medtronic, Mazor shall establish and maintain controls on the purchase of Components to ensure conformance to specified requirements, including but not limited to visual inspection of packaging, labeling, or shipping containers, and dimensional inspection or analytical testing. Mazor shall maintain documentation that clearly describes the quality requirements for Components, and shall require Component sources to obtain prior written approval from Mazor of any proposed changes in the Manufacturing of the Components prior to making any change. If necessary, Medtronic may choose to also evaluate Mazor's Component sources to ensure that the purchased materials meet specified purchase requirements. Mazor shall not use in any Product(s) any Components that are unapproved, counterfeit, or do not meet the applicable Component specification.

D.2.10. Refurbished Material. Refurbished Material shall only be used in any Product(s) when there is prior written approval from Medtronic, and such approval with not be unreasonably withheld.

D.2.11. Acceptance Activities. Mazor shall establish and maintain acceptance procedures with respect to the Manufacture of the Products.

D.2.11.1. *Medtronic Sourcing/Receiving Inspection*. As part of the overall supplier management plan, Medtronic may choose to perform source inspection at the Mazor or receiving inspection on Product(s) that arrive at the Medtronic receiving site. If Medtronic chooses to perform source inspection at Mazor's site, Mazor shall provide Medtronic reasonable access to inspect and review the site(s) where the Products are tested, handled, stored, distributed, and/or Manufactured, including access to the Product(s) and all related Records. Medtronic shall provide prior notice of inspection of not less than twenty (20) days, except when special circumstances warrant a shorter time, such as when patient safety is a concern, in which case the parties shall mutually agree on a time to conduct the source inspection. Medtronic may certify the Mazor's measurement system process and use the Mazor's final inspection data submitted through a Medtronic approved system such as the System for Process Intelligence and Capability Excellence ("SPICE") or Infinity QS system, or equivalent.

D.2.11.2. *Mazor Receiving Acceptance*. Mazor shall have procedures for acceptance of incoming Component, which shall be inspected, tested, or otherwise verified as conforming to specified Medtronic's requirements. Mazor shall document acceptance or rejection of incoming Component.

D.2.11.3. *In-Process Acceptance*. Mazor shall have in-process acceptance procedures, which shall ensure that in-process Product is controlled until the required inspection and tests or other verification activities have been completed, or necessary approvals are received.

D.2.11.4. *Final Acceptance*. Mazor shall have procedures for finished Product acceptance to ensure that each production unit, Lot, or batch of finished Product meets Medtronic's acceptance criteria. Finished Product(s) shall be adequately controlled until released.

D.2.11.5. *Records*. Mazor shall maintain Records for incoming, in-process and final acceptance activities.

D.2.12. Packaging and Labeling.

D.2.12.1. *Compliance with Specifications*. All Products shall be packaged and labeled in accordance with any applicable Specifications.

D.2.12.2. *Procedures*. Mazor shall establish and maintain procedures to control labeling activities in compliance with the Quality Management System requirements.

D.2.12.3. *Labels*. Labels and labeling shall comply with any applicable requirements in the Specifications. Over-labeling of Product is not allowed by either party unless approved by both parties in writing.

D.2.12.4. *Label Integrity and Inspection*. Mazor shall print and apply labels required by the Specification so that the labels remain legible and affixed during the customary conditions of processing, storage, handling, distribution, and use. Mazor shall inspect labels and labeling to ensure accuracy, including but not limited to the expiration date and control number, and shall document the release of labels and labeling in the DHR.

D.2.12.5. *Labeling Mix-Ups*. Mazor shall store labels and labeling in a way that prevents an incorrect label from being used with a Product. Mazor shall control labeling and packaging operations to prevent labeling mistakes, and shall document the label and labeling used for each production unit, Lot or batch in the DHR.

D.2.12.6. *Packaging*. The parties shall collaborate to ensure that the packaging and shipping containers for the Product(s) are designed and constructed to protect the Product(s) from alteration or damage during the customary conditions of processing, storage, handling, distribution and use in compliance with the Quality Management System requirements.

D.2.12.7. *Handling and Storage*. Mazor shall establish and maintain procedures for the handling, storage, shipment/distribution and installation of the Product(s) in compliance with the following.

(i) Handling. Mazor shall have systems in place to ensure that mix-ups, damage, deterioration, contamination or other adverse effects do not occur during handling of the Product(s).

(ii) Storage. Mazor shall control storage areas to prevent mix-ups, damage, deterioration, contamination or other adverse effects pending shipment/distribution of the Product(s).

(iii) Quarantined Product and Notification. Medtronic shall notify Mazor by telephone call and (with a follow up written notice (e.g., e-mail)) if quarantine of Product at Mazor is required. Mazor shall hold all quarantined Product in a quarantined area (either electronically and/or physically) until authorized release by Medtronic.

D.3. **Production**. Mazor shall comply with the following regarding production of the Products.

D.3.1. Process Control-Generally. Mazor shall have systems in place to define and maintain the Manufacturing process and associated controls so that all Product(s) conform to their Specifications, including but not limited to:

D.3.1.1. Documented and approved production processes, instructions, and methods that define and control the manner of production

D.3.1.2. Monitoring and control of process parameters and Component and Product characteristics during production

D.3.1.3. Compliance with specified reference standards or codes, if applicable

D.3.1.4. Approval of processes and process equipment

D.3.1.5. Criteria for workmanship which shall be expressed in documented standards or by means of identified and approved representative samples

D.3.2. Process Monitoring and Control.

D.3.2.1. *Process Monitoring*. Mazor shall monitor and control the Manufacturing process using the industry standard tools such as in-process inspection, Validation and statistical process control.

D.3.2.2. *Control Plan*. Mazor shall collaborate with Medtronic to ensure a thorough understanding and identification of critical process steps, transfer function relationships, acceptable measurement capability and process capability of process input/outputs as to their impact on the critical features. Mazor shall collaborate with Medtronic to design an appropriate Control Plan that will ensure the long term stability and capability of the Manufacturing processes. At the time of Qualification, Mazor shall incorporate the foregoing into a Control Plan which will be mutually agreed upon and approved by Medtronic. Mazor shall provide a measurement system analysis (e.g. gage repeatability and reproducibility, gage to part ratio), for each measurement process utilized in the Control Plan. These analyses and Control Plans will be filed with Mazor with a copy to Medtronic. On an ongoing basis, Mazor will monitor production and complete inspection of each Lot/batch per the Control Plan to ensure conformance. Mazor will include a Certificate of Conformance for each Lot/batch based on conformance to the Control Plan.

(i) Statistical Techniques. Mazor shall, where appropriate, establish and maintain procedures for identifying valid statistical techniques required for establishing, controlling, and verifying the acceptability of process capability and Product characteristics in compliance with the Quality Management System requirements.

(ii) In the event any of the Manufacturing process steps are outside of control limits or Manufacturing yields decline considerably, Mazor shall take appropriate corrective and preventive actions to rectify the situation and maintain documentation of the actions taken in compliance with Section B.2.8 (Document Controls and Changes).

D.3.2.3. *Contamination and Manufacturing Material Control*. In addition to any requirements set forth in the Specifications, the Mazor shall establish and maintain procedures to prevent contamination of Product or Components that could adversely affect the Product quality. Where a Manufacturing material could reasonably be considered to have an adverse effect on Product quality, the Mazor shall establish and maintain procedures for the use and removal of such Manufacturing material to ensure that it is removed or limited to an amount that does not affect the Product or Component's quality. The removal or reduction of such Manufacturing material shall be documented.

D.3.2.4. *Certificate of Conformance*. Mazor shall provide to Medtronic a Certificate of Conformance/Analysis consistent with the Specifications for each lot/batch of Product shipped.

D.3.2.5. *Inspection, Measurement, and Test Equipment*. Mazor shall calibrate all inspection, measurement, and test equipment used in connection with any Product(s). Mazor shall notify Medtronic in writing of any out-of-tolerance equipment that may affect the testing or Manufacturing of any Product(s) or Component that is delivered to Medtronic. The written notification shall include identification of the affected Product(s) or Component. Medtronic has the right to approve the disposition of the affected Product(s) or Component that was inspected, tested, or Manufactured with the out-of-tolerance equipment. Calibration for weights and measures shall be traceable to the National Institute of Standards and Technology. The calibration schedule shall be posted on each individual piece of equipment.

D.3.3. Approved Manufacturing Sites. Mazor shall Manufacture the Product(s) only at Approved Manufacturing Sites for the applicable Products(s).

D.3.4. All Product(s) delivered to, or for the benefit of, Medtronic by Mazor shall meet and be Manufactured in accordance with the Specifications and the requirements of this Quality Agreement.

D.4. Design.

D.4.1. Critical Feature. Mazor shall identify all critical features and/or requirements of the Product(s) that require specific capability and control within the Mazor's Manufacturing process. Mazor shall measure and record the identified Product features in an appropriate way. Mazor shall Manufacture the Product according to all requirements on the drawing, Specifications, or other Mazor documents.

D.4.2. Conflicts in Requirements. If at any time a conflict arises between design requirements of this Quality Agreement and Product design documentation, Mazor shall notify Medtronic of the conflict. Mazor shall resolve the conflict and communicate to Medtronic.

D.4.3. Compliance with Design requirements.

D.4.3.1. *Design Controls*. Mazor shall ensure that the Product(s) are designed and developed in compliance with the Design Control requirements of the Quality Management System. Mazor shall maintain the designs within its Quality System. Mazor shall ensure that the design of the Product(s) is correctly translated into production Specifications and shall not implement design changes unless Mazor receives updated Specifications and appropriate change authorization. These Design Control activities include:

(i) Design and Development Planning. Mazor shall establish and maintain plans that describe or reference the Design and Development activities for the Product(s), that identify and describe the interfaces with the groups or activities that provide input to the Design and Development process for the Product(s), and that define responsibility for implementation, in compliance with Quality Management System Requirements. The plans shall be reviewed, updated and approved as the Design and Development evolves.

(ii) Design Input. Mazor shall ensure that the design requirements for the Product(s) are appropriate and address the intended use of the Product(s) including the needs of the user and patient, in compliance with the Quality Management System Requirements. Mazor has the sole authority to make design changes.

(iii) Design Output. Mazor shall establish and maintain procedures for defining and documenting Design Outputs in a manner that allows adequate evaluation of the Product(s)' conformance to Design Input requirements, in compliance with Quality Management System Requirements. The procedures shall reference acceptance criteria and shall ensure that the essential outputs are identified. Mazor shall document Design Output.

(iv) Design Review. Mazor shall establish and maintain procedures to ensure that formal documented reviews of the design results for the Product(s) are planned and conducted at appropriate stages of the Product's Design and Development, in compliance with Quality Management System Requirements. The results of design reviews shall be documented in the Design History File (DHF).

(v) Design Verification. Mazor shall establish and maintain procedures for verifying the design of the Product(s), in compliance with Quality Management System Requirements. Design Verification shall confirm that the Design Output for the Product(s) meets the Design Input requirements and any other Mazor requirements. Results of the verification shall be documented in the DHF.

(vi) Design Validation. Mazor shall establish and maintain procedures for Validating the design of the Product(s). Design Validation shall be performed under defined operating conditions on initial production units, Lots or batches, or their equivalents. Design Validation shall ensure that the Product(s) conforms to defined user needs and intended uses, and shall include testing of the Product(s) under actual or simulated use conditions. Results of Design Validation shall be documented in the DHF.

(vii) Design Transfer. Mazor shall establish and maintain procedures to ensure that the design of the Product(s) is correctly translated into production Specifications, in compliance with Quality Management System Requirements.

(viii) Design Changes. Mazor shall establish and maintain procedures for the identification, documentation, Validation (or where appropriate, verification), review and approval of design changes for the Product(s) before their implementation, in compliance with Quality Management System Requirements. Changes to the designs shall be governed by Mazor procedures. Mazor shall notify Medtronic of design changes that may affect the safety, effectiveness, use, performance, sale, or distribution of the Product(s) and Mazor shall follow all appropriate change control procedures.

(ix) Design History File. Mazor shall maintain a DHF for the Product(s), which shall contain or reference the Records necessary to demonstrate that the design was developed in accordance with the design plan, the applicable Quality System requirements, and this Quality Agreement. Mazor shall own the Product's DHF and it shall reside with Mazor for 3 years, after which time it may be transferred to a document retention site. Mazor shall have the ability to obtain access to the DHF within twenty-four (24) hours.

D.5. Audits and Inspections.

D.5.1. Medtronic Audits. Medtronic retains the right to audit Mazor's Manufacturing and Quality Systems. Medtronic and any third party consultant designated by Medtronic shall have reasonable access to observe and inspect Mazor's facilities, Manufacturing and quality control processes, Manufacturing and quality control Records, Quality Systems, and all analytical and Manufacturing documentation related to the Products to ensure compliance to this Quality Agreement. Such audits may include, without limitation, the following:

D.5.1.1. *Periodic Audits*. Medtronic shall have the right to conduct at least one periodic audit each contract year. Mazor shall provide Medtronic reasonable access to inspect, review and audit the site(s) where the Products are inspected, tested, handled, stored, distributed, designed and/or Manufactured, including access to the Products and all related design, product development and/or Manufacturing Records. Medtronic shall provide prior notice of inspection of not less than twenty (20) days, except when special circumstances warrant a shorter time, such as when patient safety is a concern, in which case the parties shall mutually agree on a time for prior notice. Mazor shall not unreasonably reject proposed audit schedules. Medtronic reserves the right to audit Sub-tier suppliers under similar circumstances. Mazor shall cooperate with and support such audits and shall use reasonable efforts to maintain contractual rights to such audits.

D.5.1.2. *For-Cause Audits*. For-cause audits shall be for the purpose of investigating a potential quality problem or significant complaint regarding a Product potentially attributable to Manufacturing or other operations at Mazor. If Medtronic believes a for-cause audit is needed, Medtronic shall notify Mazor of the request and reason for the for-cause audit. Mazor shall not unreasonably reject a request for a for-cause audit. For-cause audits shall be scheduled as quickly as possible, taking into consideration the urgency of the request, but in no event later than ten (10) days from the request date. Medtronic reserves the right to audit Sub-tier Suppliers under similar circumstances. Mazor shall cooperate with and support such audits and shall use reasonable efforts to maintain contractual rights to such audits.

D.5.1.3. *Procedures While On Site*. Medtronic's employees and/or representatives including consultants who inspect Mazor facilities shall comply with all Mazor safety and GMP policies and procedures. Medtronic assumes all liability for injuries to Medtronic's employees and/or representatives including consultants to the extent arising from their negligent acts or omissions at Mazor facilities.

D.5.1.4. *Audit Closeout*. An exit meeting shall be held with representatives from Mazor and Medtronic to discuss audit findings and observations. Medtronic shall provide a written report of all findings and observations to Mazor within thirty (30) days of the last day of the audit. Within thirty (30) days of the audit report receipt, Mazor shall provide a written response to all findings that details Corrections and corrective action to be implemented. Mazor shall follow up to ensure that all Corrections and corrective actions are implemented.

D.5.1.5. Confidential Information. All information or documents obtained by Medtronic in connection with an audit or inspection conducted pursuant to this Section D.5 shall be Confidential Information of Mazor as the term is defined in Section 26.1, and Medtronic agrees to abide by its obligations under Section 26 with respect to such Confidential Information.

D.5.2. Internal Audits by Mazor. Mazor shall conduct internal audits at least one time per year, to ensure compliance with its Quality System and this Quality Agreement. Upon Medtronic's request, Mazor shall provide Medtronic with the results and conclusions of the audits.

D.5.3. Management of Sub-tier Suppliers. Mazor is responsible for management of Mazor's Sub-tier Suppliers based upon risk as determined per Mazor's own internal procedures. Medtronic shall have the option to provide input to risk assessment of Mazor's Sub-tier Suppliers and shall require Mazor to escalate risk as applicable. Medtronic and Mazor shall jointly determine which Sub-tier Supplier's performance shall be reviewed during the Product and/or Process Performance reviews.

D.5.4. Regulatory Audits and Inspections. Mazor agrees the FDA and other Authorities shall have access to and the right to inspect or audit any pertinent Product(s) design, Manufacturing, or quality processes, and associated documentation or Records.

D.5.5. Notification.

D.5.5.1. *Third Party Audits*. Mazor shall promptly notify Medtronic when an Authority inspection of its facilities (or an inspection by third parties in accordance with FDA regulations or inspection by regulatory agencies or by auditing bodies such as a notified body, test laboratories) relating to any Product(s) is expected and/or underway. Notification shall include the name of the regulatory Authority or test lab/agency, dates, and the scope of activity. Post audit notification shall include ongoing certification status, and the audit or inspection results, including any FDA Form 483 observations, ISO nonconformance, or test lab/agency variance notices.

D.5.5.2. *Identified Issues*. If issues are identified during any inspection or audit which are related to or will have a potential impact on the Product quality, performance or availability, Mazor shall notify Medtronic by email or phone within 24 hours of the event with written follow-up within three (3) Business Days.

D.5.5.3. *Regulatory Correspondence*. Mazor shall promptly provide Medtronic with copies of all regulatory correspondence, including without limitation Form FDA 483s and FDA warning letters and any correspondence with the FDA or any other Authority related to processes, Components or equipment which are the same or similar to those used in the Manufacture of the Products.

D.5.6 Confidentiality. Notwithstanding anything to the contrary in this Agreement, and except as compelled by law, in connection with any audit Mazor may withhold any document or information (i) that would cause a violation of any agreement to which Mazor is a party, (ii) that is subject to any attorney-client privilege; or (iii) that constitutes a trade secret.

D.6. Complaint Handling.

D.6.1. Cooperation. Each Party shall cooperate fully with the other Party in dealing with customer and third party complaints concerning the Product (s) and shall take such action to promptly resolve such complaints as may be reasonably requested by the other Party.

D.6.2. Mazor Obligations. Without limiting the generality of the foregoing, Mazor shall:

D.6.2.1. Give notice to Medtronic as soon as reasonably practicable if Mazor becomes aware of a trend in complaints related to the Product(s).

D.6.2.2. Maintain a written Record of all customer and third-party complaints received by Mazor that relate to the Product(s), whether received orally or in writing.

D.6.2.3. Establish a tracking system for all Product(s) so as to permit successful tracking in the event of a Recall.

D.6.2.4. Maintain complaint Records and files in accordance with Quality System requirements.

D.6.3. Mazor Authority. Mazor shall have the sole authority to correspond with all applicable regulatory authorities with respect to complaints about the Product(s).

D.7. Medical Device Reporting. Mazor is responsible for complying with all applicable FDA and foreign regulatory requirements pertaining to the reporting of adverse device events, including FDA's Medical Device Reporting requirements, codified at 21 C.F.R Part 803. If Medtronic becomes aware of a potential MDR reportable event, notice of such event shall be given to Mazor within two (2) Business Days.

D.7.1. Medtronic Obligations. Without limiting the generality of the foregoing, Medtronic shall:

D.7.1.1. Maintain a Record of all customer and third-party complaints and reports of adverse events related to the Product(s), whether received orally or in writing.

D.7.1.2. Notify Mazor by email or telephone of all complaints and reportable events related to Product(s) within 24 hours of knowledge of the events and in writing within 2 working days of receipt of the preliminary details thereof.

D.7.1.3. Establish a tracking system for all Product(s) so as to permit successful tracking in the event of a Recall; and

D.7.1.4. Maintain Records and files of the complaints and reported adverse events.

D.7.2. Mazor Authority. Mazor shall have the authority to correspond with all applicable regulatory authorities with respect to complaints about the Product(s).

D.8. Device Recalls.

D.8.1. Complaints. If the either Party becomes aware of any defect or problem with respect to any Product that could reasonably require a Recall of the Product, that Party shall notify the other Party within two (2) Business Days after becoming aware of the issue. If such issue may have caused or contributed to death or serious injury, either Party shall promptly notify the other Party, and in any event no later than twenty four (24) hours after becoming aware of the issue.

D.8.2. Notification. If either Party in good faith determines that a Recall or other action involving a Product(s) should be considered, such Party shall immediately notify the other Party and shall advise such other Party of the reasons underlying its determination.

D.8.3. Recall Determination. Mazor has the right, in its sole discretion, to determine whether any action such as a Recall or other action should be undertaken. In the event of a Recall, the Parties shall cooperate in addressing Recall activities.

D.8.4. Credit. Mazor shall be responsible for either replacing or issuing a credit for any Product that is subject to any mandatory or voluntary Recall to the extent such Recall is caused by the failure of Mazor: a) to comply with any requirement or directive of a regulatory body; or b) to meet any Mazor specification.

D.8.5. Analysis. Product returned related to Recall shall be analyzed by Mazor.

D.9. Regulatory Approval of Product Modifications. In those countries where Mazor holds the regulatory approval certificate in their name, Mazor shall be responsible for making the determination as to whether proposed Product modifications require regulatory approval prior to implementation. Mazor shall be responsible for filing and obtaining any required approvals, clearances and/or supplements and Medtronic will provide reasonable assistance to Mazor. In those countries where Medtronic holds the regulatory approval certificate in their name for a Product, Medtronic shall be responsible for making the determination as to whether proposed Product modifications require regulatory approval prior to implementation. Medtronic shall be responsible for filing and obtaining any required approvals, clearances and/or supplements and, subject to any exceptions in Section 20.2 of the Agreement, Mazor will provide reasonable assistance to Medtronic.

D.9.1. Change Management and Notification. When a change is made to a Product design, its manufacturing, inspection, labeling, packaging, or sterilization, the changes should be reviewed for regulatory impact in any geography where it is approved or has a pending submission by the Mazor. If such changes require notification of Authorities, Mazor will notify Medtronic at the time of the notification determination or submission. In addition, upon the regulatory agency's approval of the change, the Mazor shall notify Medtronic and provide Medtronic with documentation submitted to the Authority in connection with changes to the Product. In the event changes as outlined in this paragraph are made by Mazor, Mazor shall not ship revised Product to Medtronic without Medtronic's prior written approval.

D.10. Registration and Listing. If applicable, each Party shall be responsible for compliance with U.S. FDA's applicable establishment registration and medical device listing requirements set forth in 21 CFR Section 807.40. Mazor shall provide Medtronic with confirmation of FDA establishment registration upon request by Medtronic. Mazor shall be responsible for listing the Products(s) with U.S. FDA in accordance with 21 CFR Section 807.40.

D.11. Compliance History. Mazor shall provide Medtronic with a review of Mazor's regulatory compliance history, which, in the U.S. shall include, but not be limited to: (i) any Form FDA 483 List of Inspectional Observations from FDA inspections conducted within the last five (5) years and any related correspondence between the Mazor and FDA; (ii) any FDA warning letters and related correspondence between the Mazor and FDA within the last five (5) years; and (iii) all reports and/or findings from any third party audits, including, but not limited to audits conducted by a Notified Body, and related correspondence between the Mazor and the third party auditor, within the last five (5) years.

D.12. Remedies.

D.12.1. In the event that any Product has been rejected in accordance with this Quality Agreement and Medtronic has notified Mazor, Mazor shall replace such Product free of charge and Mazor shall cover expenses (including freight and customs clearance, if any) incurred by Medtronic in connection with (a) shipment of replacement Product to the same location and (b) shipment of the Nonconforming Product back to Mazor (if so requested by Mazor). In the event of a rejection of defective Product, Mazor shall ship replacement Product as soon as practical, but in any event within thirty (30) days, or a longer time period if agreed upon by the parties, of its receipt of a proper rejection notice from Medtronic.

D.12.2. In the event that a Recall is caused by Product that is nonconforming under this Quality Agreement or does not meet the Specifications being shipped to Medtronic, Mazor shall be solely responsible for all costs and expenses incurred by Medtronic in connection with replacing or reworking the Product subject to such Recall.

D.13. Product and Process Reviews. Medtronic and Mazor shall respectively provide and review once each year, at a minimum, the information set out in the table below. Records of these reviews shall be considered a Medtronic quality Record.

Metric / Information	**Medtronic Provides**	**Mazor Provides**
Product performance results	**X**	**X**
Field Action Update	**X**	**X**
Product CAPA		**X**
Process CAPA (including supply chain)		**X**
Concession review and associated CAPA		**X**
Process first pass yield & defect pareto analysis		**X**
Source & receiving inspection results	**X**	**X**
Quality System certification / regulated audit status: External audits Nonconformities Status of QS certifications Test lab /agency status (if applicable)		**X**
Design change control update		**X**
Process change control update		**X**
Business process Specification maintenance	**X**	
Quality Agreement maintenance	**X**	**X**
Control Plan status		**X**
Results of Mazor audit by Medtronic (if applicable)	**X**	
Sub-tier Supplier performance (as applicable)		**X**

D.14. Record Production and Retention.

D.14.1. Creation and Maintenance. Each Party shall create and maintain Records for the activities for which they are responsible under this Quality Agreement in compliance with the Quality Management System requirements.

D.14.2. Quality System Record. Mazor shall maintain a Quality System Record for Product(s) in compliance with the Quality Management System requirements.

D.14.3. Regulatory Compliance. The parties shall comply with any regulatory Record keeping requirements that apply to the performance of such Party's obligations under this Quality Agreement. If applicable, Mazor shall maintain electronic records and electronic signatures according to the requirements in to 21 CFR Part 11.

D.14.4. Ownership. All such Records and other documents required to be maintained pursuant to this Quality Agreement and provided by Medtronic shall be the sole property of Medtronic.

D.14.5. Storage. Records and other documents shall be maintained and readily retrievable to provide reasonable ease of access for review. Records and other documents shall be legible and stored to minimize deterioration and prevent loss.

D.14.6. Location of Records/Record Inspection. Medtronic approvals of Mazor documents (process changes, out of calibration dispositions, or other Quality System Records) shall be an input to the Mazor's Quality System. Records and other documents required to be maintained pursuant to this Quality Agreement shall be available at reasonable times for inspection, examination and copying by or on behalf of Medtronic, or for inspection by third parties, including FDA, for so long as any of them are in Mazor's possession.

D.14.7. Copies. Upon Medtronic's request, Mazor shall promptly provide Medtronic with copies of non-proprietary portions of Records and other documents required to be maintained pursuant to this Quality Agreement.

D.14.8. Retention. Mazor shall keep Record for 5 years from date of Record creation; thereafter, Mazor shall transfer custody of the Records to Medtronic. At any time upon written request, or termination of this Quality Agreement, Mazor shall return all Records relating to design master records, design history records and design history files for any Products to Medtronic.

EXHIBIT E

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

Exhibit 4.14

****Confidential portions have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission (the "Commission")****

AMENDMENT # 1 TO EXCLUSIVE LEAD SHARING

AND DISTRIBUTION AGREEMENT

THIS AMENDMENT # 1 TO EXCLUSIVE LEAD SHARING AND DISTRIBUTION AGREEMENT (this "Amendment") is made effective as of this 24 day of October, 2016 (the "Effective Date") by and between Mazor Robotics Ltd., with a principal office located at 7 HaEshel Street, Caesarea Park South, Israel 3088900 ("Mazor") and Medtronic Navigation, Inc., having a principal office located at 826 Coal Creek Circle, Louisville, CO 80027 ("Medtronic" and, together with Mazor, the "Parties") to that certain Exclusive Lead Sharing and Distribution Agreement (the "Agreement") entered into effective as of May 18, 2016.

WHEREAS, pursuant to the terms of the Agreement, Mazor appointed Medtronic and Medtronic accepted appointment as (i) its co-exclusive lead generation partner for the MazorX System for spinal applications in the United States, (ii) its non-exclusive lead generation partner for the MazorX System for spinal applications in Europe, and (iii) subject to the achievement of certain lead generation milestones as set forth in the Agreement, its exclusive distributor for the MazorX System for spinal applications in certain Territories throughout the world;

WHEREAS, pursuant to the terms of the Agreement, the Parties agreed to certain milestones with respect to the generation of Qualified Leads;

WHEREAS, the Parties now desire to amend the terms of the Agreement in order to further define certain terms related to the generation and calculation of credit for Qualified Leads;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AMENDMENT

1. Capitalized terms not otherwise defined in this Amendment shall have the same meaning as ascribed to them in the Agreement.

2. Except as specifically set forth herein in this Amendment, the terms and conditions of the Agreement remain in full force and effect.

3. Section 1.46 of the Agreement is amended to read as follows:

"Qualified Lead" means a Two-Surgeon Lead, One-Surgeon Lead, or Collaboration Lead, as applicable. The following shall apply to Qualified Leads:

(a) Two Surgeon Leads

For each Two-Surgeon Lead that results in the sale of a MazorX System during the Lead Generation Period, Medtronic shall be credited with **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**; otherwise, for each Two-Surgeon Lead that does not result in the sale of a MazorX System during the Lead Generation Period, Medtronic shall be credited with **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

(b) One Surgeon Leads

[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]

For each One-Surgeon Lead that results in the sale of **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

(c) Collaboration Leads

For each Collaboration Lead that results in the sale of a MazorX System during the Lead Generation Period, Medtronic shall be credited with **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

(d) Lead Cap

The maximum cumulative number of Qualified Leads that Medtronic can earn from One-Surgeon Leads and Collaboration Leads that do not result in the sale of a MazorX System during the Lead Generation Period is **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

4. A new Section 1.60 is added to the Agreement:

1.60. "Two-Surgeon Lead" means a sales account with respect to which **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

5. A new Section 1.61 is added to the Agreement:

1.61 "One-Surgeon Lead" means a sales account with respect to which at least **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

6. A new Section 1.62 is added to the Agreement:

1.62 "Collaboration Lead" **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

7. Section 4.1 of the Agreement is amended to read as follows:

4.1 Generation of Qualified Leads. During the U.S. Lead Generation Period, Medtronic will generate and provide to Mazor Two-Surgeon Leads and One-Surgeon Leads, and work together with Mazor on Collaboration Leads, in accordance with Applicable Laws and the terms and conditions of this Agreement and the Medtronic Sales and Marketing Plan ("Lead Generation Services"). Mazor acknowledges that Medtronic does not guarantee the success of the Lead Generation Services or that the Lead Generation Milestone Amount will be obtained as a result of Medtronic's efforts. Medtronic will provide Mazor with a quarterly report detailing the Lead Generation Services.

8. Section 4.4(a) of the Agreement is amended to read as follows:

4.4 (a) Lead Generation Fees. With respect to each sale of a MazorX System during the Lead Generation Period resulting from a Two-Surgeon Lead, a One-Surgeon Lead or a Collaboration Lead, Mazor will pay to Medtronic a fee (a "Lead Generation Fee") equal to the greater of (i) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** and (ii) an amount equal to twenty-five percent (25%) of the Net Sales received by such sale. Once Mazor has paid Medtronic **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** Lead Generation Fees, for each additional sale of a MazorX System during the Lead Generation Period resulting from a Two-Surgeon Lead, a One-Surgeon Lead or a Collaboration Lead, Mazor will pay to Medtronic a fee equal to the greater of (i) **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]** and (ii) an amount equal to twelve-and-one-half percent (12.5%) of the Net Sales received by such sale. No Lead Generation Fee shall be payable with respect to any Demo Units or any Initial Placed Unit even if such unit is sold to a customer.

If, however, Medtronic does not deliver seventy-five percent (75%) of the Lead Generation Milestone Amount by the end of the eleventh (11^{th}) month of the U.S. Lead Generation Period, then with respect to each sale of a MazorX System resulting from a Qualified Lead delivered after the end of the eleventh (11^{th}) month, the Lead Generation Fee will be reduced by half; provided, that the Lead Generation Fee will not be reduced by half if it has already been reduced by half after payment of the thirty-fourth (34^{th}) Lead Generation Fee.

Notwithstanding the above, Lead Generation Fees with respect to Upgrades will be 25% of the actual Net Sales price.

IN WITNESS WHEREOF the Parties hereto have executed this Amendment as of the Effective Date set forth above.

MEDTRONIC NAVIGATION, INC.

By: /s/ Scott Hutton

Name: Scott Hutton

Title: VP/ GM

Date: October 31, 2016

MAZOR ROBOTICS LTD.

By: /s/ Jonathan Adereth

Name: Jonathan Adereth

Title: Chairman of the Board of Directors

Date: October 24, 2016

By: /s/ Ori Hadomi

Name: Ori Hadomi

Title: Chief Executive Officer

Date: October 24, 2016

Exhibit 4.15

****Confidential portions have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission (the "Commission")****

AMENDMENT #2 TO EXCLUSIVE LEAD SHARING

AND DISTRIBUTION AGREEMENT

THIS AMENDMENT TO EXCLUSIVE LEAD SHARING AND DISTRIBUTION AGREEMENT (this "Amendment") is made effective as of this 22 day of December, 2016 (the "Amendment Effective Date") by and between Mazor Robotics Ltd., with a principal office located at 7 HaEshel Street, Caesarea Park South, Israel 3088900 ("Mazor") and Medtronic Navigation, Inc., having a principal office located at 826 Coal Creek Circle, Louisville, CO 80027 ("Medtronic" and, together with Mazor, the "Parties") to that certain Exclusive Lead Sharing and Distribution Agreement (the "Agreement") entered into effective as of May 18, 2016 (the "Agreement Effective Date").

WHEREAS, pursuant to Section 11 of the Agreement, Medtronic agreed to pay Mazor an Implant Fee for cases in which Medtronic Spinal Constructs are implanted utilizing the MazorX System;

WHEREAS, the Parties now desire to amend the terms of Section 11 of the Agreement to add the criteria by which accounts that utilize the Mazor Renaissance System will also qualify for payment of the Implant Fee.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AMENDMENT

NOW THEREFORE, the Parties agree as follows:

1. Capitalized terms used herein shall have the same meaning as defined in the Agreement.

2. The following is added to the end of Section 11:

In addition, Medtronic shall pay the Implant Fees referred to in (a) through (c) above, at the same corresponding levels, where the Mazor Renaissance System is utilized and Medtronic Spinal Constructs are implanted, subject to the following:

The Implant Fee for cases in which the Mazor Renaissance System is utilized shall only apply to cases performed that constitute incremental implant revenue for any particular surgeon. **[THE CONFIDENTIAL PORTION HAS BEEN SO OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE COMMISSION]**

The Implant Fee for the surgeon in which the Mazor Renaissance System is utilized shall only be applicable for a period of twenty four (24) months from the date the Incremental Implant Revenue Threshold is calculated for the surgeon.

3. Except as specified above, all of the terms and conditions of the Agreement shall remain as before.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Second Amendment.

MEDTRONIC NAVIGATION, INC.

By: /s/ Scott Hutton

Name: Scott Hutton

Title: VP/GM

Date: December 22, 2016

MAZOR ROBOTICS LTD.

By: /s/ Jonathan Adereth

Name: Jonathan Adereth

Title: Chairman of the Board of Directors

Date: December 12, 2016

By: /s/ Ori Hadomi

Name: Ori Hadomi

Title: Chief Executive Officer

Date: December 12, 2016

Exhibit 12.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Ori Hadomi, certify that:

1. I have reviewed this annual report on Form 20–F of Mazor Robotics Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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

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

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

Date: May 1, 2017

/s/ Ori Hadomi
Ori Hadomi
Chief Executive Officer

Exhibit 12.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a) or 15d-14(a)

I, Sharon Levita, certify that:

1. I have reviewed this annual report on Form 20–F of Mazor Robotics Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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

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

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

Date: May 1, 2017

/s/ Sharon Levita
Sharon Levita
Chief Financial Officer

Exhibit 13.1

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

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2016 (the “Report”) by Mazor Robotics Ltd. (the "Company"), the undersigned, as Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ori Hadomi
Ori Hadomi
Chief Executive Officer

Date: May 1, 2017

Exhibit 13.2

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

In connection with the filing of the Annual Report on Form 20-F for the period ended December 31, 2016 (the “Report”) by Mazor Robotics Ltd. (the "Company"), the undersigned, as Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sharon Levita
Sharon Levita
Chief Financial Officer

Date: May 1, 2017

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

Mazor Robotics Ltd.:

We consent to the incorporation by reference in the registration statements (Nos. 333-190372, 333-198213, 333-205009 and 333-211237) on Form S-8 of Mazor Robotics Ltd. of our report dated May 1, 2017, with respect to the consolidated statements of financial position of Mazor Robotics Ltd. as of December 31, 2016 and 2015, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2016, which report appears in the December 31, 2016 annual report on Form 20-F of Mazor Robotics Ltd.

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

Tel Aviv, Israel
May 1, 2017