INSIGHTEC LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Insightec Ltd.

Introductory paragraph:

We have audited the accompanying consolidated balance sheets of Insightec Ltd. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope paragraph:

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

Opinion paragraph:

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Brightman Almagor Zohar &Co.
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A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel
February 7, 2019

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INSIGHTEC LTD.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 14,118	$ 21,891
Deposits		93,544	70,036
Trade accounts receivables		17,954	13,928
Inventories	3	8,256	5,792
Other receivables and current assets	4	1,956	2,765
		135,828	114,412
Fixed assets, net	5	3,886	3,230
Other long-term assets			
Long term deposits and prepaid expenses		282	172
Total Assets		$139,996	$117,814
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payables		$ 6,722	$ 8,370
Other payables and current liabilities	6	17,462	18,787
		24,184	27,157
Long-term liabilities		1,997	926
Total Liabilities		26,181	28,083
Shareholders' equity	8		
Ordinary shares, NIS 0.01 par value; authorized 243,380,611; shares issued and outstanding 14,244,962 on December 31, 2018 and 14,240,462 on December 31, 2017.		35	35
Preferred B shares, NIS 0.01 par value; Authorized 14,037,888; shares issued and outstanding 14,037,888 on December 31, 2018 and 2017.		34	34
Preferred B1 shares, NIS 0.01 par value; Authorized 32,201,524; shares issued and outstanding 32,201,524 on December 31, 2018 and 2017.		85	85
Preferred C shares, NIS 0.01 par value; Authorized 27,519,390; shares issued and outstanding 27,519,390 on December 31, 2018 and 2017.		72	72
Preferred D shares, NIS 0.01 par value; Authorized 48,473,238; shares issued and outstanding 48,473,238 on December 31, 2018.and 2017.		133	133
Preferred E shares, NIS 0.01 par value; Authorized 55,970,149; shares issued and outstanding 55,970,149 on December 31,2018 and 33,378,830 on December 31, 2017.		160	95
Additional paid-in capital		479,300	419,083
Accumulated deficit		(366,004)	(329,806)
		113,815	89,731
		$139,996	$117,814

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

INSIGHTEC LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

	Year ended December 31,		
	2018	2017	2016
Revenues	$ 38,046	$ 32,083	$ 25,074
Cost of revenues	20,338	16,390	13,671
Gross profit	17,708	15,693	11,403
Research and development expenses, net of participations of $26, $306 and $1,543, on December 31, 2018, 2017 and 2016, respectively	28,379	24,840	18,823
Sales and marketing expenses	18,028	16,699	13,833
General and administrative expenses	9,599	4,914	5,242
Operating loss	38,298	30,760	26,495
Financing (income) expenses, net	(2,249)	135	(393)
Loss before taxes on income	36,049	30,895	26,102
Taxes on income	149	350	93
Loss for the year	$ 36,198	$ 31,245	$ 26,195

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

INSIGHTEC LTD.

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)

Dollars in thousands, except share and per share data

	Number of Ordinary Shares	Number of Preferred B Shares	Number of Preferred B1 Shares	Number of Preferred C Shares	Number of Preferred D Shares	Number of Preferred E Shares	Ordinary Shares	Preferred B Shares	Preferred B1 Shares	Preferred C Shares	Preferred D Shares	Preferred E Shares	Accumulated deficit	Additional paid-in capital	Total
Balance - January 1, 2016	**14,056,212**	**14,037,888**	**32,201,524**	**27,519,390**	**43,564,280**	**-**	**$ 35**	**$ 34**	**$ 85**	**$ 72**	**$ 120**	**$ -**	**$ (272,366)**	**$ 325,279**	**$53,259**
Issuance of Preferred Shares D (Note 8)	-	-	-	-	4,908,958	-	-	-	-	-	13	-	-	1,987	2,000
Exercise of share options	120,000	-	-	-	-	-	-(*)	-	-	-	-	-	-	134	134
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	2,213	2,213
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(26,195)	-	(26,195)
Balance - December 31, 2016	**14,176,212**	**14,037,888**	**32,201,524**	**27,519,390**	**48,473,238**	**0**	**$35**	**$34**	**$85**	**$72**	**$133**	**0**	**($298,561)**	**$329,613**	**$31,411**
Issuance of Preferred Shares E (Note 8)	-	-	-	-	-	33,378,830	-	-	-	-	-	95	-	87,650	87,745
Exercise of share options	64,250	-	-	-	-	-	-(*)	-	-	-	-	-	-	60	60
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	1,760	1,760
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(31,245)	-	(31,245)
Balance - December 31, 2017	**14,240,462**	**14,037,888**	**32,201,524**	**27,519,390**	**48,473,238**	**33,378,830**	**$35**	**$34**	**$85**	**$72**	**$133**	**$95**	**($329,806)**	**$419,083**	**$89,731**
Issuance of Preferred Shares E (Note 8)	-	-	-	-	-	22,591,319	-	-	-	-	-	65	-	59,890	59,955
Exercise of share options	4,500	-	-	-	-	-	-(*)	-	-	-	-	-	-	-	0
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	327	327
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(36,198)	-	(36,198)
Balance - December 31, 2018	**14,244,962**	**14,037,888**	**32,201,524**	**27,519,390**	**48,473,238**	**55,970,149**	**$35**	**$34**	**$85**	**$72**	**$133**	**$160**	**($366,004)**	**$479,300**	**$113,815**

(*) Less than $1.

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

INSIGHTEC LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands, except share and per share data)

	Year ended December 31,		
	2018	2017	2016
Cash flows - Operating Activities:			
Loss for the year	$ (36,198)	$ (31,245)	$ (26,195)
Adjustments to reconcile loss to net cash used in operating activities:			
Depreciation and amortization	699	634	404
Stock-based compensation	327	1,760	2,213
Decrease (increase) in trade accounts receivable	(4,026)	(10,551)	754
Decrease (increase) in other receivables and Prepaid expenses	674	(847)	396
Decrease (increase) in inventories	(2,464)	(2,606)	2,117
Increase (decrease) in trade accounts payables, other payables, current liabilities and other long term liabilities	(1,902)	9,441	3,948
Net cash used in operating activities	(42,890)	(33,414)	(16,363)
Cash flows - Investing Activities:			
Purchase of fixed assets	(1,355)	(3,014)	(511)
Bank Deposit	(23,483)	(36,461)	6,500
Net cash provided by (used in) investing activities	(24,838)	(39,475)	5,989
Cash flows - Financing Activities:			
Issuance of Preferred Shares, net	59,955	87,805	2,134
Net cash provided by financing activities	59,955	87,805	2,134
Increase (decrease) in cash and cash equivalents	(7,773)	14,916	(8,240)
Cash and cash equivalents at beginning of the year	21,891	6,975	15,215
Cash and cash equivalents at end of the year	$ 14,118	$ 21,891	$ 6,975
Supplemental information:			
Income tax paid	$ 149	$ 350	$ 33
Interest received in cash	$ 1,857	$ 478	$ 247

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

NOTE 1 - GENERAL

Business Description:

A. Insightec Ltd. (the "Company") was incorporated in the State of Israel in March 1999 and commenced operations in the development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment shortly thereafter. The Company operates in one operating segment.

The current main shareholders of the Company are as follows: York Global Finance II S.à r.l., ("York"); Elbit Medical Technologies Ltd. ("EMT"); Koch Disruptive Technologies ("Koch"); Focused Holdings LP and Focused Holdings Canada Limited ("Exigent"); MediTech Advisors LLC ("MTA"); Shanghai GEOC Hengtong Investment Limited Partnership ("GEOC") and General Electric Company (through its Healthcare division) ("GE Company" or "GE").

The Company has wholly owned subsidiaries as follows: (i) in the United States of America, InSightec Inc. (formerly InSightec- TxSonics Inc.) which was incorporated in the State of Delaware, U.S.A. in November 1998; (ii) in Japan, Insightec Japan Y.K., which was incorporated in Tokyo, Japan, in March 2005; and (iii) in China, InSightec Trading (Shanghai) Co., Ltd., which was incorporated in Shanghai on December 2014 (together: the "Subsidiaries"). The Subsidiaries engaged in pre-sale activities, in managing clinical trials and in providing technical support to the Company's customers.

B. The industry in which the Company operates is characterized by rapid technological development. Substantially all of the Company's current sales are derived from a few applications of the Company's product line. Many of the Company's development applications are in the early stages and there can be no assurance that these applications will be successful. The Company is continuing research and development for additional applications for such products.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Functional currency and translation of foreign currencies:

The currency of the primary economic environment in which the Company and its Subsidiary operate is the U.S. dollar (also "dollar", "$US" or $). Accordingly, the Company and its Subsidiaries use the dollar as their functional and reporting currency.

Transactions and balances denominated in dollars are presented at their dollar amounts. Non-dollar transactions and balances are re-measured into dollars in accordance with the principles set forth in ACS 830-10 "Foreign Currency Translation" of the Financial Accounting Standards Board ("FASB").

All exchange gains and losses from re-measurement of monetary balance sheet items resulting from transactions in non-dollar currencies are included in net financing income (expense) as they arise.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Principles of Consolidation:

The Company's financial statements include the financial statements of the Company and its Subsidiaries (the "Group") after elimination of material inter-company transactions and balances.

C. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates

D. Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and demand deposits in banks with maturity dates not exceeding three months from the date of deposit.

E. Allowance for doubtful accounts:

The allowance for doubtful accounts is computed for specific accounts, which, in management opinion are doubtful of collection.

F. Inventories:

Inventories are stated at the lower of cost or net realizable value. Inventory write–offs are provided for slow–moving items or technological obsolescence for which recoverability is not probable. Cost is determined for raw materials on the basis of moving average cost per unit. Cost is determined for finished products on the basis of standard cost, which approximates actual production cost (materials, labor and indirect manufacturing costs).

G. Unites under Demo:

Units assembled that are used for demonstration are classified out of inventory to fixed assets and depreciated over the estimated useful life of 2 years.

H. Fixed assets:

Fixed assets are presented at cost less accumulated depreciation. Depreciation is calculated based on the straight-line method over the estimated economic lives of the assets, as follows:

	Years
Electronic (including medical) equipment	3-7
Office furniture and equipment	7-14
Motor vehicles	7
Leasehold improvements	5

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining term of the lease (including the period of renewal options that the Company intends to exercise).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Impairment of long–lived assets:

The Company's long-lived assets are reviewed for impairment in accordance with ACS 360-10 "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2018, no impairment losses have been identified.

J. Revenue Recognition:

In accordance with ASC Topic 605 “Revenue Recognition”, the Company recognizes revenues from sale of products when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed or determinable; and (iv) collection of the resulting receivable is reasonably assured. These criteria are usually met at the time of product shipment.

In instances in which the Company enters into transactions that represent multiple deliverables arrangements, with elements including system sales, installation at the customer’s site and technical service, the Company apply ASC 605-25 Multiple Elements Arrangements. The ASC requires allocation of arrangement consideration among the separate units of accounting based on their relative selling prices. The selling price for each unit of accounting is determined based on a selling price hierarchy using either vendor specific objective evidence (“VSOE”) of selling price, third party evidence of selling price (“TPE”) or the vendor’s best estimate of estimated selling price (“ESP”) for that deliverable. Use of the residual method is prohibited. The objective of ESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis.

Products are typically considered delivered upon shipment. In instances where final acceptance of the system is specified by the customer, revenue is deferred until all acceptance criteria have been met. Technical support services revenue is deferred and recognized ratably over the period during which the services are performed, which is typically from one to two years. The Company’s arrangements generally do not include any provisions for cancellation, termination, or refunds that would significantly impact recognized revenue.

In most instances, the Company is not able to establish VSOE for all deliverables in an arrangement with multiple elements, due to the Company’s history of infrequent sales in which each element is separately sold. When VSOE cannot be established, the Company attempts to establish selling price of each element based on BESP. BESP is generally used for services and it applies to a small proportion of the Company’s arrangements with multiple deliverables. BESP for services is based on technical support services, which are sold separately through renewals of annual contracts.

The Company determines ESP for a product or service by considering multiple factors including, but not limited to, geographies, market conditions, competitive landscape, internal costs, gross margin objectives, and pricing practices. The determination of ESP is made through consultation with and formal approval by the Company’s management.

The Company regularly reviews VSOE and ESP and maintains internal controls over the establishment and updates of these estimates

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Research and Development:

Research and development costs are charged to operations as incurred. Grants received (mainly royalty-bearing) from the Government of Israel through the Office of the Chief Scientist (“OCS”) and from other sources, as participation in certain research and development projects. The accrual for grant receivable is determined based on the terms of the projects, provided that the criteria for entitlement have been met.

The grants are not to be repaid, but instead the Company is obliged to pay royalties as a percentage of future sales if and when sales from the funded projects will be generated. These grants are recognized as a deduction from research and development costs at the time the applicable entity is entitled to such grants on the basis of the research and development costs incurred. Since the payment of royalties is not probable when the grants are received, the Company records a liability in the amount of the estimated royalties for each individual contract, when the related revenues are recognized, as part of cost of revenues. For more information regarding OCS royalties’ commitment, see Note 7A.

L Severance Pay:

Israeli law and labor agreements determine the obligations of the Company to make severance payments to retiring employees and to employees leaving employment under certain other circumstances. The Company reached an agreement with its employees, according to which they would accept the provisions of Section No.14 of the Severance Compensation Law, 1963 ("Section 14"). Section 14 allows the Company to make deposits in severance pay funds according to the employees' current salary. Such deposits release the Company from any further obligation with this regard. The deposits made are available to the employee at the time when the employer-employee relationship ends, regardless of cause of termination.

Severance expenses for the years ended December 31, 2016, 2017 and 2018 amounted to approximately $718, $900 and $1,059 respectively.

M. Income taxes:

The Company accounts for income taxes utilizing the asset and liability method in accordance with ACS 740-10, “Accounting for Income Taxes” of the FASB. Accordingly current tax liabilities are recognized for the estimated taxes payable on tax returns for the current year. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to temporary differences between the income tax bases of assets and liabilities and their reported amounts in the financial statements and for tax loss carry forwards. Measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax laws, and deferred tax assets are reduced, if necessary, by a valuation allowance for the amount of tax benefits, the realization of which is not considered more-likely-then-not based on available evidence.

(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Concentration of credit risk:

Financial instruments that potentially subject the Company's to concentrations of credit risk consist principally of cash and cash equivalents, short and long-term deposits. Cash and cash equivalents, short and long-term deposits are invested in major banks in Israel and in the United States. Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

The Company has no significant off-balance sheet concentration of financial instruments subject to credit risk such as foreign exchange contracts, option contracts or other hedging arrangements.

O. Stock-based compensation:

The Company applies the provisions of ASC Topic 718 under which, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period.

Fair value is determined on the basis of private placements or other transactions in the Company's equity securities and on the basis of other available evidence and management's estimates, with the following weighted-average assumptions (annualized percentages):

	Year ended December 31,		
	2018	2017	2016
	%	%	%
Risk-free interest rate	2.25-2.85	1.6	1.63
Expected life of options	4.25-7	4.25-7	5
Forfeiture rate	7.6-5.6	3	3
Expected volatility	48	55	55
Expected dividend yield	None	None	None

P. Fair value of financial instruments:

The financial instruments of the Company consist mainly of cash and cash equivalents, short and long-term interest-bearing bank deposits, current and non-current accounts receivable and trade accounts payable. In view of their nature, the fair value of the financial instruments is usually identical or close to their carrying amounts.

Q. New Accounting Pronouncements:

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments. This ASU provides updated guidance on eight specific cash flow issues to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are effective for nonpublic business entities for fiscal years beginning after December 15, 2018, and interim periods for fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company has determined that the adoption of the guidance will not result in a material impact on its consolidated statement of cash flows.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. New Accounting Pronouncements: (Cont.)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. With respect to assets measured at amortized cost, such as held-to-maturity assets, the update requires presentation of the amortized cost net of a credit loss allowance. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses as opposed to the previous standard, when an entity only considered past events and current conditions. The update is effective for nonpublic business entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption on the financial condition and results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases, in order to establish the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This update introduces a new standard on accounting for leases, including a lessee model that brings most leases on the balance sheet.. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company is currently evaluating the impact of the adoption on the financial condition and results of operations but would not expect the update to have a material effect on its financial operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, in order to clarify the principles of recognizing revenue. This standard establishes the core principle of recognizing revenue to depict the transfer of promised goods or services in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. The FASB defines a five-step process that systematically identifies the various components of the revenue recognition process, culminating with the recognition of revenue upon satisfaction of an entity's performance obligation. By completing all five steps of the process, the core principles of revenue recognition will be achieved. In March 2016, the FASB issued an update to the new revenue standard (ASU 2014-09) in the form of ASU 2016-08, which amended the principal-versus-agent implementation guidance and illustrations in the new revenue guidance. In April 2016, the FASB issued another update to the new revenue standard in the form of ASU 2016-10, which amended the guidance on identifying performance obligations and the implementation guidance on licensing. The new revenue standard (including updates) will be effective for nonpublic entities annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Company early adopted the requirements of this standard effective January 1, 2018. The Company did not identify a change in the application of the update as compared with legacy GAAP. Under the update, similar performance obligations were identified with no changes to the time upon which a performance obligation is satisfied.

(Dollars in thousands, except share and per share data)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. New Accounting Pronouncements: (Cont.)

In November 2016 the FASB issued ASU 2016-18 Statement of Cash Flows - Restricted Cash, the key requirements of the ASU are as follows:

1. An entity should include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU does not define the terms “restricted cash” and “restricted cash equivalents” but states that an entity should continue to provide appropriate disclosures about its accounting policies pertaining to restricted cash in accordance with other GAAP. The ASU also states that any change in accounting policy will need to be assessed under ASC 250.

2. A reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents.

3. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows.

4. An entity with a material balance of amounts generally described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions.

5. For the Company is the effectiveness will be for fiscal years beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted, and must be applied retrospectively to all periods presented. The company would not expect the update to have a material effect on its financial position.

   In August 2017, the FASB issued Accounting Standard Update ("ASU") 2017-12 which targets improvements to accounting for hedging activities which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company early adopted this guidance with no impact on its consolidated financial statements.

NOTE 3 - INVENTORIES

Composition:

	December 31,	
	2018	**2017**
Raw materials	$ 5,288	$ 4,451
Finished products	2,968	1,341
	$ 8.256	$ 5.792

(Dollars in thousands, except share and per share data)

NOTE 4 - OTHER RECEIVABLES AND CURRENT ASSETS

Composition:

	December 31, 2018	December 31, 2017
Prepaid expenses	$ 1,130	$ 700
Governmental authorities (Mainly V.A.T)	360	451
Office of the Chief Scientist	37	235
Others	429	1,379
	$ 1,956	$ 2,765

NOTE 5 - FIXED ASSETS, NET

Composition:

	December 31, 2018	December 31, 2017
Cost:		
Electronic and medical equipment	$ 11,114	$ 9,906
Demo systems	555	555
Office furniture and equipment	570	570
Leasehold improvements	2,230	2,083
	$ 14,469	$ 13,114
Accumulated depreciation:		
Electronic and medical equipment	$ 7,730	$ 7,131
Demo systems	555	555
Office furniture and equipment	435	419
Leasehold improvements	1,863	1,779
	$ 10,983	$ 9,884
Net book value	$ 3,886	$ 3,230

Depreciation expense amounted to$404 and $651 and $698 for the years ended December 31, 2016, 2017 and 2018, respectively.

NOTE 6 - OTHER PAYABLES AND CURRENT LIABILITIES

Composition:

	December 31, 2018	December 31, 2017
Payroll and related amounts	$ 5,154	$ 4,950
Advances and deferred income	4,407	5,578
Accrued expenses to clinical researches	2,600	3,263
Accrued for royalties	773	742
Accrued commission	901	708
Other accrued expenses	3,627	3,546
Net book value	$ 17,462	$ 18,787

(Dollars in thousands, except share and per share data)

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

A. As of December 31, 2018, the Company has received or was entitled to receive, grants in the aggregate amount of $29,787 from the OCS. In consideration for such grants, the Company has undertaken to pay royalties amounting to 3% of the revenues until the entire amount is repaid. The royalties will be paid up to the amount of the grants provided by the OCS, linked to the dollar and for grants received after January 1, 1999, also bearing annual interest at a rate based on LIBOR. Refund of the grants thereon is contingent on future revenues and the Company has no obligation to refund grants if sufficient revenues are not generated. The Company provides for such royalties based on its total revenues. The technology developed with OCS funding is subject to transfer restrictions.

These restrictions may impair the Company’s ability to sell its technology assets (know-how) or to outsource manufacturing and the restrictions continue to apply even after the Company has paid the full amount of royalties, payable for the grants. In addition, the restrictions may impair the Company’s ability to consummate a merger or similar transaction in which the surviving entity is not an Israeli company.

The total amounts of grants received or were entitled to receive net of royalties paid or accrued including interest as of December 31, 2018 was approximately $35,962.

Royalty expenses to the OCS in the year ended December 31, 2016, 2017 and 2018, amounted to $565, $1,123 and $1,024, respectively and included in cost of revenues.

B. The Company rents its facilities under various operating lease agreements, which expire on various dates. In March 2005 the Company signed an operating lease agreement for its main facility in Israel which was amendment several times. The Last amendment was in December 2015, according to which the Company extended the leased in the same building for a period of 6 years until March 2022.

The minimum rental payments (assuming no exercise of extension options in the agreements) are as follows:

Year		
2019	$	2,322
2020	$	2,511
2021	$	2,495
2022	$	1,394
2023 and thereafter	$	3,106

Rental expense for the facilities amounted to $1,285, $1,611 and $2,001 for the years ended December 31, 2016, 2017 and 2018, respectively.

The Company leases vehicles under various operating lease agreements, which expire on various dates. The minimum rental payment is $302 which was already paid and included as part of short-term and long-term prepaid expenses in the balance sheet.

Vehicle lease expense amounted to $804, $1,030 and $1,039 for the years ended December 31, 2016, 2017 and 2018, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

C. In October 17, 2012 Technology, Co-operation, and Distribution Agreement, between the Company and GE (the "2012 Distribution Agreement") was signed in which GE Company was awarded world-wide distribution rights for marketing and sales of the Company's products.

At a subsequent closing of the Series D Transaction (December 30, 2015), the Company and GE executed a third amendment to the 2012 Distribution Agreement, pursuant to which the Company was appointed as a non-exclusive distributer for GEHC's MR Scanners in order for the Company to sell the scanners as an Integrated Therapy Platform (ITP) together with the Company's products. In addition, the last remaining rights granted to GE to receive royalties payments from the Company was revoked and the term of the 2012 Distribution Agreement was extended for a period of five years from December 30, 2015.

In connection with the initial closing of the Series E Transaction (December 27, 2017) specified below, the Company and GE executed a fourth amendment to the 2012 Distribution Agreement, pursuant to which the Company is no longer authorized to serve as a non-exclusive distributer for GEHC's MR Scanners in conjunction with the Company's products as an Integrated Therapy Platform (ITP). In addition, the fourth amendment: (i) Makes changes to the applicable procedures for adding new products to the 2012 Distribution Agreement such that all new products will automatically be added to the agreement and thereafter the parties will have 60 days to agree upon pricing terms; (ii) Provides that "other MRI system original equipment manufacturers (OEMs)" to third parties and the Company's dealers are to be included in the Company's obligation to ensure that the transfer price for GE is lower than the lowest applicable price in the applicable territory; (iii) Provides that GE is no longer permitted to sell competing MRgFUS products in certain circumstances; and (iv) Includes a new provision which provides that, subject to GE giving the Company access to scanners for integration and validation and providing support for approving InSightec coils, InSightec will complete the compatibility, verification and testing between the (a) InSightec neuro system and GE's Artist and Architect MRI systems by December 31, 2017; and (b) the Company's "table top" neuro system and GE's Premier (Rio) MRI system by June 30, 2018.

D. On August 11, 2016 the Company entered into a non-exclusive Cooperation Agreement with Siemens Healthcare GmbH. In accordance with this Agreement the Company and Siemens will collaborate regarding R&D and the development of integration and system compatibility between the Siemens MR scanners and the Company's therapy platforms. Upon the completion of the integration and system compatibility, each party will market and sell its component portion of the combined system. Each party will also provide end user support, warranty and maintenance services with regard to its component portion of the combined system. The term of the agreement commenced on the August 11, 2016 and will continue for a period of five years from the first commercial sale of the combined system (as defined in the agreement), and shall automatically renew for additional one year periods.

NOTE 8 - SHAREHOLDERS' EQUITY

A. Registered Share Capital:

The registered share capital of the Company is NIS 4,215,828 divided into (a) 243,380,611 Ordinary Shares, having a par value of NIS 0.01 each; (b) 55,970,149 Series E Preferred Shares, having a par value of NIS 0.01 each, (c) 48,473,238 Series D Preferred Shares, having a par value of NIS 0.01 each, (d) 27,519,390 Series C Preferred Shares, having a par value of NIS 0.01 each, (e) 14,037,888 Series B Preferred Shares, having a par value of NIS 0.01 each, and (f) 32,201,524 Series B-1 Preferred Shares, having a par value of NIS 0.01 each.

B. Series E Transaction:

On December 13, 2017 the Company entered into a Series E Preferred Share Purchase Agreement with KDT Medical Investments Corporation ("KDT"), pursuant to which KDT and subsequent investors (including shareholders of the Company) invested a total sum of $150 million in the Company, at a price per share equals to $2.68 (the "Series E Transaction") in consideration for 55,970,149 Series E Preferred Shares. The Series E Transaction was consisted of two closings: Initial closing, in which the Company raised approximately $90 million and subsequent closing, in which the Company raised approximately $60 million.

The Series E Transaction reflects a pre-money valuation for Insightec of approximately USD460 million (on a fully-diluted basis).

Holders of Preferred Stock shall have preferred rights in the event of a dividend distribution and certain material events as set forth in the transaction documents.
Following the consummation of the Series E Transaction

C. Series D Transaction:

On June 26, 2014 the Company entered into a Series D Preferred Share Purchase Agreement with York, as amended on September 7, 2014, on December 15, 2014, on February 10, 2015, on June 10, 2015 and on December 30, 2015 pursuant to which York and subsequent investors invested a total sum of $84.5 million in the Company, at a price per share equals to $1.94 (the "Series D Transaction") in consideration for 43,564,282 Series D Preferred Shares.

Series D price per share was adjusted and reduced by 8% to $1.78. Therefore, on February 29, 2016 the investors of the Series D Transaction were issued additional 3,788,198 Series D Preferred Shares.

The Series D Transaction reflected a pre-money valuation (prior to the first Series D investment consummated on June 2014) of the Company of $200 million (on a fully diluted, as-converted basis).

In addition, Dr. Ferré was granted the right to invest an additional $2 million, at the same terms of the Series D Transaction, for the purchase of Series D preferred shares of the Company (in addition to the amounts invested under the Series D Transaction described above). Such right should have expired on the earlier of: (i) June 15, 2016; (ii) the date of consummation of an initial public offering (IPO) of the Company; or (iii) sale of the Company or its assets.

The Company's board and the Company's shareholders approved on June 8, 2016 and on June 15, 2016, respectively, the extension of Dr. Ferré right through June 30, 2016 and the assignment of the right by Dr. Ferré to certain investors. Accordingly, on June 30, 2016, certain investors exercised such right which was assigned to them, and purchased a total of 1,120,760 Series D Preferred Shares for total investment of $2 million.

NOTE 8 - SHAREHOLDERS' EQUITY (Cont.)

D. General Provisions:

(1) Series E Preferred Shares are senior to all other outstanding shares of the Company. Secondary to Series E Preferred Shares are Series D Preferred Shares. Following Series D Preferred Shares are Series C Preferred Shares. Following Series C Preferred Shares are Series B and Series B-1 Preferred Shares. The rights provided to the holders of Series B-1 Preferred and Series B Preferred Shares are similar, mutatis mutandis (other than the original purchase price thereof).

(2) Each Ordinary Share and each Preferred Share shall confer upon its holder the right to receive notices of, and to attend and vote in General Meetings. Each holder of Ordinary Shares shall have one vote for each Ordinary Share held by him. Each holder of Preferred Shares shall have one vote for each Ordinary Share into which the Preferred Shares held by such holder may be converted.

(3) The Company's Amended and Restated Articles of Association (the "AOA") provides, inter alia, for (i) special majority requirements with respect to certain resolutions, e.g. dividend distribution, issuance of shares ranking equal or senior to the Preferred Shares, material change in the line of business, certain initial public offering, Exit Event; and (ii) restrictions on certain transfers of Company's shares and bring along and tag along rights.

(4) According to the AOA, the holders of the Preferred Shares are entitled, inter alia, to a 'dividend preference', to the extent such dividend is declared by the Board of Directors of the Company, and a 'liquidation preference' in the events stipulated thereunder.

(5) The AOA further provides that the holders of the Preferred Shares have the right, at any time, to convert all or any of the shares held by them into Ordinary Shares and that automatic conversion shall apply in certain circumstances.

NOTE 9 - STOCK OPTION PLANS

As of December 31, 2017, 34,438,755 options are outstanding under all the Company's options plans.

A. 2006 Option Plan ("2006 Original Plan") and 2006 Revised Option Plan ("2006 Revised Plan"):

On January 30, 2006 the Company's Board of Directors approved and adopted an option plan to employees, officers, directors and consultants ("2006 Original Plan").
On December 3, 2012 the Company's Shareholders approved, following the Board's approval, to amend 2006 Plan ("2006 Revised Plan") and to adopt US Annex. The total number of options reserved for issuance under the 2006 Revised Plan is 35,000,000 out of which 20,000,000 options reserved under the US Annex.
The vesting period of the options granted prior to December 11, 2014, under 2006 Revised Plan and US Annex is as follows: 25% of the Options shall become vested each year on the anniversary of the Grant Date (such that the Options shall become fully vested on the fourth anniversary of the Grant Date). The options granted under this plan expire after seven years from the Grant Date.

On December 11, 2014 the Company's Shareholders approved, following the Board's approval, to amend the 2006 Revised Plan and the US Annex in order to include a cashless exercise mechanism. In addition, according to such amendment the vesting period of the options granted

NOTE 9 - STOCK OPTION PLANS (Cont.)

A. 2006 Option Plan ("2006 Original Plan") and 2006 Revised Option Plan ("2006 Revised Plan"): (Cont.)

under 2006 Revised Plan and US Annex is as follows: 50% of the Options shall become vested on the second anniversary of the Grant Date, additional 25% of the Options shall become exercisable on the third anniversary of the Grant Date, and additional 25% of the Options shall be exercisable on the fourth anniversary of the Grant Date (such that the Options shall be fully vested on the fourth anniversary of the Grant Date).

On March 28, 2017 the Company's Shareholders approved, following the Board's approval, to amend the 2006 Revised Plan and the US Annex and to extend the term of all options granted under 2006 Revised Plan by three years (the "Extension"). Following the Extension, the revised term of the Options will be 10 years from the Commencement Date, as such term defined under the 2006 Revised Plan. The Extension would apply to all options granted with the exception of options granted to employees who ceased to be employed by the Company prior to February 7, 2017 and have not exercised their options as of this date. For the avoidance of any doubt, the Extension will apply to options granted to directors, who ceased to be directors of the Company prior to February 7, 2017, which were not expired as of the date of the above shareholders resolution.

B. Grant of Options:

On December 11, 2014, the Company granted 6,771,612 and 1,354,322 options to Dr. Ferré and Mr. Delevic, respectively, reflecting 5% and 1% of the Company's fully diluted share capital on the date of the closing of the Subsequent Investment (as such term is defined in the Series D Transaction), pursuant to a Service Agreement between the Company and Crandon Capital Partners LLC ("Crandon"), dated December 15, 2014, under which Crandon will provide the Company certain services ("Services"), including Chairman of the Board, through Dr. Maurice R. Ferré and active director services, through Mr. Ivan Delevic (the "Services Agreement").

The exercise price per share shall be equal to the original issue price of the Series D Preferred Shares ($1.94 which was reduced to $1.78 and then to $1.30). Such options shall vest as follows: (i) 25% of the options shall vest on January 1, 2015; (ii) 25% shall vest on January 1, 2016; and (iii) 50% shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The options were granted under the 2006 Revised Plan, except as modified under the CEO Employment Agreement in the event of a Change in Control or termination, and in accordance with the terms of the grant letter. The value of the benefit calculated under the Black-Scholes formula, is about $5.6 million.

On December 28, 2015, the Company granted an option to purchase 250,000 Ordinary Shares of the Company to Dr. Kobi Vortman, the Company's CEO at that time and currently an executive vice chairman of the Board. The grant date of the options shall be January 1, 2016. The exercise price per share shall be $1.94 (which was reduced to $1.78 and then to $1.30). The options shall vest as follows: (i) 25% of the options shall have immediate vesting upon allocation; (ii) 25% shall vest one year after the grant date; and (iii) 50% shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The options were granted under the 2006 Revised Plan and in accordance with the terms of the grant letter, which will provide a cashless exercise mechanism. The value of the benefit calculated under the Black-Scholes formula, is about $174.

NOTE 9 - STOCK OPTION PLANS (Cont.)

B. Grant of Options: (Cont.)

Furthermore, the Company granted 180,000 and 500,000 Restricted Shares Units (the "RSUs"), representing 180,000 and 500,000 Ordinary Shares of the Company, to Dr. Ferré and to Mr. Jun Tao (who serves as Senior VP of strategic Marketing & Business Development of the Company), respectively, which was granted effectively on June 15, 2016. Such RSUs shall expire on the earlier of: (i) June 30, 2019; or (ii) the effective date of the termination of services

or employment, as applicable. Each RSU granted shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The grantees shall not pay any consideration for converting the granted RSUs to Shares. The RSUs granted to Dr. Ferre are subject to the terms described above, except as modified under the CEO Employment Agreement in the event of a Change in Control or termination.

Additionally, the Company granted to Dr. Ferré and to Mr. Jun Tao 7,114,096 and 1,500,000 options, respectively, each option to purchase one Ordinary Share of the Company, at an exercise price per share of $12.57 and $1.78 (which the latter was reduced to $1.30), respectively, which was granted effectively on June 15, 2016 and on June 6, 2016, respectively.

Dr. Ferré's options shall vest as follows: (i) 25% of the options were vested on January 1, 2017; (ii) 25% shall vest on January 1, 2018; (iii) 50% shall vest upon the achievement of certain goals and milestones (as specified in the grant letter). The options were granted under the 2006 Revised Plan and in accordance with the terms of the grant letter. The options granted to Dr. Ferre are subject to the terms described above, except as modified under the CEO Employment Agreement in the event of a Change in Control or termination. The value of the benefit calculated under the Black&Scholes formula, is about $315.

On April 2018, the Company approved to each of the following former directors: (i) Morry Blumenfeld and Howard Chu a grant of 30,000 options, and (ii) Mr. Eugene Saragnese a grant of 100,000 options ("Directors Options"), each option to purchase one Ordinary Share of the Company, at an exercise price per share of $1.73. The Directors Options was fully vest upon grant. The Directors Options shall be granted under 2006 Revised Plan and the US Annex.

On April 2018, the Company approved to Ivan Delevic a grant of 30,000 options ("Independent Director Options"), each option to purchase one Ordinary Share of the Company, at an exercise price per share of $1.73. The Independent Director Options shall vest quarterly over four years from the date of grant. The Independent Director Options shall be granted under 2006 Revised Plan and the US Annex.

On July 2018, the Company granted to Dr. Ferré 600,000 options, each option to purchase one Ordinary Share of the Company, at an exercise price per share of $1.73. Dr. Ferré's options shall vest as follows: 50% of the options shall become vested on the second anniversary of the Grant Date, additional 25% of the Options shall become exercisable on the third anniversary of the Grant Date, and additional 25% of the Options shall be exercisable on the fourth anniversary of the Grant Date (such that the Options shall be fully vested on the fourth anniversary of the Grant Date). The options were granted under the 2006 Revised Plan and the US Annex and in accordance with the terms of the grant letter. The options granted to Dr. Ferre are subject to the terms described above, except as modified under the CEO Employment Agreement in the event of a Change in Control or termination. The value of the benefit calculated under the Black&Scholes formula, is about $327

(Dollars in thousands, except share and per share data)

NOTE 9 - STOCK OPTION PLANS (Cont.)

B. Grant of Options: (Cont.)

On December 27, 2017, as part of finder's fee consideration in connection with the Series E Transaction, the Company issued such finder a warrant to purchase 1,995,240 Ordinary Shares of the Company (the "Warrant"). The Warrant shall be exercisable, in whole or in part, at any time during the period commencing December 27, 2017 and ending on the earliest of: (i) December 31, 2024; (ii) immediately prior to consummation of an Exit Event; and (iii) immediately prior to consummation of an IPO, as such terms defined in the Warrant. The exercise price per share shall be $2.68 and the Warrant also includes a cashless exercise mechanism.

In addition, during 2016, 2017 and 2018 additional options were granted to new and current employees, officers and others.

C. Fair value:

The weighted average fair value (in dollars) of the options granted during 2016, 2017 and 2018 according to Black-Scholes option-pricing model, amounted to $0.15, $0.04 and $0.05 per option, respectively. Fair value was determined on the basis of private placements of the Company's equity securities and on the basis of other available evidence and management's estimates.

D. A summary of the status of the Company’s share option plans as of December 31, 2016, 2017 and 2016, as well as changes during each of the years and period then ended, is presented below:

	2018		2017		2016	
	Share options	Weighted average exercise price	Share options	Share options	Share options	Weighted average exercise price
		(US dollars)				(US dollars)
Outstanding - beginning of year	34,438,755	3.84	30,699,015	4.06	23,803,919	1.50
Granted	6,498,000	1.73	3,986,240	1.99	9,194,096	10.13
Cancelled	(1,028,000)	1.6	(182,250)	0.92	(2,179,000)	1.84
Exercised	(4,500)	1.05	(64,250)	0.92	(120,000)	1.12
Outstanding - year end	39,904,255	3.84	34,438,755	3.84	30,699,015	4.06
Options exercisable year end	27,339,748	3.43	22,322,450	1.88	15,432,993	1.40

(Dollars in thousands, except share and per share data)

NOTE 9 - STOCK OPTION PLANS (Cont.)

E. The following table summarizes information about share options outstanding as of December 31, 2018 and 2017:

Outstanding as of December 31, 2018				Exercisable as of December 31, 2018	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
(US dollars)		**(in years)**	**(US dollars)**		**(US dollars)**
0.92	12,333,485	4.4	0.92	12,333,485	0.92
1.30	12,596,434	6.6	1.30	7,672,451	1.30
1.73	5,862,000	9.7	1.73	0	
2.68	1,995,240	6.0	2.68	1,995,240	2.68
6-12.57	7,117,096	7.5	12.56	5,338,572	12.56
	39,904,255			27,339,748	

Outstanding as of December 31, 2017				Exercisable as of December 31, 2017	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
(US dollars)		**(in years)**	**(US dollars)**		**(US dollars)**
0.92	12,391,485	5.4	0.92	11,893,735	0.92
1.30	12,934,934	7.6	1.30	6,651,951	1.30
2.68	1,995,240	7	2.68	1,995,240	2.68
6-12.57	7,117,096	8.5	12.56	1,781,524	12.56
	34,438,755			22,322,450	

Total estimated share-based compensation expense, related to all of the Company's share-based awards, recognized in the year ended December 31, 2018 and 2017 was comprised as follows:

	Year ended December 31,	
	2018	**2017**
Cost of revenues	$ 11	$ 48
Research and development	84	396
Sales and marketing	153	228
General and administrative	79	1,088
Total share-based compensation expense	$ 327	$ 1,760

NOTE 10 - INCOME TAXES

A. Law for the Encouragement of Capital Investments-1959:

The tax rates applicable to Approved Industrial Enterprise would be 6% and 12% for those located in Preferred Area A or elsewhere, respectively, with effectiveness for the taxable year of 2015 and onwards.

B. Law for the Encouragement of Industry (Taxation), 1969:

The Company is an "Industrial Company" under the Law for the Encouragement of Industry (Taxation), 1969 and, therefore, is entitled to certain tax benefits, mainly accelerated rates of depreciation and the right to deduct public issuance expenses for tax purposes.

C. Deferred Taxes:

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has accumulated losses for Israeli tax purposes as of December 31, 2018 in the amount of approximately $330,000.

The Israeli tax loss carry forwards have no expiration date. The Company expects that during the period these losses are utilized, its undistributed earnings will be tax exempt. Since the Company has no intention to distribute such earnings, there will be no tax benefit available from such tax losses and no deferred taxes have been included in these financial statements for these losses.

D. Tax rates applicable to the Company:

The corporate tax rate in Israel is 24% and 23% in 2017 and 2018.

E. Tax Assessments:

The Company and InSightec Inc. have not received final tax assessments since inception. The Company and InSightec Inc. have tax assessments considered final through the year 2013 and 2014, respectively. InSightec Japan Y.K. had final tax assessment through the year 2013.

In light of losses for both financial reporting and tax purposes for all years presented, a reconciliation of the effective income tax rate has not been presented.

(Dollars in thousands, except share and per share data)

NOTE 11 - GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

A. Geographic information:

	Year ended December 31,		
	2018	2017	2016
	%	%	%
Revenues:			
America	45	43	43
Europe	16	23	13
ROW	39	34	44

B. Revenues by major customers:

	Year ended December 31,		
	2018	2017	2016
	%	%	%
Customer A	9	14	10
Customer B	7	8	9

C. Fixed assets: Substantially all fixed assets are located in Israel.