

ReWalk Robotics Ltd.  
Form 10-Q  
November 03, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36612

ReWalk Robotics Ltd.  
(Exact name of registrant as specified in charter)

Israel  
(State or other jurisdiction of incorporation or organization)      Not applicable  
(I.R.S. employer identification no.)

3 Hatnufa Street, Floor 6, Yokneam Ilit, Israel  
(Address of principal executive offices)      2069203  
(Zip Code)

+972.4.959.0123  
Registrant's telephone number, including area code

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes  No

Edgar Filing: ReWalk Robotics Ltd. - Form 10-Q

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

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

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

As of November 2, 2016 the Registrant had outstanding 16,334,008 ordinary shares, par value NIS 0.01 per share.

---

REWALK ROBOTICS LTD.

FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page No.
<u>GENERAL AND WHERE YOU CAN FIND MORE INFORMATION</u>	<u>2</u>
<u>PART I FINANCIAL INFORMATION</u>	<u>3</u>
<u>ITEM 1. FINANCIAL STATEMENTS (unaudited)</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS - SEPTEMBER 30, 2016 AND     DECEMBER 31, 2015</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS- THREE AND NINE     MONTHS ENDED SEPTEMBER 30, 2016 AND 2015</u>	<u>5</u>
<u>CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - SEPTEMBER     30, 2016 AND DECEMBER 31, 2015</u>	<u>6</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - NINE MONTHS ENDED     SEPTEMBER 30, 2016 AND 2015</u>	<u>7</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>8</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND     RESULTS OF OPERATIONS</u>	<u>20</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>29</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>30</u>
<u>PART II OTHER INFORMATION</u>	<u>31</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>31</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>31</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>54</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>54</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>54</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>54</u>
<u>ITEM 6. EXHIBITS</u>	<u>55</u>
<u>SIGNATURES</u>	<u>56</u>



## General and Where You Can Find Other Information

As used in this quarterly report on Form 10-Q, the terms “ReWalk,” “we,” “us” and “our” refer to ReWalk Robotics Ltd. and its subsidiaries, unless the context clearly indicates otherwise. Our website is [www.rewalk.com](http://www.rewalk.com). Information contained, or that can be accessed through, our website does not constitute a part of this quarterly report on Form 10-Q and is not incorporated by reference herein. We have included our website address in this quarterly report solely for informational purposes. Information that we furnish to or file with the Securities and Exchange Commission (the “SEC”), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to, or exhibits included in, these reports are available for download, free of charge, on our website as soon as reasonably practicable after such materials are filed with or furnished to the SEC. As we were subject to the information reporting requirements applicable to foreign private issuers prior to January 1, 2016, we filed with the SEC an annual report on Form 20-F for the year ended December 31, 2014 and submitted to the SEC, on Form 6-K, unaudited quarterly financial information during the fiscal year ended December 31, 2015. These reports may also be downloaded free of charge on our website. Our SEC filings, including exhibits filed or furnished therewith, are also available on the SEC’s website at <http://www.sec.gov>. You may obtain and copy any document we file with or furnish to the SEC at the SEC’s public reference room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC’s public reference facilities by calling the SEC at 1-800-SEC-0330. You may request copies of these documents, upon payment of a duplicating fee, by writing to the SEC at its principal office at 100 F Street, NE, Room 1580, Washington, D.C. 20549.

Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 12,399	17,869
Trade receivable, net of allowance for doubtful accounts of \$257 and \$144 as of September 30, 2016 and December 31, 2015, respectively	944	2,146
Prepaid expenses and other current assets	1,604	1,227
Inventory	3,425	2,534
Total current assets	18,372	23,776
<b>LONG-TERM ASSETS</b>		
Other long term assets	1,101	470
Property and equipment, net	1,346	1,328
Total long-term assets	2,447	1,798
Total assets	\$ 20,819	\$ 25,574

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

Table of ContentsREWALK ROBOTICS LTD. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share data)

	September 30, 2016	December 31, 2015
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long term loan	\$ 5,299	\$—
Trade payables	3,445	2,474
Employees and payroll accruals	936	1,221
Deferred revenues and customers advances	271	199
Other current liabilities	545	449
Total current liabilities	10,496	4,343
<b>LONG-TERM LIABILITIES</b>		
Long term loan, net of current maturities	5,180	—
Deferred revenues	215	171
Other long-term liabilities	226	140
Total long-term liabilities	5,621	311
Total liabilities	16,117	4,654
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		
Shareholders' equity:		
Share capital		
Ordinary shares, par value NIS 0.01 per share-Authorized: 250,000,000 shares at September 30, 2016 and December 31, 2015; Issued and outstanding: 13,081,402 and 12,222,583 shares at September 30, 2016 and December 31, 2015, respectively	36	33
Additional paid-in capital	102,614	94,876
Accumulated deficit	(97,948 )	(73,989 )
Total shareholders' equity	4,702	20,920
Total liabilities and shareholders' equity	\$ 20,819	\$ 25,574

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

Table of Contents

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues	\$1,400	\$1,165	\$4,278	\$2,410
Cost of revenues	1,110	1,078	3,410	2,230
Gross profit	290	87	868	180
Operating expenses:				
Research and development, net	1,968	1,263	6,737	4,250
Sales and marketing	3,774	3,607	10,577	9,121
General and administrative	1,951	1,522	5,960	4,478
Total operating expenses	7,693	6,392	23,274	17,849
Operating loss	(7,403 )	(6,305 )	(22,406 )	(17,669 )
Financial expenses, net	(508 )	(65 )	(1,514 )	(184 )
Loss before income taxes	(7,911 )	(6,370 )	(23,920 )	(17,853 )
Income taxes	9	24	39	55
Net loss	\$(7,920)	\$(6,394 )	\$(23,959)	\$(17,908 )
Net loss per ordinary share, basic and diluted	\$(0.62 )	\$(0.53 )	\$(1.92 )	\$(1.48 )
Weighted average number of shares used in computing net loss per ordinary share, basic and diluted	12,759,887	12,148,750	12,495,433	12,094,600

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



Table of Contents

; REWALK ROBOTICS LTD. AND SUBSIDIARIES  
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited)

(In thousands, except share data)

	Ordinary Share Number	Amount	Additional paid-in capital	Accumulated deficit	Total shareholders' equity
Balance as of January 1, 2015	11,978,554	\$ 32	\$ 92,395	\$ (48,574 )	\$ 43,853
Share-based compensation to employees and non-employees	—	—	2,345	—	2,345
Issuance of ordinary shares upon exercise of options to purchase ordinary shares and RSUs by employees and non-employees	194,345	1	136	—	137
Cashless exercise of warrants into ordinary shares	49,684	*)	*)	—	—
Net loss	—	—	—	(25,415 )	(25,415 )
Balance as of December 31, 2015	12,222,583	33	94,876	(73,989 )	20,920
Share-based compensation to employees and non-employees	—	—	2,458	—	2,458
Issuance of ordinary shares in at-the-market offering, net of issuance expenses in the amount of \$468 (1)	692,062	2	4,097	—	4,099
Issuance of ordinary shares upon exercise of options to purchase ordinary shares and RSUs by employees and non-employees	121,641	1	22	—	23
Cashless exercise of warrants into ordinary shares	45,116	*)	*)	—	—
Issuance of warrants to purchase ordinary shares (2)	—	—	1,161	—	1,161
Net loss	—	—	—	(23,959 )	(23,959 )
Balance as of September 30, 2016	13,081,402	\$ 36	\$ 102,614	\$ (97,948 )	\$ 4,702

\*) Represents an amount lower than \$1.

(1) See Note 8e to the condensed consolidated financial statements.

(2) See Note 6 to the condensed consolidated financial statements.

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

Table of Contents

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
 (In thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$(23,959)	\$(17,908)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	503	248
Share-based compensation to employees and non- employees	2,458	1,684
Deferred taxes	(64	) (46
Financial expenses related to long term loan	495	—
Changes in assets and liabilities:		
Trade receivables, net	1,202	(78
Prepaid expenses and other current assets	(804	) (132
Inventories	(1,004	) (3,224
Trade payables	960	1,789
Employees and payroll accruals	(285	) 264
Deferred revenues and advances from customers	116	108
Other liabilities	182	(743
Net cash used in operating activities	(20,200	) (18,038
Cash flows from investing activities:		
Maturities of short-term deposits	—	1,667
Purchase of property and equipment	(408	) (432
Net cash provided by (used in) investing activities	(408	) 1,235
Cash flows from financing activities:		
Issuance of ordinary shares upon exercise of options to purchase ordinary shares by employees and non employees	23	112
Proceeds from long term loan	12,000	—
Debt issuance cost	(441	) —
Repayment of long term loan	(554	) —
Issuance of ordinary shares in at-the-market offering, net of issuance expenses paid in the amount of \$457 (1)	4,110	—
Net cash provided by financing activities	15,138	112
Decrease in cash and cash equivalents	(5,470	) (16,691
Cash and cash equivalents at beginning of period	17,869	41,829
Cash and cash equivalents at end of period	\$12,399	\$25,138
Supplemental disclosures of non-cash flow information		
At-the-market offering expenses not yet paid	\$11	\$—
Classification of inventory to property and equipment, net	\$113	\$360

(1) See Note 8e to the condensed consolidated financial statements.

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

7

---

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1:- GENERAL

a. ReWalk Robotics Ltd. ("RRL", and together with its subsidiaries, the "Company") was incorporated under the laws of the State of Israel on June 20, 2001 and commenced operations on the same date.

b. RRL has two wholly-owned subsidiaries: (i) ReWalk Robotics Inc., incorporated under the laws of Delaware on February 15, 2012, and (ii) ReWalk Robotics GMBH. (formerly Argo Medical Technologies GmbH), incorporated under the laws of Germany on January 14, 2013.

c. The Company depends on one contract manufacturer. Reliance on this vendor makes the Company vulnerable to possible capacity constraints and reduced control over component availability, delivery schedules, manufacturing yields and costs. This vendor accounted for 1% and 24% of the Company's total trade payables as of September 30, 2016 and December 31, 2015, respectively.

d. On May 16, 2016 the Company has entered into a Research Collaboration Agreement and an Exclusive License Agreement with the President and Fellows of Harvard College ("Harvard"). See also Note 7 below for more information about these agreements with Harvard.

e. During the nine months ended September 30, 2016, the Company issued and sold 692,062 ordinary shares at an average price of \$6.60 per share under its ATM Offering Program. The gross proceeds to the Company were \$4.6 million, and the net aggregate proceeds after deducting commissions, fees and offering expenses in the amount of \$468 thousand were \$4.1 million. The Company could raise up to \$25 million under its ATM Offering Program. See Note 8e below for more information about the Company's ATM Offering Program.

f. The Company has incurred losses in the amount of \$24.0 million during the nine month period ended September 30, 2016. The Company has an accumulated deficit in the total amount of 97.9 million as of September 30, 2016 and negative cash flow from operating activities in the amount of \$20.2 million for the nine month period ended September 30, 2016. As of September 30, 2016, the Company had cash and cash equivalents of \$12.4 million. Additionally, on November 1, 2016, the Company raised total gross proceeds of \$12.2 million in a follow-on public offering of ordinary shares and warrants to purchase ordinary shares. These amounts along with the \$8.0 million available under the Kreos credit facility will be adequate to meet anticipated cash requirements for the next 12 months. See Note 11 below for information on the follow-on public offering, and Note 6 below for information about the Company's Loan Agreement with Kreos.

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2:- UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and standards of the Public Company Accounting Oversight Board for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's (i) consolidated financial position as of September 30, 2016, (ii) consolidated results of operations for the three and nine months ended September 30, 2016 and (iii) consolidated cash flows for the nine month ended September 30, 2016. The results for the three and nine month periods ended September 30, 2016, as applicable, are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

NOTE 3:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the audited consolidated financial statements of the Company as disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2015 filed with the SEC a. on February 29, 2016, as amended on Form 10-K/A filed with the SEC on May 5, 2016 (the "2015 Form 10-K"), are applied consistently in these unaudited interim condensed consolidated financial statements.

b. New Accounting Pronouncements:

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-09, Compensation-Stock Compensation (Topic 718). The new guidance simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, i. classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard also requires that shares withheld to satisfy tax withholding obligations associated with the vesting of restricted stock awarded to employees to be presented as a financing activity in the statement of cash flows.

The amendments in this standard are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company plans to adopt this ASU effective January 1, 2017 and we do not expect the adoption to have a material impact on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for all leases with lease terms of more than 12 months. Consistent with current generally accepted accounting principles, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. ii. This ASU requires additional disclosures. The standard is effective for annual periods beginning after December 15, 2018 and interim periods within those fiscal years. The ASU requires adoption based upon a modified retrospective transition approach. Early adoption is permitted. The Company has not yet selected a transition method or determined whether it will elect early adoption and is currently evaluating the impact of the pending adoption of this ASU on its condensed consolidated financial statements and related disclosures.

iii. In 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. In 2016, the FASB issued

four amendments to ASU 2014-09. The standard is effective for public companies for annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of one year prior to the current effective date. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The Company has not yet selected an implementation approach or determined whether it will elect early adoption and is currently evaluating the impact of the pending adoption of this ASU on its condensed consolidated financial statements and related disclosures.

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Statement of Cash Flows - In August 2016, the FASB issued Accounting Standards Update 2016-15, "Classification of Certain Cash Receipts and Cash Payments." The standard addresses several matters of diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows including the iv. presentation of debt extinguishment costs and distributions received from equity method investments. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods and allows for retrospective adoption with early adoption permitted. The Company does not anticipate a material effect on its financial condition, results of operations or cash flows as a result of adopting this standard.

c. Concentrations of Credit Risks:

Concentration of credit risk with respect to trade receivable is primarily limited to a customer to which the Company makes substantial sales. One customer represented 4% and 21% of the Company's trade receivable, net balance as of September 30, 2016 and December 31, 2015, respectively.

NOTE 4:- INVENTORY

The components of inventory are as follows (in thousands):

	September 30, 2016	December 31, 2015
Raw materials	\$ 754	\$ 450
Finished products	2,671	2,084
	\$ 3,425	\$ 2,534

NOTE 5:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Purchase commitments:

The Company has contractual obligations to purchase goods from its contract manufacturer- Sanmina Corporation, as further discussed in "Part I Item 1. Business" and "Part I, Item 1A. Risk Factors" of the 2015 Form 10-K. Purchase obligations do not include contracts that may be canceled without penalty. As of September 30, 2016, non-cancelable outstanding obligations amounted to approximately \$2.2 million.

b. Liens:

As described in Note 6 below, in connection with the loan agreement, dated as of December 30, 2015, between Kreos Capital V (Expert) Fund Limited (Kreos) and the Company (the Loan Agreement), the Company granted Kreos a first priority security interest over all of its assets, including intellectual property and equity interests in its subsidiaries, subject to certain permitted security interests.

The Company's other long-term assets subject to liens include bank deposits in the amount of \$751 thousand, which were pledged as security in respect of guaranties made in favor of third parties in connection with the Company's operating lease obligations. Such deposits cannot be pledged to others or withdrawn without the consent of such third party.

c. Legal claims:

Occasionally the Company is involved in various claims, lawsuits, regulatory examinations, investigations and other legal matters arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is inherently uncertain. In making a determination regarding accruals, using available information, the Company evaluates the likelihood of an unfavorable outcome in legal or regulatory proceedings to which the Company is a party and records a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated.

10

---



REWALK ROBOTICS LTD. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Where the Company determines an unfavorable outcome is not probable or reasonably estimable, the Company does not accrue for any potential litigation loss. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from the Company's current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to the Company's consolidated results of operations, liquidity or financial condition

On September 20, 2016, a putative class action on behalf of alleged shareholders that purchased or acquired the Company's ordinary shares pursuant and/or traceable to the registration statement used in connection with the Company's initial public offering was commenced in the Superior Court of the State of California, County of San Mateo (No. 16 Civ. 01454) against the Company, certain of the Company's current and former directors and officers, and the underwriters of the Company's initial public offering. The complaint asserts claims against all defendants pursuant to Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended, or the Securities Act, and control person claims against current and former directors and officers pursuant to Section 15 of the Securities Act. On or about October 6, 2016, subsequent to the balance sheet date, a substantially similar action alleging claims under Sections 11 and 15 of the Securities Act was filed against the same defendants in the same court by a different plaintiff (No. 16 Civ. 01753). The complaints allege that the Company's registration statement failed to disclose that the Company was unprepared or unable to comply with certain regulatory special controls and to provide the FDA with a post-market surveillance study on the Company's ReWalk Personal device, and that, as a result of such alleged omission, the plaintiffs suffered damages. The Company has not yet responded to the complaints. The Company believes that the allegations made in the complaints are without merit and intends to defend itself vigorously against the complaints.

Based on information currently available, the Company is unable to reasonably estimate a possible loss or range of possible losses, if any, with regard to these lawsuits; therefore, no litigation reserve has been recorded in the Company's consolidated balance sheets as of September 30, 2016.

**NOTE 6:- LOAN AGREEMENT WITH KREOS AND RELATED WARRANT TO PURCHASE ORDINARY SHARES**

On December 30, 2015, the Company entered into the Loan Agreement pursuant to which Kreos extended a line of credit to the Company in the amount of \$20.0 million (the "Loan"). Pursuant to the Loan Agreement, the Company granted Kreos a first priority security interest over all of its assets, including intellectual property and equity interests in its subsidiaries, subject to certain permitted security interests.

The Loan has a maturity of 36 months and bears annual interest of 10.75%, which is to be paid monthly. The principal of the Loan is to be paid in 24 monthly payments, beginning in January 2017, except for the last loan payment, which was paid in advance on the Draw Down Date (as defined below). The repayment period will be extended to 36 months if the Company raises \$20.0 million or more in connection with the issuance of shares of its capital stock (including debt securities convertible into shares of the Company's capital stock) prior to the expiration of the initial 24-month period. As the Company has met the requirements to raise at least \$10.0 million or more in connection with the issuance of shares of the Company's capital stock (including debt securities convertible into shares of the Company's capital stock), the Company will be able to draw down up to an additional \$8.0 million in separate tranches until December 31, 2016, with a minimum required drawdown of \$2.0 million each.

On January 4, 2016 (the “Draw Down Date”), the Company drew down \$12.0 million, net of \$415 thousand in loan transaction fees and \$660 thousand as advance payment. Additional loan transaction fees in the amount of \$26 thousand were paid after the Draw Down Date. Out of the \$441 thousand in total loan transaction fees, \$140 thousand are deferred, and presented within “Other long term assets”, as they are allocated to the remaining \$8.0 million available for drawdown by the Company under the Loan Agreement in separate tranches until December 31, 2016, (assuming proceeds of at least \$10.0 million prior to December 31, 2016 in connection with the issuance of shares of the Company's capital stock).

Repayment of the Loan and payment of all other amounts owed to Kreos are to be made in U.S. dollars.

The Company recorded interest expense in the amount of \$1,462 thousand during the nine months ended September 30, 2016.

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In connection with the Loan Agreement, on December 30, 2015, the Company also granted Kreos a warrant to purchase 119,295 ordinary shares of the Company at an exercise price of \$9.64 per share (the “Kreos Warrant”). The Kreos Warrant is exercisable, in whole or in part, at any time prior to the earliest of (i) December 30, 2025 or (ii) immediately prior to the consummation of a merger, consolidation, or reorganization of the Company with or into, or the sale or license of all or substantially all the assets or shares of the Company to, any other entity or person, other than a wholly-owned subsidiary of the Company, excluding any transaction in which shareholders of the Company prior to the transaction will hold more than 50% of the voting and economic rights of the surviving entity after the transaction.

On December 30, 2015, the Company calculated the value of its freestanding Warrant to purchase its ordinary shares in the amount of \$1 million (net of \$42 thousand issuance expenses), by using the relative fair value method and utilizing an option pricing method. The Company has recorded the value of the Kreos Warrant, together with the Loan's issuance costs, as debt discount which is being accreted as interest expense using the effective-interest method over the remaining term of the Loan.

The following assumptions were used to estimate the value of the Kreos Warrant on December 30, 2015:

	December	
	30, 2015	
Expected volatility	60	%
Risk-free rate	2.52	%
Dividend yield	—	%
Expected term (in years)	10	

**NOTE 7:- RESEARCH COLLABORATION AGREEMENT AND LICENSE AGREEMENT**

On May 16, 2016, the Company entered into a Research Collaboration Agreement (“Collaboration Agreement”) and an Exclusive License Agreement (“License Agreement”) with Harvard.

Under the Collaboration Agreement, Harvard and the Company have agreed to collaborate on research regarding the development of lightweight “soft suit” exoskeleton system technologies for lower limb disabilities, which are intended to treat stroke, multiple sclerosis, mobility limitations for the elderly and other medical applications. The Company has committed to pay in quarterly installments for the funding of this research, subject to a minimum funding commitment under applicable circumstances. The Collaboration Agreement will expire on May 16, 2021.

Under the License Agreement, Harvard has granted the Company an exclusive, worldwide royalty-bearing license under certain patents of Harvard relating to lightweight “soft suit” exoskeleton system technologies for lower limb disabilities, a royalty-free license under certain related know-how and the option to obtain a license under certain inventions conceived under the joint research collaboration.

The License Agreement requires the Company to pay Harvard an upfront fee, reimbursements for expenses that Harvard incurred in connection with the licensed patents, royalties on net sales and several milestone payments contingent upon the achievement of certain product development and commercialization milestones. The License Agreement will continue in full force and effect until the expiration of the last-to-expire valid claim of the licensed patents. As of September 30, 2016, the Company did not achieve any of these milestones, and given the early stage of the License Agreement, the Company cannot anticipate the likelihood that the milestones will be achieved. Moreover, since such royalties are dependent on future product sales which are neither determinable nor reasonably estimable,

these royalty payments are not recorded on the Company's consolidated condensed balance sheet as of September 30, 2016.

The Company's total payment obligation under the Collaboration Agreement and of the License Agreement is \$6.3 million, some of it is subject to a minimum funding commitment under applicable circumstances as indicated above. See "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations-Obligations and Commercial Commitments".

REWALK ROBOTICS LTD. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company has recorded expense in the amount of \$267 thousand and \$1.3 million which is part of the total payment obligation indicated above, as research and development expenses related to the License Agreement and to the Collaboration Agreement for the three and nine months period ended September 30, 2016 respectively.

For further discussion of the terms of the Collaboration Agreement and the License Agreement, see “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Overview-Collaboration Agreement and License Agreement with Harvard”.

NOTE 8:- SHAREHOLDERS’ EQUITY

a. Share option plans:

As of September 30, 2016, and December 31, 2015, the Company had reserved 377,653 and 420,469 ordinary shares, respectively, for issuance to the Company’s and its affiliates’ respective employees, directors, officers and consultants under the Company’s 2014 Incentive Compensation Plan (the “2014 Plan”).

Options to purchase ordinary shares generally vest over four years, with certain options granted to non-employee directors during the nine months ended September 30, 2016, vesting over one year. Any option that is forfeited or canceled before expiration becomes available for future grants under the 2014 Plan.

The fair value for options granted during the nine months ended September 30, 2016 and September 30, 2015 was estimated at the date of the grant using a Black-Scholes-Merton option pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2016	2015
Expected volatility	53%-60%	60%
Risk-free rate	1.16%-1.60%	1.60%-1.77%
Dividend yield	—%	—%
Expected term (in years)	5.31-6.11	5.73-6.11
Share price	\$6.8 - \$11.88	\$8- \$20.97

The fair value of restricted stock units (RSUs) granted is determined based on the price of the Company’s ordinary shares on the date of grant.

A summary of employee options to purchase ordinary shares and RSUs during the nine months ended September 30, 2016 is as follows:

REWALK ROBOTICS LTD. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Nine Months Ended September 30, 2016			
	Number	Average exercise price	Average remaining contractual life (in years) (1)	Aggregate intrinsic value (in thousands)
Options and RSUs outstanding at the beginning of the period	1,853,369	\$ 6.12	8.37	\$ 17,048
Options granted	391,285	9.25		
RSUs granted	177,528	—		
Options exercised (2)	(104,555 )	1.29		
RSUs vested (2)	(30,253 )	—		&#1