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

FORM 20-F

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

OR

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

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

OR

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

Commission file number: **001-37381**

Medigus Ltd.
(Exact name of Registrant as specified in its charter)

Israel
(Jurisdiction of incorporation or organization)

Omer Industrial Park No. 7A, P.O. Box 3030, 8496500, Israel
(Address of principal executive offices)

Tatiana Yosef
7A Industrial Park, P.O. Box 3030
Omer, 8496500, Israel
Tel: +972 72 260-2200
Fax: +972 72 260-2249
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing twenty (20) Ordinary Shares[(1)]	MDGS	Nasdaq Capital Market
Ordinary shares, par value NIS 1.00 per share[(2)]		
Series C Warrants	MDGSW	Nasdaq Capital Market

(1) Evidenced by American Depositary Receipts.
(2) Not for trading, but only in connection with the registration of the American Depositary Shares.

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2019: **82,598,738 ordinary shares, par value NIS 1.00 per share**

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

Yes ☐ No ☒

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

Yes ☐ No ☒

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

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

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

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

☐ U.S. GAAP

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

☐ Other

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

Item 17 ☐ Item 18 ☐

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

Yes ☐ No ☒

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INTRODUCTION

Certain Definitions

In this annual report, unless the context otherwise requires:

- references to "Medigus," the "Company," "us," "we" and "our" refer to Medigus Ltd. (the "Registrant"), an Israeli company, and its consolidated subsidiaries with the exception of ScoutCam Inc. and ScoutCam Ltd.
- references to "Group" refer to the Company together with Medigus USA and ScoutCam Inc
- references to "ordinary shares," "our shares" and similar expressions refer to the Registrant's Ordinary Shares, NIS 1.00 nominal (par) value per share.
- references to "ADS" refer to American Depositary Shares.
- references to "dollars," "U.S. dollars", "USD" and "$" refer to United States Dollars.
- references to "NIS" refer to New Israeli Shekels, the Israeli currency.
- references to the "Companies Law" refer to Israel's Companies Law, 5759-1999, as amended.
- references to the "SEC" refer to the United States Securities and Exchange Commission.
- references to MUSE™ refer to the trade name of an endoscopy system developed by the Company which is intended as a minimally invasive treatment for Gastroesophageal Reflux Disease, or GERD.
- references to ScoutCam™ refer to the trade name of a range of micro CMOS and CCD video cameras which are suitable to both medical and industrial applications.
- references to "endoscopy" refer to a medical procedure which is used to diagnose or treat various diseases using an endoscope (a flexible tube which contains lighting features, imaging features and a system used to direct the endoscope within bodily systems).

All share data information in this annual report on Form 20-F reflects:

- a 1-for-10 reverse share split of our ordinary shares effected on November 6, 2015;
- a change in the ratio of ordinary shares per ADS from five ordinary shares per ADS to 50 ordinary shares per ADS effected on March 15, 2017; and
- a 1-for-10 reverse share split of our ordinary shares effected on July 13, 2018, together with a change in the ratio of ordinary shares per ADSs, such that after the reverse share split was implemented each ADS represents 20 post- reverse share split ordinary shares, instead of 50 pre- reverse share split ordinary shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this annual report on Form 20-F may be deemed to be "forward-looking statements". Forward-looking statements are often characterized by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue," "believe," "should," "intend," "project" or other similar words, but are not the only way these statements are identified.

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

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

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

- recent material changes in our strategy;
- our ability to sell or license our MUSE™ technology;
- ScoutCam Inc.'s commercial success in commercializing the ScoutCam™ system;
- projected capital expenditures and liquidity;
- the overall global economic environment as well as the impact of the coronavirus strain COVID-19;
- the impact of competition and new technologies;
- general market, political, reimbursement and economic conditions in the countries in which we operate;
- government regulations and approvals;
- litigation and regulatory proceedings; and
- those factors referred to in "Item 3. Key Information – D. Risk Factors," "Item 4. Information on the Company," and "Item 5. Operating and Financial Review and Prospects", as well as in this annual report on Form 20-F generally.

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

In addition, the section of this annual report on Form 20-F entitled "Item 4. Information on the Company" contains information obtained from independent industry and other sources that we have not independently verified. You should not put undue reliance on any forward-looking statements. Any forward-looking statements in this annual report are made as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following consolidated statement of operations data for the years ended December 31, 2019, 2018, and 2017, and the consolidated balance sheet data as of December 31, 2019, 2018 and 2017, is derived from our audited consolidated financial statements included elsewhere in this annual report on Form 20-F. These audited financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as set forth by the International Accounting Standard Board. The consolidated statement of operations data for the years ended December 31, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2016, and 2015 is derived from other consolidated financial statements not included in this Form 20-F. The selected consolidated financial data set forth below should be read in conjunction with and are qualified by reference to "Item 5. Operating and Financial Review and Prospects" and the consolidated financial statements and notes thereto and other financial information included elsewhere in this annual report on Form 20-F.

Until December 31, 2015, our consolidated financial statements were recorded in NIS, which was the Company's functional and presentation currency as of such date. Effective January 1, 2016, the Company changed its functional currency to U.S. Dollar. The December 31, 2015 financial data presented in this annual report on Form 20-F was translated from NIS to USD as follows: (1) all assets and liabilities of the Company were translated using the dollar exchange rate as of December 31; (2) equity items were translated using historical exchange rates at the relevant transaction dates; (3) the statement of comprehensive loss items has been translated at the average exchange rates for the respective year; and (4) the resulting translation differences have been reported as "currency translation differences" within other comprehensive loss.

Consolidated Statements of Operations Data

	Year ended December 31,				
	2019	2018	2017	2016	2015
	U.S. Dollars, in thousands, except per share and weighted average shares data				
Revenues:					
Products	188	219	467	192	330
Services	85	217	-	357	261
Other	-	-	-	-	33
	273	436	467	549	624
Cost of revenues:					
Products	370	164	219	81	153
Services	85	115	-	95	124
Inventory impairment	-	328	297	-	-
	455	607	516	176	277
Gross Profit (Loss)	(182)	(171)	(49)	373	347
Research and development expenses	609	1,809	2,208	3,655	4,384
Sales and marketing expenses	326	1,354	846	2,125	2,680
General and administrative expenses	3,081	3,338	3,005	3,684	2,842
Other income, net	-	-	-	-	3
Net change in fair value of financial assets at fair value through profit or loss	92	-	-	-	-
Share of net loss of associates accounted for using the equity method	(216)	-	-	-	-
Listing expenses	(10,098)	-	-	-	-
Operating loss	(14,420)	(6,672)	(6,108)	(9,091)	(9,556)
Changes in fair value of warrants issued to investors	142	148	3,502	25	106
Financial income (expenses) in respect of deposits, bank commissions and exchange differences, net	99	(54)	54	87	(14)
Loss before taxes on income	(14,179)	(6,578)	(2,552)	(8,979)	(9,464)
Taxes benefit (Taxes on income)	1	(20)	7	(28)	(68)
Loss for the year	(14,178)	(6,598)	(2,545)	(9,007)	(9,532)
Other comprehensive loss for the year, net of tax	(41)	-	-	-	(211)
Total comprehensive loss for the year	(14,219)	(6,598)	(2,545)	(9,007)	(9,743)
Loss for the year is attributable to:					
Owners of Medigus	(14,178)	(6,598)	(2,545)	(9,007)	(9,743)
Non-controlling interest	-	-	-	-	-
	(14,178)	(6,598)	(2,545)	(9,007)	(9,743)
Total comprehensive income for the period is attributable to:					
Owners of Medigus	(14,219)	(6,598)	(2,545)	(9,007)	(9,743)
Non-controlling interest	-	-	-	-	-
	(14,219)	(6,598)	(2,545)	(9,007)	(9,743)
	USD				
Basic loss per ordinary share[(1)]	(0.18)	(0.16)	(0.20)	(2.62)	(3.35)
Diluted loss per ordinary share[(1)]	(0.18)	(0.16)	(0.23)	(2.62)	(3.35)
Weighted average number of ordinary shares outstanding used to compute (in thousands)[(1)]:					
Basic loss per share	78,124	41,988	12,569	3,440	2,842
Diluted loss per share	78,124	41,988	12,969	3,440	2,842

(1) Adjusted to reflect

- a 1-for-10 reverse share split of our ordinary shares effected on November 6, 2015;
- a change in the ratio of ordinary shares per ADS from five ordinary shares per ADS to 50 ordinary shares per ADS effected on March 15, 2017; and
- a 1-for-10 reverse share split of our ordinary shares effected on July 13, 2018, together with a change in the ratio of ordinary shares per ADSs, such that after the reverse share split was implemented each ADS represents 20 post- reverse share split ordinary shares, instead of 50 pre- reverse share split ordinary shares.

For more information see "Item 4. Information on the Company A. History and Development of the Company."

	As of December 31,				
	2019	2018	2017	2016	2015
	U.S. Dollars (in thousands)				
Balance Sheet Data:					
Cash and cash equivalents	7,036	10,625	2,828	3,001	10,312
Short-term deposit	-	-	3,498	-	-
Total assets	13,334	11,239	7,210	4,724	12,141
Total non-current liabilities[(2)]	1,838	197	183	226	98
Accumulated deficit	(76,657)	(62,479)	(55,881)	(53,336)	(44,329)
Non-controlling interests	1,424	-	-	-	-
Total equity	8,131	8,079	5,511	2,927	10,181

(2) We adopted Amendments to International Accounting Standard 1, "Classification of Liabilities as Current or Non-Current," under which we classified in the statement of financial position warrants as part of current liabilities. The amendment was applied retrospectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks related to our Business

We made material changes to our business strategy during 2019. We cannot guarantee that any of these changes will result in any value to our shareholders.

In the recent months, we have materially changed our business model, adjusted our exclusive focus on the medical device industry to include other industries, abandoned our strategy to commercialize the MUSE™ system, transferred our ScoutCam™ activity into our subsidiary and consummated a securities exchange agreement in relation to such subsidiary, acquired holdings in publicly traded subsidiaries, and we are assessing several new ventures. We cannot guarantee that these strategic decisions will derive the anticipated value to us and to our shareholders, or any value at all.

We have a history of operating losses and expect to incur additional losses in the future.

We have sustained losses in recent years, which as of December 31, 2019, accumulated to $76.7 million, including an operating net loss of $14.4 million and $6.7 million for the year ended December 31, 2019 and 2018, respectively. We are likely to continue to incur significant net losses for at least the next several years as we continue to pursue our strategy. Our losses have had, and will continue to have, an adverse effect on our shareholders' equity and working capital. Any failure to achieve and maintain profitability would continue to have an adverse effect on our shareholders' equity and working capital and could result in a decline in our share price or cause us to cease operations.

We will need additional funding. If we are unable to raise capital, we will be forced to reduce or eliminate our operations.

During the year ended December 31, 2019, the Group incurred a total comprehensive loss of approximately USD 14.2 million and a negative cash flows from operating activities of approximately USD 2.7 million. Furthermore, in the recent years the Group has suffered recurring losses from operations, negative cash flows from operating activities and has an accumulated deficit as of December 31, 2019. As a result, there is a substantial doubt about the Group's ability to continue as a going concern.

As of December 31, 2019, we had a total cash and cash equivalents balance of approximately $3.8 million. Our management expects that we will continue to generate operating losses. Our management has initiated a plan to reduce operating expenses and plans to continue to fund its operations primarily through utilization of its financial resources. In addition, we may raise additional capital or realize some of its investments in other entities in order to fund its operating needs. Out management is of the opinion that based on the ours current operating plan it will be able to carry out its plan for one year after the issuance date of this annual report on Form 20 - F. However, we anticipate that we are likely to continue to incur significant net losses for at least the next several years. There is no assurance however, that we will be successful in obtaining the level of financing needed for our operations. If we are unable to obtain additional sufficient financing our business and results of operations will be materially harmed.

Based on the projected cash flows and current cash balances of ScoutCam, Management is of the opinion that without further fund raising it will not have sufficient resources to enable it to continue its operating activities for a period of one year after the issuance date of this annual report on Form 20 - F. ScoutCam's management plans include continuing commercialization of the products and securing sufficient financing through the sale of additional equity securities, debt or capital inflows from strategic partnerships and other opportunities. There are no assurances however, that ScoutCam will be successful in obtaining the level of financing needed for its operations. If ScoutCam is unsuccessful in commercializing its products and securing sufficient financing, it may need to reduce activities, curtail or even cease operations.

Even if we are able to continue to finance our business, the sale of additional equity or debt securities could result in dilution to our current shareholders and could require us to grant a security interest in our assets. If we raise additional funds through the issuance of debt securities, these securities may have rights senior to those of our ordinary shares and could contain covenants that could restrict our operations. In addition, we may require additional capital beyond our currently forecasted amounts to achieve profitability. Any such required additional capital may not be available on reasonable terms, or at all.

We may incur losses as a result of unforeseen or catastrophic events, including the recent outbreak of the coronavirus (COVID-19).

The occurrence of unforeseen or catastrophic events such as terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, emergence of a pandemic, or other widespread health emergencies (or concerns over the possibility of such an emergency), could create economic and financial disruptions, and could lead to operational difficulties that could impair our ability to manage our business. In particular, the current outbreak of novel coronavirus (COVID-19) that was first reported from Wuhan, China, on December 31, 2019, presents concerns that may dramatically affect our ability to conduct our business effectively, including, but not limited to, our inability to attend certain industry-related conferences in and source various materials from the affected region and globally given the current quarantines and travel restrictions in place. The World Health Organization has since classified COVID-19 as a global pandemic. The trajectory of the coronavirus remains uncertain and it is becoming increasingly plausible, notwithstanding the travel restrictions and quarantines already imposed by many countries, that our business, including the livelihood of our employees and customers upon both of which our business relies, may be directly afflicted. We cannot assure you that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar outbreak will not occur again. If the COVID-19 pandemic and the resulting disruption to our business were to extend over a prolonged period, it could materially and adversely affect our business, financial condition, and results of operations.

Our ability to freely operate our business is limited as a result of certain covenants included in our Series C Warrants.

The Series C Warrant Agreement, or the Series C Warrant, contains a number of covenants that limit our operating activities, and may prevent our acquisition by a third party, including a provision setting forth that in the event of a fundamental transaction (other than a fundamental transaction not approved by the our board of directors), we or any successor entity may at the Series C Warrant holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the fundamental transaction, purchase the Series C Warrants from the holder by paying to the Series C Warrant holder an amount of cash equal to the Black Scholes value of the remaining unexercised portion of the Series C Warrants on the date of the consummation of such fundamental transaction. These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders.

Risks related to our subsidiary, ScoutCam Inc.'s, ScoutCam™ Business

Because of its limited operating history, ScoutCam Inc. may not be able to successfully operate its business or execute its business plan.

In 2019, we transferred our ScoutCam™ activity, which has limited operation activity, into a wholly-owned subsidiary, ScoutCam Ltd. On December 26, 2019, we consummated a securities exchange agreement with Intellisense Solutions Inc., under which we received 60% of the issued and outstanding stock of Intellisense Solutions Inc. in consideration for 100% of our holdings in ScoutCam Ltd. Simultaneously with the securities exchange agreement, Intellisense Solutions Inc. raised $3.3 million dollars (gross) based on a post money valuation of $13.3 million dollars. Following the aforementioned transactions, Intellisense Solutions Inc. changed its name to ScoutCam Inc. Given the limited operating history, it is hard to evaluate ScoutCam Inc.'s proposed business and prospects. ScoutCam Inc.'s proposed business operations is subject to numerous risks, uncertainties, expenses and difficulties associated with early-stage enterprises. Such risks include, but are not limited to, the following:

- the absence of a lengthy operating history;
- insufficient capital to fully realize our operating plan;
- expected continual losses for the foreseeable future;
- operating in multiple currencies;
- our ability to anticipate and adapt to a developing market(s);

- acceptance of our ScoutCam™ by the medical community and consumers;
- acceptance of our ScoutCam™ by the non-medical community and consumers;
- limited marketing experience;
- a competitive environment characterized by well-established and well-capitalized competitors;
- the ability to identify, attract and retain qualified personnel; and
- operating in an environment that is highly regulated by a number of agencies.

Furthermore, ScoutCam Inc. has a history of losses, and may not be able to generate sufficient revenues to achieve and sustain profitability, and as a result, there is substantial doubt about its ability to continue as a going concern within the first year following the fiscal year ended December 31, 2019.

Because ScoutCam Inc. is subject to these risks, evaluating its business may be difficult, its business strategy may be unsuccessful and it may be unable to address such risks in a cost-effective manner, if at all. If ScoutCam Inc. is unable to successfully address these risks, its business and any proceeds derived from it by the Company could be harmed.

The commercial success of the ScoutCam™ or any future product, depends upon the degree of market acceptance by the medical community as well as by other prospect markets and industries.

Any product that ScoutCam Inc. commissions or brings to the market may or may not gain market acceptance by prospect customers.

The commercial success of ScoutCam Inc. technologies, commissioned products and any future product that it develops depends in part on the medical community as well as other industries for various use cases, depending on the acceptance by such industries of its commissioned products as a useful and cost-effective solution compared to current technologies. To date, ScoutCam Inc. has not yet commenced proactive market penetration in other industries, with the exception of the biomedical sector. If ScoutCam Inc.'s technology or any future product that may be developed does not achieve an adequate level of acceptance, or does not garner significant commercial appeal, ScoutCam Inc. may not generate significant revenue and may not become profitable. The degree of market acceptance will depend on a number of factors, including:

- the cost, safety, efficacy, and convenience of the ScoutCam™ and any future product in relation to alternative products;
- the ability of third parties to enter into relationships with ScoutCam Inc. without violating their existing agreements;
- the effectiveness of ScoutCam Inc.'s sales and marketing efforts;
- the strength of marketing and distribution support for, and timing of market introduction of, competing products; and
- publicity concerning ScoutCam Inc.'s products or competing products.

ScoutCam Inc.'s efforts to penetrate industries and educate the marketplace on the benefits of its products may require significant resources and may never be successful. Such efforts to educate the marketplace may require more resources than are required by conventional technologies.

ScoutCam Inc. expects to face significant competition. If it cannot successfully compete with new or existing products, its marketing and sales will suffer and may never be profitable.

ScoutCam Inc. expects to compete against existing technologies and proven products in different industries. In addition, many of these competitors, either alone or together with their collaborative partners, operate larger research and development programs than ScoutCam Inc. does, and have substantially greater financial resources than it does, as well as significantly greater experience in obtaining applicable regulatory approvals applicable to the commercialization of ScoutCam Inc. products.

If ScoutCam Inc. is unable to establish sales, marketing and distribution capabilities or enter into successful relationships with third parties to perform these services, it may not be successful in commercializing our ScoutCam™.

ScoutCam Inc. is currently a B2B company, and its business is reliant on its ability to successfully attract potential business targets. Furthermore, ScoutCam Inc. has a limited sales and marketing infrastructure and has limited experience in the sale, marketing or distribution of its technologies beyond the B2B model. To achieve commercial success for its technologies or any future developed product, it will need to establish a sales and marketing infrastructure or to out-license such future products.

In the future, ScoutCam Inc. may consider building a focused sales and marketing infrastructure to market any future developed products and potentially other product in the United States or elsewhere in the world. Similarly, ScoutCam Inc. may consider evolving its business model in the future and adopting a business-to-consumer approach, or B2C. There are risks involved with establishing its own sales, marketing and distribution capabilities. For example, recruiting and training a sales force could be expensive and time consuming and could delay any product launch. This may be costly, and ScoutCam Inc.'s investment would be lost if it fails to retain or reposition its sales and marketing personnel.

Factors that may inhibit ScoutCam Inc.'s efforts to commercialize its products on its own include:

- its inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to potential customers;
- the lack of complementary products to be offered by sales personnel, which may put ScoutCam Inc. at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If ScoutCam Inc. is unable to establish its own sales, marketing and distribution capabilities or enter into successful arrangements with third parties to perform these services, its revenues and its profitability may be materially adversely affected.

In addition, ScoutCam Inc. may not be successful in entering into arrangements with third parties to sell, market and distribute its ScoutCam™ or other products inside or outside of the United States or may be unable to do so on terms that are favorable to it. ScoutCam Inc. likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market its products effectively. If ScoutCam Inc. does not establish sales, marketing and distribution capabilities successfully, either on its own or in collaboration with third parties, it will not be successful in commercializing its product candidates.

ScoutCam Inc.'s reliance on third-party suppliers for most of the components of its products could harm its ability to meet demand for its products in a timely and cost-effective manner, and such dependency can adversely affect its revenue.

ScoutCam Inc. relies on third-party suppliers for components and depends on obtaining adequate supplies of quality components on a timely basis with favorable terms to manufacture its commissioned products. Some of those components that are sold by ScoutCam Inc. are provided to it by a limited number of suppliers. ScoutCam Inc. will be subject to disruptions in its operations if its sole or limited supply contract manufacturers decrease or stop production of components or do not produce components and products of sufficient quantity. Alternative sources for ScoutCam Inc.'s components will not always be available. Many of its components are manufactured overseas, so they have long lead times, and events such as local disruptions, natural disasters or political conflict may cause unexpected interruptions to the supply of its products or components.

It is ScoutCam Inc.'s intention, to allocate financial resources to improve its inventory management, including establishing an inventory buffer of components appropriate to its business. However, it cannot assure that such attempts will be successful or that product or component shortages will not occur in the future. If ScoutCam Inc. cannot supply commissioned products or future potentially developed products due to a lack of components, or is unable to utilize other components in a timely manner, its business will be significantly harmed. If inventory shortages continue, they could be expected to have a material and adverse effect on ScoutCam Inc.'s future revenues and ability to effectively project future sales and operating results.

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

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

If any of ScoutCam Inc.'s products are defective, whether due to design or manufacturing defects, improper use of the product, or other reasons, it may voluntarily or involuntarily undertake an action to remove, repair, or replace the product at its own expense. In some circumstances, ScoutCam Inc. will be required to notify regulatory authorities of an action pursuant to a product failure.

ScoutCam Inc. rely on highly skilled personnel, and, if ScoutCam Inc. is unable to attract, retain or motivate qualified personnel, ScoutCam Inc may not be able to operate its business effectively.

ScoutCam Inc. success depends in large part on continued employment of senior management and key personnel who can effectively operate its business, as well as its ability to attract and retain skilled employees. Competition for highly skilled management, technical, research and development and other employees is intense and ScoutCam Inc. may not be able to attract or retain highly qualified personnel in the future. In making employment decisions, particularly in the job candidates often consider the value of the equity awards they would receive in connection with their employment. ScoutCam Inc. long-term incentive programs may not be attractive enough or perform sufficiently to attract or retain qualified personnel.

If any of ScoutCam Inc.'s employees leaves ScoutCam Inc., and ScoutCam Inc. fails to effectively manage a transition to new personnel, or if ScoutCam Inc. fails to attract and retain qualified and experienced professionals on acceptable terms, ScoutCam Inc. business, financial condition and results of operations could be adversely affected.

ScoutCam Inc. success also depends on having highly trained financial, technical, recruiting, sales and marketing personnel. ScoutCam Inc. will need to continue to hire additional personnel as ScoutCam Inc. business grows. A shortage in the number of people with these skills or ScoutCam Inc.'s failure to attract them could impede ScoutCam Inc.'s ability to increase revenues from its existing technology and services, ensure full compliance with international and federal regulations, or launch new product offerings and would have an adverse effect on ScoutCam Inc.'s business and financial results.

ScoutCam Inc. may not be able to obtain patents or other intellectual property rights necessary to protect its proprietary technology and business.

ScoutCam Inc. may seek to patent concepts, components, processes, designs and methods, and other inventions and technologies that it considers to have commercial value or that will likely give it a technological advantage. Despite devoting resources to the research and development of proprietary technology, ScoutCam Inc. may not be able to develop technology that is patentable or protectable. Patents may not be issued in connection with pending patent applications, and claims allowed may not be sufficient to allow them to use the inventions that they create exclusively. Furthermore, any patents issued could be challenged, re-examined, held invalid or unenforceable or circumvented and may not provide sufficient protection or a competitive advantage. In addition, despite efforts to protect and maintain patents, competitors and other third parties may be able to design around their patents or develop products similar to ScoutCam Inc. work products that are not within the scope of their patents. Finally, patents provide certain statutory protection only for a limited period of time that varies depending on the jurisdiction and type of patent.

Prosecution and protection of the rights sought in patent applications and patents can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. In addition, the breadth of claims allowed in its patents, their enforceability and its ability to protect and maintain them cannot be predicted with any certainty. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of the United States. Even if ScoutCam Inc.'s patents are held to be valid and enforceable in a certain jurisdiction, any legal proceedings that it may initiate against third parties to enforce such patents will likely be expensive, take significant time and divert management's attention from other business matters. ScoutCam Inc. cannot assure that any of its issued patents or pending patent applications provide any protectable, maintainable or enforceable rights or competitive advantages to it.

In addition to patents, ScoutCam Inc. will rely on a combination of copyrights, trademarks, trade secrets and other related laws and confidentiality procedures and contractual provisions to protect, maintain and enforce its proprietary technology and intellectual property rights in the United States and other countries. However, its ability to protect its brands by registering certain trademarks may be limited. In addition, while it will generally enter into confidentiality and nondisclosure agreements with its employees, consultants, contract manufacturers, distributors and resellers and with others to attempt to limit access to and distribution of its proprietary and confidential information, it is possible that:

- misappropriation of its proprietary and confidential information, including technology, will nevertheless occur;
- ScoutCam Inc.'s confidentiality agreements will not be honored or may be rendered unenforceable;
- third parties will independently develop equivalent, superior or competitive technology or products;
- disputes will arise with its current or future strategic licensees, customers or others concerning the ownership, validity, enforceability, use, patentability or registrability of its intellectual property; or
- unauthorized disclosure of ScoutCam Inc.'s know-how, trade secrets or other proprietary or confidential information will occur.

ScoutCam Inc. cannot assure that it will be successful in protecting, maintaining or enforcing its intellectual property rights. If ScoutCam Inc. is unsuccessful in protecting, maintaining or enforcing its intellectual property rights, then its business, operating results and financial condition could be materially adversely affected, which could:

- adversely affect ScoutCam Inc.'s reputation with customers;
- be time-consuming and expensive to evaluate and defend;
- cause product shipment delays or stoppages;
- divert management's attention and resources;
- subject ScoutCam Inc. to significant liabilities and damages;
- require ScoutCam Inc. to enter into royalty or licensing agreements; or
- require ScoutCam Inc. to cease certain activities, including the sale of products.

If it is determined that ScoutCam Inc. has infringed, violated or is infringing or violating a patent or other intellectual property right of any other person or if it is found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, ScoutCam Inc. may be prohibited from developing, using, distributing, selling or commercializing certain of its technologies unless it obtains a license from the holder of the patent or other intellectual property right. ScoutCam Inc. cannot assure that it will be able to obtain any such license on a timely basis or on commercially favorable terms, or that any such licenses will be available, or that workarounds will be feasible and cost-efficient. If ScoutCam Inc. do not obtain such a license or find a cost-efficient workaround, its business, operating results and financial condition could be materially adversely affected and it could be required to cease related business operations in some markets and restructure ScoutCam Inc. business to focus on its continuing operations in other markets.

Risks related to our MUSE™ Technology Business

We are currently proposing our MUSE™ system business for sale or grant of license. If we are unable to sell or license our MUSE™ business or unable to sell or license it in terms acceptable to us, we will have to write off our investment in the MUSE™ system, which will adversely affect our business.

We are currently proposing our MUSE™ system business for sale or license. If we are unable to sell or license our MUSE™ business or unable to sell or license it in terms acceptable to us, we could not derive any value from the sale and will lose significant cash flow, which, in turn, will adversely affect our financial results.

Several factors may delay or prevent us from selling or granting license to our MUSE™ system business:

- potential purchasers' or licensee perception on the cost, safety, efficacy, and convenience of the MUSE™ system in relation to alternative treatments and products;
- publicity concerning our products, including MUSE™, or competing products and treatments;
- patients suffering from adverse events while using the MUSE™ system; and
- competition from the pharmaceutical sector, which could harm the ability to market and commercialize the MUSE™ system and, as a result, impact the attractiveness of the MUSE™ system in the eyes of potential purchasers.

Further, we have only limited clinical data to support the value of the MUSE™ system, which may make patients, physicians and hospitals reluctant to accept or purchase our products, and as such a potential purchaser may be reluctant to purchase our MUSE™ business or such lack of data will be reflected in the purchase price.

Moreover, various modifications to our MUSE™ system regulator-cleared products may require new regulatory clearances or approvals or require a recall or cease marketing of the MUSE™ system until clearances or approvals are obtained. Clearances and approvals by the applicable regulator are subject to continual review, and the later discovery of previously unknown problems can result in product labeling restrictions or withdrawal of the product from the market. The potential loss of previously received approvals or clearances, or the failure to comply with existing or future regulatory requirements could reduce the potential sales, profitability and future growth prospects of the MUSE™.

We have entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (Golden Grand) for the know-how licensing and sale of good relating to the Medigus Ultrasonic Surgical Endostapler (MUSE™) system in China with a substantial amount of the consideration subject to milestone achievements.

We entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (Golden Grand) for the know-how licensing and sale of good relating to the Medigus Ultrasonic Surgical Endostapler (MUSE™) system in China, Hong Kong, Taiwan and Macao. The payment of a substantial amount of the consideration is contingent on achievement of certain milestones such as establishing a MUSE™ assembly line in China. In the event that we are not able to meet such milestones, due to various factors including natural disasters, public health crises, political crises and trade wars which are not under our control, our entitlement to the aggregate consideration under the agreement may be impaired.

Specifically, in December 2019, a strain of coronavirus (known as COVID-19) was reported to have surfaced in Wuhan, China, resulting in widespread measures with the goal of containing the virus. The World Health Organization has since declared a global emergency and classified the coronavirus as a global pandemic, due to the spread of the virus. As a result, our personnel's access to the China, our ability to transport the materials and equipment required in order to set up our MUSE™ assembly line is severely limited. To the extent the coronavirus outbreak persists, it may have an adverse impact on our revenues associated with MUSE™.

Risks Related to Our Intellectual Property

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

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

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

Non-payment or delay in payment of patent fees or annuities, whether intentional or unintentional, may also result in the loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to other parties. In addition, many countries limit the enforceability of patents against other parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, particularly in the field of medical products and procedures.

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

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

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

Our industry is characterized by competing intellectual property and a substantial amount of litigation over patent and other intellectual property rights. Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of a patent litigation action is often uncertain. No assurance can be given that patents containing claims covering our products, parts of our products, technology or methods do not exist, have not been filed or could not be filed or issued. Furthermore, our competitors or other parties may assert that our products and the methods we employ in the use of our products are covered by U.S. or foreign patents held by them. In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending of which we are unaware and which may result in issued patents which our current or future products infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications with claims that we infringe. There could also be existing patents that one or more of our products or parts may infringe and of which we are unaware. As the number of competitors in the endoscopic procedure market grows, and as the number of patents issued in this area grows, the possibility of patent infringement claims against us increases.

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

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

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

Certain of our employees and personnel were previously employed at universities, medical institutions, or other biotechnology or pharmaceutical companies. Although we try to ensure that our employees, consultants, and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employee's former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Furthermore, universities or medical institutions who employ some of our key employees and personnel in parallel to their engagement by us may claim that intellectual property developed by such person is owned by the respective academic or medical institution under the respective institution intellectual property policy or applicable law.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

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

Disruptions to our information technology systems due to cyber-attacks or our failure to upgrade and adjust our information technology systems, may materially impair our operations, hinder our growth and materially and adversely affect our business and results of operations.

We believe that an appropriate information technology, or IT, infrastructure is important in order to support our daily operations and the growth of our business. If we experience difficulties in implementing new or upgraded information systems or experience significant system failures, or if we are unable to successfully modify our management information systems or respond to changes in our business needs, we may not be able to effectively manage our business, and we may fail to meet our reporting obligations. Additionally, if our current back-up storage arrangements and our disaster recovery plan are not operated as planned, we may not be able to effectively recover our information system in the event of a crisis, which may materially and adversely affect our business and results of operations.

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. High-profile security breaches at other companies and in government agencies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyber-attacks targeting businesses such as ours. Computer hackers and others routinely attempt to breach the security of technology products, services and systems, and to fraudulently induce employees, customers, or others to disclose information or unwittingly provide access to systems or data. We can provide no assurance that our current IT system or any updates or upgrades thereto and the current or future IT systems of our distributors use or may use in the future, are fully protected against third-party intrusions, viruses, hacker attacks, information or data theft or other similar threats. Legislative or regulatory action in these areas is also evolving, and we may be unable to adapt our IT systems or to manage the IT systems of third parties to accommodate these changes. We have experienced and expect to continue to experience actual or attempted cyber-attacks of our IT networks. Although none of these actual or attempted cyber-attacks has had a material adverse impact on our operations or financial condition, we cannot guarantee that any such incidents will not have such an impact in the future.

We have entered into agreements relating to our products and intellectual property with distributors and companies which have business operations outside the U.S which include rights to develop and improve our intellectual property.

In that past, we have entered into distribution agreements with various international distributers for the sale of our MUSE™ products in locations such as Italy, Turkey Switzerland and the United States. Although to date we have terminated the distributor agreements to which we were party, during the terms of such agreements we provided our distributors with our solutions and products and are therefore exposed to risk of reverse engineering and theft of intellectual property. To date, we are not aware of any such theft or infringement. If such a theft or infringement we're to occur, we cannot be sure that the intellectual property laws applicable in our former distributors' geographies would provide us with sufficient remedies.

In addition, we have transferred some of our intellectual property to our indirect subsidiary ScoutCam Ltd. and have received a license back with respect to such patents for the purpose of developing, marketing and sale our MUSE™ technology. Furthermore, we are currently party to patent license agreements with ScoutCam Ltd. which grants ScoutCam Ltd. rights to further develop and improve on such patents. We believe that the current arrangements with ScoutCam Ltd. are governed by reasonable terms which provide us with sufficient freedom to conduct our business, however we cannot guarantee that such freedom shall persist.

Risks related to Regulatory Compliance

If we or our contractors or service providers fail to comply with regulatory laws and regulations, we or they could be subject to regulatory actions, which could affect our ability to develop, market and sell our products in the medical field and any other or future products that we may develop and may harm our reputation in the medical field.

If we or our manufacturers or other third-party contractors fail to comply with applicable federal, state or foreign laws or regulations, including with respect to healthcare and data privacy, we could be subject to regulatory actions, which could affect our ability to develop, market and sell our current products or any future products which we may develop in the future and could harm our reputation and lead to reduced demand for or non-acceptance of our proposed products by the market.

Regulatory reforms may adversely affect our ability to sell our products profitably.

From time to time, legislation is drafted and introduced in the United States, European Union or other countries in which we operate, that could significantly change the statutory provisions governing the clearance or approval, manufacture and marketing of our products, including in the medical devices industry. In addition, regulations and guidance may often be revised or reinterpreted by the regulatory authorities in ways that may significantly affect our business and our products. It is impossible to predict whether legislative changes will be enacted or interpretations changed, and what the impact of such changes, if any, may be.

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

The application of our MUSE™ system as a medical device is subject to extensive regulation by the FDA, pursuant to the Federal Food, Drug, and Cosmetic Act, or FDCA, and various other federal, state and foreign governmental authorities. Government regulations and requirements specific to medical devices are wide ranging and govern, among other things:

- design, development and manufacturing;
- testing, labeling and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- premarket clearance or approval;
- record keeping procedures;
- advertising and promotions; and
- product recalls and field corrective actions.

We are subject to annual regulatory audits in order to maintain our quality system certifications, CE mark permissions, FDA Clearance and Canadian medical device license. We do not know whether we will be able to continue to affix the CE mark for new or modified products or that we will continue to meet the quality and safety standards required to maintain the permissions and license we have already received. If we are unable to maintain our quality system certifications and permission to affix the CE mark to our products, we will no longer be able to sell our products in member countries of the European Union or other areas of the world that require CE's or FDA's approval of medical devices. If we are unable to maintain our quality system certifications and Canadian medical device license, we will not be able to sell our products in Canada.

Our medical device products and operations are also subject to regulation by the Medical Devices and Accessories Division in the Israeli Ministry of Health, or AMAR, which is responsible for the registration of medical devices in Israel, issuance of import licenses and monitoring marketing of medical equipment. We have received an AMAR approval in Israel. If we fail to comply with the extensive government regulations relating to our business, we may be subject to fines, injunctions and other penalties that could harm our business.

Risks Related to our Operations in Israel

Our headquarters, manufacturing facilities, and administrative offices are located in Israel and, therefore, our results may be adversely affected by military instability in Israel.

Our offices are located in Israel. In addition, our officers and directors are residents of Israel. Accordingly, geopolitical or military conditions in Israel and its region may directly or indirectly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. During July and August 2014, Hamas and Israel were engaged in a military conflict that caused damage and disrupted economic activities in Israel. During November 2012, Hamas and Israel were engaged in an armed conflict and during the summer of 2006, Israel was engaged in an armed conflict with Hezbollah, a Lebanese Islamist Shiite militia group and political party. These conflicts involved missile strikes against civilian targets in various parts of Israel, including areas in which our employees and consultants are located, and negatively affected business conditions in Israel. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions and could harm our results of operations and could make it more difficult for us to raise capital. The conflict situation in Israel could cause situations where medical product certifying or auditing bodies could not be able to visit our manufacturing facilities in order to review our certifications or clearances, thus possibly leading to temporary suspensions or even cancellations of our clearances or manufacturing certifications. The conflict situation in Israel could also result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Furthermore, several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in the region continue or intensify. Such restrictions may seriously limit our ability to sell our products to customers in those countries.

Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts would likely negatively affect business conditions generally and could harm our results of operations.

The legislative power of the State resides in the Knesset, a unicameral parliament that consists of 120 members elected by nationwide voting under a system of proportional representation. Israel's most recent general elections were held on April 9, 2019 and September 17, 2019. Following the elections, the President selected Benjamin Netanyahu of the Likud party to form a coalition government. The Likud party was unable to form a coalition in the newly selected Knesset by the stated deadline. Subsequently, the Knesset passed a dissolution bill declaring that the next general elections will be held in March 2020. The elections we're held on March 2, 2020, following which the President selected Benny Gantz of the Blue and White Party, to attempt to form a collation. Following the failure of Benny Gantz to form a coalition, on April 16, 2020 the President commenced a twenty one (21) day period during which any member of Knesset may attempt to form a coalition, however a coalition has not yet been formed. The uncertainty surrounding the Knesset's ability to form a coalition and government in Israel and may continue and the political situation in Israel may further deteriorate. Actual or perceived political instability in Israel or any negative changes in the political environment, may individually or in the aggregate adversely affect the Israeli economy and, in turn, the Group's business, financial condition, results of operations and prospects.

Exchange rate fluctuations between foreign currencies and the U.S. Dollar may negatively affect our earnings.

Our reporting and functional currency is the U.S. dollar. Our and ScoutCam Ltd. revenues are currently primarily payable in U.S. dollars and we expect our future revenues to be denominated primarily in U.S. dollars. However, certain amount of our expenses are in NIS and as a result, we are exposed to the currency fluctuation risks relating to the recording of our expenses in U.S. dollars. We may, in the future, decide to enter into currency hedging transactions. These measures, however, may not adequately protect us from material adverse effects.

The government tax benefits that we currently are entitled to receive require us to meet several conditions and may be terminated or reduced in the future.

Some of our operations in Israel may entitle us to certain tax benefits under the Law for the Encouragement of Capital Investments, 5719-1959, or the Investments Law, once we begin to produce taxable income. From time to time, the government of Israel has considered reducing or eliminating the tax benefits available to Benefitted Enterprise programs such as ours. If we do not meet the requirements for maintaining these benefits, they may be reduced or cancelled and the relevant operations would be subject to Israeli corporate tax at the standard rate, which was set at 23% in 2018 and thereafter. In addition to being subject to the standard corporate tax rate, we could be required to refund any tax benefits that we have already received, plus interest and penalties thereon. Even if we continue to meet the relevant requirements, the tax benefits that our current "Benefitted Enterprise" is entitled to may not be continued in the future at their current levels, or at all. If these tax benefits were reduced or eliminated, the amount of taxes that we would have to pay if we produce revenues would likely increase, as all of our operations would consequently be subject to corporate tax at the standard rate, which could adversely affect our results of operations. Additionally, if we increase our activities outside of Israel, for example, by way of acquisitions, our increased activities may not be eligible for inclusion in Israeli tax benefits programs. See "Item 10. Additional Information - E. Taxation."

In the past, we received Israeli government grants for certain of our research and development activities. The terms of those grants may require us, in addition to payment of royalties, to satisfy specified conditions in order to manufacture products and transfer technologies outside of Israel, including increase of the amount of our liabilities in connection with such grants. If we fail to comply with the requirements of the Innovation Law (as defined below), we may be required to pay penalties in addition to repayment of the grants, and may impair our ability to sell our technology outside of Israel.

Some of our research and development efforts were financed in part through royalty-bearing grants, in an amount of $0.2 million that we received from the Israeli Innovation Authority of the Israeli Ministry of Economy and Industry, or IIA. When know-how is developed using IIA grants, the Encouragement of Research, Development and Technological Innovation in the Industry Law 5744-1984 (formerly known as the Law for the Encouragement of Research and Development in Industry 5744-1984), or the Innovation Law and the regulations thereunder, restricts our ability to manufacture products and transfer technology and know-how, developed as a result of IIA funding, outside of Israel.

Under the Innovation Law and the regulations thereunder, a recipient of IIA grants is required to return the grants by the payment of royalties of 3% to 6% on the revenues generated from the sale of products (and related services) developed (in whole or in part) under IIA program up to the total amount of the grants received from IIA, linked to the U.S. dollar and bearing interest at an annual rate of LIBOR applicable to U.S. dollar deposits, as published on the first business day of each calendar year.

The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate (LIBOR), announced in July 2017 that it will no longer persuade or require banks to submit rates for LIBOR after 2021. The grants received from the IIA bear an annual interest rate based on the 12-month LIBOR. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021. While it is not currently possible to determine precisely whether, or to what extent, the withdrawal and replacement of LIBOR would affect us, the implementation of alternative benchmark rates to LIBOR may increase our financial liabilities to the IIA. To date, IIA has not published a decision regarding an alternative benchmark to be used in the LIBOR's stead.

Transfer of IIA funded know-how and related intellectual property rights outside of Israel, including by way of license for research and development purpose requires pre-approval by IIA and imposes certain conditions, including, requirement of payment of a redemption fee calculated according to the formula provided in the Innovation Law which takes into account, among others, the consideration for such know-how paid to us in the transaction in which the technology is transferred, research and development expenses, the amount of IIA support, the time of completion of IIA supported research project and other factors, while the redemption fee will not exceed 600% of the grants amount plus interest. No assurance can be given that approval to any such transfer, if requested, will be granted and what will be the amount of the redemption fee payable.

Transfer of IIA funded know-how and related intellectual property rights to an Israeli company requires a pre-approval by IIA and may be granted if the recipient undertakes to fulfil all the liabilities to IIA and undertakes to abide by the provisions of Innovation Law, including the restrictions on the transfer of know-how and the manufacturing rights outside of Israel and the obligation to pay royalties (note that there will be an obligation to pay royalties to IIA from the income received by us in connection with such transfer transaction as part of the royalty payment obligation). No assurance can be given that approval to any such transfer, if requested, will be granted.

In addition, the products may be manufactured outside Israel by us or by another entity only if prior approval is received from IIA (such approval is not required for the transfer outside of Israel of less than 10% of the manufacturing capacity in the aggregate, and in such event only a notice to IIA is required). As a condition for obtaining approval to manufacture outside Israel, we would be required to pay increased royalties, which usually amount to 1% in addition to the standard royalties rate, and also the total amount of our liability to IIA will be increased to between 120% and 300% of the grants we received from IIA, depending on the manufacturing volume that is performed outside Israel (less royalties already paid to IIA). This restriction may impair our ability to outsource manufacturing rights abroad, however, does not restrict export of our products that incorporate IIA funded know-how.

A company also has the option of declaring in its IIA grant application its intention to exercise a portion of the manufacturing capacity abroad, thus avoiding the need to obtain additional approval. Such declaration may affect the increased royalties cap.

The restrictions under the Innovation Law (such as with respect to transfer of manufacturing rights abroad or the transfer of IIA funded know-how and related intellectual property rights abroad) will continue to apply even our liabilities to IIA in full and will cease to exist only upon payment of the redemption fee described above.

Furthermore, in the event that we undertake a transaction involving the transfer to a non-Israeli entity of technology developed with IIA funding pursuant to a merger or similar transaction, the consideration available to our shareholders may be reduced by the amounts we are required to pay to IIA. Any approval, if given, will generally be subject to additional financial obligations. Failure to comply with the requirements under the Innovation Law may subject us to mandatory repayment of grants received by us (together with interest and penalties), as well as expose us to criminal proceedings.

In May 2017, IIA issued new rules for licensing know how developed with IIA funding outside of Israel, or the Licensing Rules, allowing us to enter into licensing arrangements or grant other rights in know-how developed under IIA programs outside of Israel, subject to the prior consent of IIA and payment of license fees to IIA, calculated in accordance with the Licensing Rules. The payment of the license fees will not discharge us from the obligations to pay royalties or other payments to IIA.

We were members of an IIA-related consortium, in which certain of our technologies were developed. We are required to provide licenses to the other members of the consortium to use such technologies for no consideration, which could reduce our profitability.

Certain of our miniaturized imaging equipment may be based on technological models developed as part of the Bio Medical Photonic Consortium in the framework of Magnet program of the IIA. We received $2.3 million from IIA in the framework of the Consortium. The property rights in and to "new information" (as such term is defined therein) which has been developed by a member of the Consortium, in the framework of a research and development program conducted as part of the Consortium, belongs solely to the Consortium member that developed it. The developing member is obligated to provide the other members in the Consortium a non-sublicensable license to use of the "new information" developed by such member, without consideration, provided that the other members do not transfer such "new information" to any entity which is not a member of the Consortium, without the consent of such member. No royalties from this funding are payable to the Israeli government, however, the provisions of the Innovation Law and related regulations regarding, inter alia, the restrictions on the transfer of know-how outside of Israel do apply, mutatis mutandis.

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

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

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax.

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

It may be difficult to enforce a judgment of a U.S. court against us and our officers and directors and the Israeli experts named in this annual report on Form 20-F in Israel or the U.S., to assert United States securities laws claims in Israel or to serve process on our officers and directors and these experts.

We are incorporated in Israel. Certain of our executive officers and directors reside in Israel and most of our assets and most of the assets of these persons are located outside of the United States. Therefore, a judgment obtained against us, or any of these persons in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not necessarily be enforced by an Israeli court. It may also be difficult to affect service of process on these persons in the United States or to assert United States securities law claims in original actions instituted in Israel.

Even if an Israeli court agrees to hear such claim, it may determine that Israeli law, and not U.S. law is applicable to the claim. Under Israeli law, if U.S. law is found to be applicable to such claim, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process, and certain matters of procedure would also be governed by Israeli law. There is little binding case law in Israel that addresses the matters.

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

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in typical U.S.-registered corporations. In particular, a shareholder of an Israeli company has certain duties to act in good faith and fairness towards the company and other shareholders, and to refrain from abusing its power in the company. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

The ability of any Israeli company to pay dividends is subject to Israeli law and the amount of cash dividends payable may be subject to devaluation in the Israeli currency.

The ability of an Israeli company to pay dividends is governed by Israeli law, which provides that cash dividends may be paid only out of retained earnings or earnings derived over the two most recent fiscal years, whichever is higher, as determined for statutory purposes in Israeli currency, provided that there is no reasonable concern that payment of a dividend will prevent a company from satisfying its existing and foreseeable obligations as they become due. In the event of a devaluation of the Israeli currency against the U.S. dollar, the amount in U.S. dollars available for payment of cash dividends out of prior years' earnings will decrease.

The termination or reduction of tax and other incentives that the Israeli Government provides to domestic companies may increase the costs involved in operating a company in Israel.

The Israeli government currently provides major tax and capital investment incentives to domestic companies, as well as grant and loan programs relating to research and development and marketing and export activities. In recent years, the Israeli Government has reduced the benefits available under these programs and the Israeli Governmental authorities have indicated that the government may in the future further reduce or eliminate the benefits of those programs. We currently take advantage of these programs. There is no assurance that such benefits and programs would continue to be available in the future to us. If such benefits and programs were terminated or further reduced, it could have an adverse effect on our business, operating results and financial condition.

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

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, will determine whether the employee is entitled to remuneration for his inventions. Recent case law clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that in certain circumstances, such waiver does not necessarily have to be explicit. The Committee will examine, on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). Although we generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

Risks Related to an Investment in the Securities

We may be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes in 2019 or in any subsequent year. This may result in adverse U.S. federal income tax consequences for U.S. taxpayers that are holders of our securities.

We will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (1) at least 75% of our gross income is "passive income" or (2) on average at least 50% of our assets by value produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. Passive income also includes amounts derived by reason of the temporary investment of funds, including those raised in a public offering. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account. There can be no assurance that we are not a PFIC in 2019 and will not be a PFIC in subsequent years, as our operating results for any such years may cause us to be a PFIC. If we are a PFIC in 2019, or any subsequent year, and a U.S. shareholder does not make an election to treat us as a "qualified electing fund," or QEF, or make a "mark-to-market" election, then "excess distributions" to a U.S. shareholder, and any gain realized on the sale or other disposition of our securities will be subject to special rules. Under these rules: (1) the excess distribution or gain would be allocated ratably over the U.S. shareholder's holding period for the securities; (2) the amount allocated to the current taxable year and any period prior to the first day of the first taxable year in which we were a PFIC would be taxed as ordinary income; and (3) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. In addition, if the U.S. Internal Revenue Service, or the IRS, determines that we are a PFIC for a year with respect to which we have determined that we were not a PFIC, it may be too late for a U.S. shareholder to make a timely QEF or mark-to-market election. U.S. shareholders who hold or have held our securities during a period when we were or are a PFIC will be subject to the foregoing rules, even if we cease to be a PFIC in subsequent years, subject to exceptions for U.S. shareholders who made a timely QEF or mark-to-market election. A U.S. shareholder can make a QEF election by completing the relevant portions of and filing IRS Form 8621 in accordance with the instructions thereto.

The market prices of our securities are subject to fluctuation, which could result in substantial losses by our investors.

The stock market in general and the market prices of our ordinary shares on TASE, and the ADSs on Nasdaq, in particular, are or will be subject to fluctuation, and changes in these prices may be unrelated to our operating performance. We anticipate that the market prices of our securities will continue to be subject to wide fluctuations. The market price of our securities is, and will be, subject to a number of factors, including:

- announcements of technological innovations or new products by us or others;
- announcements by us of significant acquisitions, strategic partnerships, in-licensing, out-licensing, joint ventures or capital commitments;
- expiration or terminations of licenses, research contracts or other collaboration agreements;
- public concern as to the safety of the equipment we sell;
- the volatility of market prices for shares of medical devices companies generally;
- developments concerning intellectual property rights or regulatory approvals;
- variations in our and our competitors' results of operations;

- changes in revenues, gross profits and earnings announced by the company;
- changes in estimates or recommendations by securities analysts, if our ordinary shares or the ADSs are covered by analysts;
- fluctuations in the stock price of our publicly traded subsidiaries;
- changes in government regulations or patent decisions; and
- general market conditions and other factors, including factors unrelated to our operating performance.

These factors may materially and adversely affect the market price of our securities s and result in substantial losses by our investors.

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

We may seek additional capital through a combination of private and public equity offerings, debt financings and collaborations and strategic and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms of any such offerings may include liquidation or other preferences that may adversely affect the then existing shareholders rights. Debt financing, if available, would result in increased fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring debt or making capital expenditures. If we raise additional funds through collaboration, strategic alliance or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that are not favorable to us.

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

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

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

Even though our Series C Warrant are listed on Nasdaq, there is no assurance that a market will be sustained or maintain a high enough per warrant trading price to maintain the national exchange listing requirements in the future. Without an active market, the liquidity of the Series C Warrants will be limited.

Our Series C Warrants are speculative in nature.

The Series C Warrants do not confer any rights of ownership of ordinary shares or ADSs on their holders, such as voting rights or the right to receive dividends, but only represent the right to acquire ADSs at a fixed price for a limited period of time. Holders of the Series C Warrants may exercise their right to acquire ADSs and pay the exercise price per ADS of $3.50, subject to adjustment upon certain events, prior to five years from the date of issuance, after which date any unexercised warrants will expire and have no further value.

Future sales of our securities could reduce their market price.

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

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

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

The depositary for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying the ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act of 1933, as amended, or the Securities Act, but that are not properly registered or distributed under an applicable exemption from registration. In addition, conversion into U.S. dollars from foreign currency that was part of a dividend made in respect of deposited ordinary shares may require the approval or license of, or a filing with, any government or agency thereof, which may be unobtainable. In these cases, the depositary may determine not to distribute such property and hold it as "deposited securities" or may seek to effect a substitute dividend or distribution, including net cash proceeds from the sale of the dividends that the depositary deems an equitable and practicable substitute. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. In addition, the depositary may withhold from such dividends or distributions its fees and an amount on account of taxes or other governmental charges to the extent the depositary believes it is required to make such withholding. This means that you may not receive the same distributions or dividends as those we make to the holders of our ordinary shares, and, in some limited circumstances, you may not receive any value for such distributions or dividends if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of the ADSs.

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

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

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

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

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

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

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company for up to five years. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements. We cannot predict whether investors will find our securities less attractive if we rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and the price of our securities may be more volatile.

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

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

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

Our securities are traded on different markets and this may result in price variations.

Our ordinary shares have been traded on TASE since February 2006 and our ADSs have been traded on Nasdaq since August 5, 2015. Trading in our securities on these markets takes place in different currencies (U.S. dollars on the Nasdaq and NIS on the TASE), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). The trading prices of these securities on these two markets may differ due to these and other factors. Any decrease in the price of our securities on one of these markets could cause a decrease in the trading price of our securities on the other market.

We incur additional increased costs as a result of the listing of the ADSs for trading on Nasdaq, and our management is required to devote substantial time to new compliance initiatives and reporting requirements.

As a public company in the United States, we incur significant accounting, legal and other expenses as a result of the listing of the ADSs on Nasdaq. These include costs associated with corporate governance requirements of the Securities Exchange Commission, or the SEC, and the Marketplace Rules of the Nasdaq, as well as requirements under Section 404 and other provisions of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. These rules and regulations increase our legal and financial compliance costs, introduce costs such as investor relations, stock exchange listing fees and shareholder reporting, and make some activities more time consuming and costly. Any future changes in the laws and regulations affecting public companies in the United States and Israel, including Section 404 and other provisions of the Sarbanes-Oxley Act, the rules and regulations adopted by the SEC and the rules of the Nasdaq Stock Market, as well as compliance with the applicable full Israeli reporting requirements which currently apply to us as a company listed on the TASE (for so long as they apply to us, pending shareholder approval by special majority of a change to our TASE reporting requirements to allow us to report to the TASE in the same manner in which we report to the SEC), may result in increased costs to us as we respond to such changes. These laws, rules and regulations could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

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

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the rules of the Nasdaq for domestic issuers. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on the Nasdaq, may provide less protection than is accorded to investors under the rules of the Nasdaq applicable to domestic issuers. For more information, see "Item 16G. Corporate Governance - Nasdaq Stock Market Listing Rules and Home Country Practices."

In addition, as a foreign private issuer, we are exempt from the rules and regulations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

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

We are a foreign private issuer, as such term is defined in Rule 405 under the Securities Act, and therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the Exchange Act and related rules and regulations. Under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2020.

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

We have identified a material weakness in our internal control over financial reporting. If we fail to maintain effective internal control over financial reporting, we may be unable to report our financial results accurately or meet our reporting obligations, the reliability of our financial statements may be questioned, and our securities price may suffer.

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

In connection with the issuance of our consolidated financial statements for the year ended December 31, 2019, we identified a material weakness in our internal control over financial reporting as of December 31, 2019. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We have initiated actions toward remediating this material weakness by identifying our staffing requirements and commencing the process of hiring additional personnel for our finance team with the appropriate level of training and expertise. However, the implementation of these initiatives may not fully address this or any other material weakness or other deficiencies that we may have in our internal control over financial reporting.

We will continue to assess our internal control environment and the potential remediation of this material weakness. If we are unable to certify that our internal control over financial reporting is effective pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we could lose investor confidence in the accuracy and completeness of our financial reports, which could harm our business, the price of our ordinary shares and our ability to access the capital markets.

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

We may not satisfy Nasdaq's requirements for continued listing. If we cannot satisfy these requirements, Nasdaq could delist our securities.

Our ADSs are listed on Nasdaq under the symbol "MDGS". To continue to be listed on Nasdaq, we are required to satisfy a number of conditions, including a minimum bid price of at least $1.00 per ADS, a market value of our publicly held shares of at least $1 million and shareholders' equity of at least $2.5 million.

If we are delisted from Nasdaq, trading in our securities may be conducted, if available, on the OTC Markets or, if available, via another market. In the event of such delisting, our shareholders would likely find it significantly more difficult to dispose of, or to obtain accurate quotations as to the value of our securities, and our ability to raise future capital through the sale of our securities could be severely limited. In addition, if our securities were delisted from Nasdaq, our ADSs could be considered a "penny stock" under the U.S. federal securities laws. Additional regulatory requirements apply to trading by broker-dealers of penny stocks that could result in the loss of an effective trading market for our securities. Moreover, if our securities were delisted from Nasdaq, we will no longer be exempt from certain provision of the Israeli Securities Law, and therefore will have increased disclosure requirements.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal and commercial name is Medigus Ltd. We were incorporated in the State of Israel on December 9, 1999, as a private company pursuant to the Israeli Companies Ordinance (New Version), 1983. In February 2006, we completed our initial public offering in Israel, and our ordinary shares have since traded on TASE, under the symbol "MDGS". In May 2015, we listed the ADSs on Nasdaq, and since August 2015 the ADSs have been traded on Nasdaq under the symbol "MDGS". Our Series C Warrants have been trading on Nasdaq under the symbol "MDGSW" since July 2018. Each Series C Warrant is exercisable into one ADS for an exercise price of $3.50 and will expire five years from the date of issuance. Each ADS represents 20 ordinary shares.

We are a public limited liability company and operate under the provisions of the Companies Law. Our registered office and principal place of business are located at Omer Industrial Park, No. 7A, P.O. Box 3030, Omer 8496500, Israel and our telephone number in Israel is + 972-72-260-2200. Our website address is www.medigus.com. The information contained on our website or available through our website is not incorporated by reference into and should not be considered a part of this annual report on Form 20-F.

On July 24, 2007, we formed a wholly owned subsidiary in the State of Delaware under the name Medigus USA LLC, or the Medigus U.S. On October 1, 2013, a service agreement was executed between the Company and Medigus U.S. whereby Medigus U.S. would render services to the Company against reimbursement of its direct expenses as well as a premium at a reasonable rate. In February 2019, Medigus USA LLC ceased its operations due to the termination of Chris Rowland, the Company's previous chief executive officer.

On January 3, 2019, we formed a wholly owned subsidiary in Israel under the name ScoutCam Ltd. ScoutCam Ltd. was incorporated as part of a reorganization of the Company intended to distinguish the Company's miniaturized imaging business, or the micro ScoutCam™ portfolio, from the other operations of the Company and to enable the Company to form a separate business unit with dedicated resources focused on the promotion of such technology.

On March 4, 2019, we entered into a binding memorandum of understanding with Linkury Ltd., pursuant to which we intended to establish a commercial technological platform for the manufacturing, marketing and distribution of cannabidiol (CBD) based products. Following a review of the transaction, we have decided to terminate it.

On June 3, 2019, we entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (Golden Grand) for the know-how licensing and sale of good relating to the Medigus Ultrasonic Surgical Endostapler (MUSE™) system in China, Hong Kong, Taiwan and Macao. Under the agreement, we committed to provide a license, training services and goods to Golden Grand in consideration for $3,000,000 to be paid to us in four milestone based installments. To date, some of these milestones have been achieved and the Company has received $1,800,000. The final milestone shall be completed and the final installment paid upon completion of a MUSE™ assembly line in China.

On September 3, 2019, we consummated an investment agreement in Algomizer Ltd., or Algomizer, and its wholly owned subsidiary Linkury Ltd., or Linkury, for an aggregate investment of $5,000,000. The investment agreement contains customary provisions and warranties, and provides for us to invest NIS 5.4 million directly in Algomizer, which engages in internet advertising and whose shares are traded on the Tel Aviv Stock Exchange. The investment was made at a price per Algomizer share of NIS 4.15. We invested an additional NIS 9 million through a direct acquisition of the shares of Linkury from Algomizer, at a company valuation of Linkury of approximately NIS 96 million. In addition, we invested an additional $1 million in Algomizer through equity exchange by issuing Algomizer American Depositary Shares (ADRs) at a price of $3 per ADR in consideration for Algomizer shares based on a price per Algomizer share of NIS 4.15. In addition, We issued Algomizer warrants to purchase our ADRs in an amount equal to the ADRs issued to Algomizer, at an exercise price of $4 per ADR.

On December 1, 2019, Medigus and ScoutCam Ltd. consummated a certain Amended and Restated Asset Transfer Agreement, effective March 1, 2019, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business (A&R Transfer Agreement), and a patent license. Under the A&R Transfer Agreement, we transferred two patent families in exchange for a license in connection with the marketing and sale of the Medigus Ultrasonic Surgical Endostapler. In addition, we granted to ScoutCam Ltd. a license to access, use, improve, develop, market and sell licensed intellectual property, including the right to any future versions, enhancements, improvements and derivative works of such licensed intellectual property in connection with the development and commercialization of the ScoutCam™ miniature video technology.

On December 30, 2019, or the Closing, we consummated a securities exchange agreement with Intelllisense Solutions Inc., a Nevada corporation (Intellisense), and as a result we assigned, transferred and delivered 100% of our holdings in ScoutCam Ltd. to Intellisense, in exchange for (i) common stock representing 60% of Intellisense's issued and outstanding share capital as of the Closing, and (ii) in the event ScoutCam Ltd. achieves $33,000,000 in aggregate sales within the first three (3) years immediately following the Closing, we will receive additional shares of Intellisense's common stock representing 10% of its outstanding share capital as of the Closing. Simultaneous with the Closing, Intellisense consummated a financing transaction in the aggregate amount of $3.3 million (gross) based on a company post-money valuation of $13.3 million. Following the aforementioned transaction, Intellisense changed its name to ScoutCam Inc.

On January 13, 2020, together with our advisor Mr. Kfir Zilberman we formed a subsidiary in Delaware, in which we hold 90% of the stock capital, under the name GERD IP, Inc., or GERD IP. GERD IP was incorporated in accordance with our efforts to reorganize our assets and increase asset and organizational efficiencies. In connection thereto, the Company entered into a founders agreement as of January 12, 2020, with Kfir Zilberman. The founders agreement subjects the transfer of GERD IP membership interests held by Kfir Zilberman to a right of first offer, and provides that owners of 51% of GERD IP membership interest may enforce a sale of GERD IP on the minority membership interest. The Company is obligated under the founders agreement to indemnify Kfir Zilberman for litigations expenses imposed on him or incurred by him in connection with his capacity as owner of a membership interest in GERD IP.

On February 18, 2020, we purchased 2,284,865 shares of Matomy, which represents 2.32% of its issued and outstanding share capital. On March 24, 2020 we completed an additional purchase of 22,326,246 shares of Matomy, raising our aggregate holdings in Matomy to 24.99% of Matomy's issued and outstanding share capital.

On April 19, 2020, we entered an Asset Transfer Agreement, effective January 20, 2020 with our majority owned subsidiary GERD IP, Inc. Pursuant to the Asset Transfer Agreement, we transferred certain of our patents in consideration for seven (7) capital notes issued to us by GERD IP, Inc., of $2,000,000 each.

Following the technology transfer and the securities exchange agreement, ScoutCam Inc. began examining additional applications for our micro ScoutCam™ portfolio outside of the medical device industry, among others, the defense, aerospace, automotive, and industrial non-destructing-testing industries and is pursuing opportunities and collaborations in this field. ScoutCam Inc. plans to further expand the activity in these non-medical spaces.

In addition, we have previously engaged in the development, production and marketing of innovative endoscopic surgical devices for the treatment of Gastroesophageal Reflux Disease, or GERD, a common ailment which is predominantly treated by medical therapy (e.g., proton pump inhibitors*)* or in more chronic cases, conventional open or laparoscopic surgery. Our FDA-cleared and CE-marked product, known as the MUSE™ System, enables a trans-orifice procedure, or scar less procedure through a natural opening in the body, that requires no incision for the treatment of GERD by reconstruction of the esophageal valve where the stomach and the esophagus meet. We are no longer maintaining efforts to commercialize the MUSE™ System and rather are pursuing potential opportunities to sell or grant a license for the use of our MUSE™ technology.

Principal Capital Expenditures

We and ScoutCam Ltd. had capital expenditures of approximately $62,000, and $11,000 and $9,000 in the years ended on December 31, 2019, 2018, and 2017, respectively. Our capital expenditures are primarily for network infrastructure, computer hardware, purchase of machinery and software and leasehold improvements of our facilities. We have financed our capital expenditures from our available cash. We expect to maintain our capital expenditures in 2020 with a consistent volume.

There are no significant capital expenditures or divestitures currently in progress by the Company.

B. Business Overview

Overview

We previously engaged in the development, production and marketing of innovative miniaturized imaging equipment known as the micro ScoutCam™ portfolio for use in medical procedures as well as various industrial applications, through our Israeli subsidiary, ScoutCam Ltd. ScoutCam Ltd. was incorporated as part of a reorganization of the Company intended to distinguish the Company's micro ScoutCam™ portfolio from the other operations of the Company and to enable the Company to form a separate business unit with dedicated resources, focused on the promotion of our miniaturized imaging technology. After we completed the transfer of all of the Company's assets and intellectual property related to the Company's miniature video cameras business into ScoutCam Ltd., we consummated a securities exchange agreement with Intellisense Solutions Inc., under which we received 60% of the issued and outstanding stock of Intellisense Solutions Inc. in consideration for 100% of our holdings in ScoutCam Ltd. Following the aforementioned transactions, Intellisense Solutions Inc. changed its name to ScoutCam Inc. Since the securities exchange agreement, the commercialization efforts relating to the ScoutCam™ portfolio are carried out exclusively by ScoutCam Inc.

ScoutCam Inc. is examining and pursuing additional applications for the micro ScoutCam™ portfolio outside of the medical device industry, among others, the defense, aerospace, automotive, and industrial non-destructing-testing industries, and plans to further expand the activity in these non-medical spaces.

In addition, we have been engaged in the development, production and marketing of innovative surgical devices with direct visualization capabilities for the treatment of Gastroesophageal Reflux Disease, or GERD, a common ailment, which is predominantly treated by medical therapy (e.g. proton pump inhibitors) or in chronic cases, conventional open or laparoscopic surgery. Our FDA-cleared and CE-marked endosurgical system, known as the Medigus Ultrasonic Surgical Endostapler, or MUSE™ (Medigus Ultrasonic Surgical Endostapler) system, enables minimally-invasive and incisionless procedures for the treatment of GERD by reconstruction of the esophageal valve via the mouth and esophagus, eliminating the need for surgery in eligible patients. We believe that this procedure offers a safe, effective and economical alternative to the current modes of GERD treatment for certain GERD patients, and has the ability to provide results which are equivalent to those of standard surgical procedures while reducing pain and trauma, minimizing hospital stays, and delivering economic value to hospitals and payers. The key elements of the MUSE™ system include a single-use endostapler containing several sophisticated innovative technologies such as flexible stapling technology, a miniature camera and ultrasound sensor, as well as a control console offering a video image transmitted from the tip of the endostapler. Our board of directors has determined to examine potential opportunities to sell or grant a license to our MUSE™ technology, or alternatively grant a license or licenses for the use of the MUSE™ technology.

ScoutCam Inc.'s Micro ScoutCam™ Portfolio

ScoutCam Inc. is engaged in the development, production and marketing of innovative miniaturized equipment known as its micro ScoutCam™ portfolio for use in medical procedures as well as various industrial applications. ScoutCam Inc. derives a substantial portion of its revenue from applications of its micro ScoutCam™ portfolio within the medical and industrial fields. ScoutCam Inc. has recently begun examining additional applications for the micro ScoutCam™ portfolio outside of the medical device industry, including in, among others, the defense, aerospace, automotive, and industrial non-destructing-testing industries. ScoutCam Inc. plans to further expand the activity in these non-medical spaces.

ScoutCam Inc.'s vision is to improve the performance of organizations by offering prestigious tools that enhance the visual technological capabilities of companies across a variety of industries. ScoutCam Inc.'s mission is to become a global leader providing innovative, custom-tailored visualization solutions to organizations across a variety of industries based on small and highly resistant cameras and supplementary technologies. Since ScoutCam Inc. is focused on custom-tailored solutions, it has a very limited offering of off-the-shelf products, which are used mainly as demonstrators for new prospects of our technology and capabilities, rather than as a major source of revenue. Moreover, as it focus only on the visualization apparatus and supporting components, including for example a small camera, illumination, cleaning method (e.g., irrigation), and/or a mechanical structure based on the customer's needs, in most cases ScoutCam Inc.'s products are components of the customer's end-user products rather than independent end-user products.

ScoutCam Inc.'s business model includes engaging customers seeking to add a video visualization to its existing or new product(s) in two phases. During the first phase, ScoutCam Inc. conduct the research and development that is required in order to specify, develop, and product the designated visualization apparatus, all for an agreed compensation (e.g., a non-recurrent engineering fee). During the second phase, ScoutCam Inc. manufactures the apparatus and sells it to the customer for an agreed transfer price. In some cases, upon a customer's request, it offers complete 'turn-key' contracts, in which it is responsible for most or all product phases, from the specifications phase to the provision of components or products that are complete, packaged and ready for sale. In such cases, it may conduct the necessary regulatory tests and handle the required regulatory approvals. In addition, ScoutCam Inc. may also be responsible, as necessary, for, inter alia, packaging, sterilization, labeling and shipment.

ScoutCam Inc.'s customers are technology-based companies and organizations of all sizes, from early stage start-ups to large, well-established, international corporations. However, ScoutCam Inc. prefers engaging the latter business partnership as larger corporations provide financial stability, large quantities, recurring revenue, and valid forecasts for extended durations. In addition, it engages customers from various industries, such as biomedical, aerospace, certain sensitive or classified industries, security and defense, and research.

ScoutCam Inc. interacts with prospects globally in order to engage in new projects by various business development and marketing means. The core ScoutCam Inc. team that is responsible for these efforts includes a highly experienced VP Business Development. ScoutCam Inc. uses both active and passive marketing measures to gather interest from potential customers. These efforts may include the following:

- engaging third party companies as territorial representatives in key markets;
- initiating business engagements based on leads received through its website or via other methods or means;
- conducting initial R&D together with such prospects in order to evaluate the feasibility of their contemplated projects;
- maintaining an updated and detailed website presenting its core competency and proven track record;
- promoting its website in different search engines and other digital forums through SEO campaigning as well as other proactive digital marketing measures;
- employing certain social media platforms for campaigning and advertising;
- reconnecting with its large database, which includes a multitude of past prospects;
- developing and refining marketing communications materials, including digital and printed brochures; and
- participating in major vision technology exhibitions such as AIA Vision Show (USA) and Vision Show (Germany).

ScoutCam Inc.'s Customers

Currently, ScoutCam Inc. has two major customers that generate most of its current and forecasted revenue in the near term. One of them is a large international bio-med company. ScoutCam Inc. develops a visualization component for this customer's invasive surgical device. The other customer is a US based company that develops and markets minimally invasive, surgical devices for skeletal and soft-tissue procedures. The company specializes in orthopedic surgeries of the extremities.

In addition to these two material customers, ScoutCam Inc. is engaged in initial negotiations with multiple potential customers operating in a variety of sectors, including biomedical, aerospace, military and security, and others. ScoutCam Inc. is pursuing these potential engagements with the goal of securing research and development contracts that may then materialize into multi-year production contracts.

Competition with ScoutCam Inc.'s ScoutCam™ portfolio

After years of being almost alone in the market, ScoutCam Inc. now competes with several companies which offer small cameras such as Opcom, Fujikura-Picoramedic, Awaiba, Fisba, Misumi and Sanovas. In addition, IntraVu, Medit and SPI Engineering are companies which offer complete small diameter off-the shelf endoscopes/borescopes.

ScoutCam Inc., unlike the aforementioned competitors, offer customized solutions, which includes additional components as needed. ScoutCam Inc. Focuses on customizing and integrating its solutions into a given customer's device. Certain companies, such as Enable, Myriad Fiber Imaging Tech., Inc, and Precision Optics, act as direct competitors, since they offer similar services.

Our MUSE™ System

Prevalence of GERD

GERD, is a worldwide disorder, with evidence suggesting an increase in GERD disease prevalence since 1995. The sample size weighted mean for the GERD population in the United States and Europe is 19.8% and 15.2% respectively. In the United States alone, over 49 million adults are affected by GERD, with over 29 million adults suffering daily from GERD symptoms. Proton pump inhibitors, or PPIs, are a class of effective and generally safe medication to treat GERD, but not everyone who experiences heartburn needs a PPI. Several PPIs have been widely advertised to consumers and heavily promoted by physicians. This has led to an overuse of the drug. PPIs are the third highest selling class of drugs in the U.S. and Nexium has the second highest retail sales among all drugs at $4.8 billion in 2008. This figure does not include sales of other brands of PPIs.

Treatment of GERD

Treatment of GERD involves a stepwise approach. The goals are to control symptoms, to heal esophagitis and to prevent recurrent esophagitis. The treatment is based on lifestyle modification and control of gastric acid through medical treatment (antacids, PPI's, H2 blockers or other reflux inhibitors) or antireflux surgery.

Drug Treatment - Proton pump inhibitors (PPI)

For moderate to severe GERD, physicians usually prescribe PPIs. This class of drugs reduces acid production by the stomach, and thereby relieves the patients of their symptoms. Drugs of this class are among the most commonly prescribed medications in the world. There are several brands on the market, best known are Prilosec (omeprazole), Prevacid (lansoprazole) and Nexium (esomeprazole). Certain PPI drugs are available over the counter in the United States and in other countries, but the over the counter dosage may be inadequate to control GERD symptoms, except in mild cases.

Interventional Treatment

The most common operation for GERD is called a surgical fundoplication, a procedure that prevents reflux by wrapping or attaching the upper part of the stomach around the lower esophagus and securing it with sutures. Due to the presence of the wrap or attachment, increasing pressure in the stomach compresses the portion of the esophagus which is wrapped or attached by the stomach, and prevents acidic gastric content from flowing up into the esophagus. Today, the operation is usually performed laparoscopically: instead of a single large incision into the chest or abdomen, four or five smaller incisions are made in the abdomen, and the operator uses a number of specially designed tools to operate under video control.

MUSE™ Solution

Our product, the MUSE™ system for transoral fundoplication is a single use innovate device for the treatment of GERD. The MUSE™ technology is based on our proprietary platform technology, experience and know-how. Transoral means that procedure is perform through the mouth, rather than through incisions in the abdomen. The MUSE™ system is used to perform a procedure as an alternative to a surgical fundoplication. The MUSE™ system offers an endoscopic, incisionless alternative to surgery. A single surgeon or gastroenterologist can perform the MUSE™ procedure in a transoral way, unlike in a laparoscopic fundoplication which requires incisions.

The MUSE™ system consists of the MUSE™ console controller, the MUSE™ endostapler and several accessories, including an overtube, irrigation bottle, tubing supplies and staple cartridges. The MUSE™ endostapler incorporates a video camera, a flexible surgical stapler and an ultrasonic guidance system that is used to measure the distance between the anvil and the cartridge of the stapler, to ensure their proper alignment and tissue thickness. The device also contains an alignment pin, which is used for initial positioning of the anvil against the cartridge, two anvil screws, which are used to reduce the thickness of the tissue that needs to be stapled and to fix the position of the anvil and the MUSE™ endostapler during stapling. The system allows the operator to staple the fundus of the stomach to the esophagus, in two or more locations, typically around the circumference, thereby creating a fundoplication, without any incisions.

Endoscopic procedures generally involve less recovery time and patient discomfort than conventional open or laparoscopic surgery. These procedures are also typically performed in the outpatient hospital setting as opposed to an inpatient setting. Typically, outpatient procedures cost the hospital or the insurer less money since there is no overnight stay in the hospital.

The clearance by the FDA, or 'Indications for Use', of the MUSE™ system is "for endoscopic placement of surgical staples in the soft tissue of the esophagus and stomach in order to create anterior partial fundoplication for treatment of symptomatic chronic Gastro-Esophageal Reflux Disease in patients who require and respond to pharmacological therapy". As such, the FDA clearance covers the use by an operator of the MUSE™ endostapler as described in the above paragraph. In addition, in the pivotal study that was presented to the FDA in order to gain clearance, only patients who were currently taking GERD medications (i.e. pharmacological therapy) were allowed in the study. In addition, all patients had to have a significant decrease in their symptoms when they were taking medication compared to when they were off the medication. As such, the FDA clearance included the indication that MUSE™ system is intended for patients who require and respond to pharmacological therapy. The MUSE™ system indication does not restrict its use with respect to GERD severity from a regulatory point of view. However, clinicians typically only consider interventional treatment options for moderate to severe GERD. Therefore, it is reasonable to expect the MUSE™ system would be primarily used to treat moderate and severe GERD in practice. The system has received 510(k) marketing clearance from the FDA in the United States, as well as a CE mark in Europe and a license from Health Canada. It is also cleared for use in Turkey and in Israel.

On June 3, 2019, we entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (Golden Grand) for the know-how licensing and sale of good relating to the Medigus Ultrasonic Surgical Endostapler (MUSE™) system in China, Hong Kong, Taiwan and Macao. Under the agreement, we committed to provide a license, training services and goods to Golden Grand in consideration for $3,000,000 to be paid to us in four milestone based installments. To date, some of these milestones have been achieved and the Company has received $1,800,000. The final milestone shall be completed and the final installment paid upon completion of a MUSE™ assembly line in China.

Other Activities

Algomizer Ltd.

We currently own a minority stake in Algomizer and Linkury, which operates in the field of software development, marketing and distribution to internet users. Algomizer recently announced its intention to focus its efforts on Linkury Ltd, its subsidiary, which is the main source of Algomizer's revenues and operations, with a goal of expanding its product portfolio in the field of technological solutions for advertising and media. In the coming year, Algomizer plans to launch new products in the sector of advertising technologies and mobile. Furthermore, Algomizer continues its efforts to seek opportunities of engaging in acquisitions of companies with significant revenues and commercial potential.

Matomy Media Group Ltd.

In addition, we hold approximately 24.99% of Matomy's outstanding share capital. Matomy is dually listed on the London and Tel Aviv Stock Exchanges.

Our Strategy

Our primary goal is to generate revenues by pursuing potential opportunities to sell our MUSE™ technology, or alternatively grant a license or licenses for the use of the MUSE™ technology. Our strategy includes the following key elements:

Sell or License MUSE™ technology. Our board of directors has determined to examine potential opportunities to sell our MUSE™ technology, or alternatively grant a license or licenses for the use of the MUSE™ technology.

General Pursuit of Opportunities. Our board of directors and management are constantly seeking and pursuing opportunities through which to leverage our assets and capabilities.

Substantially material portion of our revenues in recent years was derived from the sale of miniature cameras which is currently developed and manufactured by ScoutCam Inc. The following data reflects our total revenue arising from the following services:

	Revenues		
	Year Ended December 31,		
	2019	2018	2017
	(Thousands of U.S. dollars)		
Sales of Miniature Cameras and related equipment	188	175	306
Development services	85	217	-
Sales of the MUSE™ System	-	44	161
Total	273	436	467

The following data reflects our total revenue broken down by geographic region:

	Revenues		
	Year Ended December 31,		
	2019	2018	2017
	(Thousands of U.S. dollars)		
United States	138	315	115
Europe	69	63	193
Asia	22	36	116
Other	44	22	43
Total	273	436	467

Seasonality of Business

During the last few years we have not seen any seasonality in our sales.

Marketing and Distribution

Sale or License of MUSE™ System

As part of our board of directors decision to examine potential opportunities to sell our MUSE™ technology, or alternatively grant a license or licenses for the use of the MUSE™ technology, our board of directors has reexamined the efforts and resources previously invested by us in our MUSE™ technology distribution agreements as well as the revenues obtained through such agreements in order to assess their financial viability. As a result of this analysis, our board of directors resolved to terminate our distribution agreements in order to redirect our resources to securing licensing agreements, which may in turn generate significant income in the short term, reduce operating expenses and lower the Company's burn rate.

Intellectual Property

Our commercial success depends, in part, on obtaining and maintaining patent and other intellectual property protection, in the United States and internationally, for the technologies used in our products. We cannot be sure that any of our patents will be commercially useful in protecting our technology. Our commercial success also depends in part on our non-infringement of the patents or proprietary rights of third parties. The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. For additional information see "Item 3. Key information—D. Risk Factors—Risks Related to Our Intellectual Property."

We and ScoutCam Ltd. own 22 U.S. patents and have filed three (3) additional patent applications in the U.S. and 1 U.S. Provisional Patent Application. In addition, we own sixty five (65) patents that were granted in other countries, including ten (10) European patents, which are not valid on their own unless validated in specific European countries, as indeed we're validated according to our list of chosen European countries. We also have eight (8) pending patents applications outside of the U.S. Our patents and any patents which may be granted under our pending patent applications, expire between 2021-2041.

Pursuant to the A&R Transfer Agreement, we transferred two patent families to ScoutCam Ltd. and received a license back to the transferred patents to be used in connection with the sale or license of MUSE™. In addition, we granted to ScoutCam Ltd. a license to access, use, improve, develop, market and sell licensed intellectual property, including the right to any future versions, enhancements, improvements and derivative works of such licensed intellectual property in connection with the development and commercialization of the ScoutCam™ miniature video technology.

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

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

Competition

The medical device industry can be significantly affected by new product introductions and other market activities of industry participants. We believe that the principal competitive factors in our market include:

- safety, efficacy and clinically effective performance of products;
- ease of use and comfort for the physician and patient;
- the cost of product offerings and the availability of product coverage and reimbursement from third-party payers, insurance companies and other parties;
- the strength of acceptance and adoption by physicians and hospitals;
- the ability to deliver new product offerings and enhanced technology to expand or improve upon existing applications through continued research and development;
- the quality of training, services and clinical support provided to physicians and hospitals;
- effective sales, marketing and distribution;
- the ability to provide proprietary products protected by strong intellectual property rights; and
- the ability to offer products that are intuitive and easy to learn and use.

Competition with the MUSE™ system

We have several competitors in the medical device and pharmaceutical industries. Patients and physicians may opt for more established existing therapies to treat GERD, including PPI pharmaceutical treatment or laparoscopic fundoplication surgery. PPIs are currently being offered by several large pharmaceutical manufacturers, most of whom have significantly greater financial, clinical, manufacturing, marketing, distribution and technical resources and experience than we have.

Over the last few years a number of different medical devices and treatments have been introduced to address the “treatment gap” in GERD treatments and therapies which is found between long-term pharmaceutical therapy on one hand and surgery on the other. These devices and treatments seek to treat GERD less invasively than fundoplication and without the need for long-term use of drug therapy.

Government Regulation

The healthcare industry, and thus our business, is subject to extensive federal, state, local and foreign regulation. Some of the pertinent laws have not been definitively interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. In addition, these laws and their interpretations are subject to change.

Both federal and state governmental agencies continue to subject the healthcare industry to intense regulatory scrutiny, including heightened civil and criminal enforcement efforts. As indicated by work plans and reports issued by these agencies, the federal government will continue to scrutinize, among other things, the billing practices of healthcare providers and the marketing of healthcare products.

We believe that we have structured our business operations and relationships with our customers to comply with all applicable legal requirements. However, it is possible that governmental entities or other third parties could interpret these laws differently and assert otherwise. In addition, because there is a risk that our products are used off label, we believe we are subject to increased risk of prosecution under these laws and by these entities even if we believe we are acting appropriately. We discuss below the statutes and regulations that are most relevant to our business and most frequently cited in enforcement actions.

U.S. Food and Drug Administration

All of our medical device products sold in the U.S. are subject to regulation as medical devices under the FDA, as implemented and enforced by the FDA. The FDA governs the following activities that we perform or that are performed on our behalf, to ensure that medical products we manufacture, promote and distribute domestically or export internationally are safe and effective for their intended uses:

- product design, preclinical and clinical development and manufacture;
- product premarket clearance and approval;
- product safety, testing, labeling and storage;
- record keeping procedures;
- product marketing, sales and distribution; and
- post-marketing surveillance, complaint handling, medical device reporting, reporting of deaths, serious injuries or device malfunctions and repair or recall of products.

FDA Premarket Clearance and Approval Requirements

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

510(k) Marketing Clearance Pathway

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

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device receives 510(k) marketing clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a new or major change in its intended use, will require a new 510(k) marketing clearance or, depending on the modification, PMA approval. The FDA requires each manufacturer to determine whether the proposed changes requires submission of a 510(k) or a PMA, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a manufacturer's determination, the FDA can require the manufacturer to cease marketing or recall the modified device until 510(k) marketing clearance or PMA approval is obtained. Also, in these circumstances, we may be subject to significant regulatory fines or penalties. We have made product enhancements to MUSE™ system and other products that we believe do not require new 510(k) marketing clearances. We cannot be assured that the FDA would agree with any of our decisions not to seek 510(k) marketing clearance or PMA approval. For risks related to 510(k) marketing clearance, see "Item 3. Key information—D. Risk Factors – Risks Related to Regulatory Compliance."

PMA Approval Pathway

A PMA must be submitted to the FDA if the device cannot be cleared through the 510(k) process or is not otherwise exempt from the FDA's premarket clearance and approval requirements. A PMA must generally be supported by extensive data, including, but not limited to, technical, preclinical, clinical trials, manufacturing and labeling, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device for its intended use. Also, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. The FDA may or may not accept the panel's recommendation. In addition, the FDA will generally conduct a pre-approval inspection of the applicant or its third-party manufacturers' or suppliers' manufacturing facility or facilities to ensure compliance with the QSR.

Pervasive and Continuing Regulation

After a device is placed on the market, numerous regulatory requirements continue to apply. In addition to the requirements below, the Medical Device Reporting, or MDR, regulations require that we report to the FDA any incident in which our products may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. See "Item 4. Information on the Company —D. Risk Factors – Risks Related to Regulatory Compliance," for further information regarding our reporting obligations under MDR regulations. Additional regulatory requirements include:

- product listing and establishment registration, which helps facilitate FDA inspections and other regulatory action;
- QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process;
- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label use or indication;
- clearance of product modifications that could significantly affect safety or efficacy or that would constitute a major change in intended use of one of our cleared devices;
- approval of product modifications that affect the safety or effectiveness of one of our approved devices;
- post-approval restrictions or conditions, including post-approval study commitments;

- post-market surveillance regulations, which apply, when necessary, to protect the public health or to provide additional safety and effectiveness data for the device;

- the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations; and

- notices of corrections or removals.

We must also register with the FDA as a medical device manufacturer and must obtain all necessary state permits or licenses to operate our business.

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

- warning letters, fines, injunctions, consent decrees and civil penalties;

- customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;

- operating restrictions or partial suspension or total shutdown of production;

- refusing or delaying requests for 510(k) marketing clearance or PMA approvals of new products or modified products;

- withdrawing 510(k) marketing clearances or PMA approvals that have already been granted;

- refusal to grant export approval for our products; or

- criminal prosecution.

In January 2016, we performed an FDA mock audit by an FDA veteran specialist, following which we implemented improvements in our quality management system. We cannot be assured that we have adequately complied with all regulatory requirements or that one or more of the referenced sanctions will not be applied to us as a result of a failure to comply.

Marketing Approvals Outside the United States

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

The European Union has adopted numerous directives and standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Each European Union member state has implemented legislation applying these directives and standards at the national level. Other countries, such as Switzerland, have voluntarily adopted laws and regulations that mirror those of the European Union with respect to medical devices. Devices that comply with the requirements of the laws of the relevant member state applying the applicable European Union directive are entitled to bear CE conformity marking and, accordingly, can be commercially distributed throughout the member states of the European Union and other countries that comply with or mirror these directives. The method of assessing conformity varies depending on the type and class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a "Notified Body," an independent and neutral institution appointed to conduct conformity assessment. This third-party assessment consists of an audit of the manufacturer's quality system and clinical information, as well as technical review of the manufacturer's product. An assessment by a Notified Body in one country within the European Union is required in order for a manufacturer to commercially distribute the product throughout the European Union. In addition, compliance with ISO 13845 on quality systems issued by the International Organization for Standards, among other standards, establishes the presumption of conformity with the essential requirements for a CE marking. In addition, many countries apply requirements in their reimbursement, pricing or health care systems that affect companies' ability to market products.

We have been authorized by Health Canada and have received AMAR approval in Israel. In addition, we received approval form the MedCert Zertifizierungs und Prufungsgsesellschaft fur die Medizin GmbH of Germany, and are entitled to print the CE Mark on our products, after having examined the EU Technical File for each new product.

Israeli Government Programs

Under the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984, or the Innovation Law, research and development programs which meet specified criteria and are approved by a committee of the Israeli Innovation Authority of the Israeli Ministry of Economy and Industry, or IIA (formerly known as Office of Chief Scientist, or the OCS) are eligible for grants from the IIA. The grant amounts are determined by the research committee, and are typically a percentage of the project's expenditures. Under most programs, the grantee is required to pay royalties to the State of Israel from the sale of products developed under the program. Regulations under the Innovation Law generally provide for the payment of royalties of 3% to 6% on sales of products and services based on or incorporating technology developed using grants or know-how deriving therefrom, up to 100% of the grant, linked to the dollar and bearing interest at the LIBOR rate, is repaid. The royalty rates and the aggregate repayment amount may be higher if manufacturing rights are transferred outside of Israel, as further detailed below. The manufacturing rights of products incorporating technology developed thereunder may not be transferred outside of Israel, unless approval is received from the IIA and additional royalty payments are made to the State of Israel, as further detailed below. However, this does not restrict the export of products that incorporate the funded technology.

The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate (LIBOR), announced in July 2017 that it will no longer persuade or require banks to submit rates for LIBOR after 2021. The grants received from the IIA bear an annual interest rate based on the 12-month LIBOR. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021. While it is not currently possible to determine precisely whether, or to what extent, the withdrawal and replacement of LIBOR would affect us, the implementation of alternative benchmark rates to LIBOR may increase our financial liabilities to the IIA.

The pertinent obligations under the Innovation Law are as follows:

- *Local Manufacturing Obligation*. The terms of the grants under the Innovation Law require that we manufacture the products developed with these grants in Israel. Under the regulations promulgated under the Innovation Law, the products may be manufactured outside Israel by us or by another entity only if prior approval is received from the IIA (such approval is not required for the transfer of less than 10% of the manufacturing capacity in the aggregate, in which case a notice should be provided to the IIA). As a condition to obtaining approval to manufacture outside Israel, we would be required to pay royalties at an increased rate (usually 1% in addition to the standard rate and increased royalties cap (between 120% and 300% of the grants, depending on the manufacturing volume that is performed outside Israel). We note that a company also has the option of declaring in its IIA grant applications of its intention to exercise a portion of the manufacturing capacity abroad, thus avoiding the need to obtain additional approvals and pay the increased royalties cap with respect to the portion declared.

- *Know-How transfer limitation*. The Innovation Law restricts the ability to transfer know-how funded by the IIA outside of Israel. Transfer of IIA funded know-how outside of Israel requires prior approval of IIA and in certain circumstances is subject to certain payment to the IIA, calculated according to formulae provided under the Innovation Law. If we wish to transfer IIA funded know-how, the terms for approval will be determined according to the character of the transaction and the consideration paid to us for such transfer. The IIA approval to transfer know-how created, in whole or in part, in connection with a IIA-funded project to third party outside Israel where the transferring company remains an operating Israeli entity is subject to payment of a redemption fee to the IIA calculated according to a formula provided under the Innovation Law that is based, in general, on the ratio between the aggregate IIA grants to the company's aggregate investments in the project that was funded by these IIA grants, multiplied by the transaction consideration, considering depreciation mechanism and less royalties already paid to the IIA. The transfer of such know-how to a party outside Israel where the transferring company ceases to exist as an Israeli entity is subject to a redemption fee formula that is based, in general, on the ratio between aggregate IIA grants received by the company and the company's aggregate research and development expenses, multiplied by the transaction consideration considering depreciation mechanism and less royalties already paid to the IIA. The regulations promulgated under the Innovation Law establish a maximum payment of the redemption fee paid to the IIA under the above mentioned formulas and differentiates between two situations: (i) in the event that the company sells its IIA funded know-how, in whole or in part, or is sold as part of an M&A transaction, and subsequently ceases to conduct business in Israel, the maximum redemption fee under the above mentioned formulas will be no more than six times the amount received (plus annual interest) for the applicable know-how being transferred, or the entire amount received from the IIA, as applicable; (ii) in the event that following the transactions described above (i.e. asset sale of IIA funded know-how or transfer as part of an M&A transaction) the company continues to conduct its research and development activity in Israel (for at least three years following such transfer and maintain staff of at least 75% of the number of research and development employees it had for the six months before the know-how was transferred and keeps the same scope of employment for such research and development staff), then the company is eligible for a reduced cap of the redemption fee of no more than three times the amounts received (plus annual interest) for the applicable know-how being transferred.

- Approval of the transfer of IIA funded technology to another Israeli company may be granted only if the recipient abides by the provisions of the Innovation law and related regulations, including the restrictions on the transfer of know-how and manufacturing rights outside of Israel (note that there will be an obligation to pay royalties to the IIA from the income of such sale transaction as part of the royalty payment obligation).

Approval to manufacture products outside of Israel or consent to the transfer of technology, if requested, might not be granted. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer technology or development out of Israel.

Grants Received from the IIA (formerly the OCS)

We have received grants from the IIA as part of our participation in two programs as described below:

Membership in the Activities of the Bio Medical Photonic Consortium

The Bio Medical Photonic Consortium, or the Consortium, commenced its activities in June 2007, and concluded its activities on December 31, 2012. The purpose of the Consortium was to develop generic photonic technologies in the field of diagnostics and therapeutics in the biomedical industry in Israel, and specifically on the subject of the digestive system. The activities of the Consortium were performed under our management and the management of Given Imaging Ltd., where each would develop technological models which are based on their internal developments and on developments of the members of the Consortium.

Within the framework of the activities of the Consortium, the Company worked to develop the next generation technology of miniature cameras. The cameras were integrated, within the framework of the Consortium, in technological models for minimally invasive procedures which were developed by the members of the Consortium. The various combinations of surgical tools and advanced visual capabilities with miniature endoscopes are innovative, and we predict that the Consortium framework will continue serving as a fruitful basis for the development of innovative medical procedures through the creation of intellectual property. Additionally, we will cooperate with research groups which develop indicators for early detection of colorectal cancer, with the aim of integrating the visualization techniques and key products in this field. The Company received an amount of approximately US $2.3 from the IIA in the framework of the Consortium.

In February 2019, the IIA approved a transfer of IIA know-how developed by the Company in the framework of the Consortium to ScoutCam Ltd., a company incorporated under the laws of the State of Israel, a wholly owned subsidiary of the Company. In November 2019, the IIA approved a transfer of the know-how from ScoutCam Ltd. back to the Company in exchange for a license to the ScoutCam Ltd. to access, and develop the know-how. Accordingly all rights and obligations to the IIA under the Innovation Law in connection with such know-how apply to both the Company and ScoutCam Ltd.

The following are details regarding the rights and obligations within the framework of our activity in the Consortium, which will apply to the Company and the indirect subsidiary notwithstanding the conclusion of the program:

(i) The property rights to information which has been developed belongs to the Consortium member that developed it. However, the developing entity is obligated to provide the other members in the Consortium a license for the use of the new information, without consideration, provided that the other members do not transfer such information to any entity which is not a member of the Consortium. The provision of a license or of the right to use the new information to a third party is subject to approval by the administration of the MAGNET Program at the IIA;

(ii) The Consortium member is entitled to register a patent for the new information which has been developed by it within the framework of its activity in the Consortium. The foregoing registration does not require approval from the administration; and

(iii) The know-how and technology developed under the program is subject to the restrictions set forth under the Innovation Law, including restrictions on the transfer of such know-how and any manufacturing rights with respect thereto, without first obtaining the approval of the IIA. Such approval may entail additional payments to the IIA, as determined under the Innovation Law and regulations, and as further detailed above.

Collaboration Grant for the Development of a Miniature Diameter Endoscope for Use in Dental Implants

In July 2011, the IIA approved our application for support for a joint project regarding the development of an innovative, miniature diameter endoscopic product in the field of dental surgery, or the Dental Project. In October 2012, the Company received a notice according to which approval was given for continued support for the Dental Project for a second year. The IIA support for the Dental Project concluded on July 31, 2013.

The Dental Project was performed in collaboration with Qioptiq GmbH, a German corporation, or Qioptiq, in the field of sophisticated medical micro-optics, including in the medical and life sciences sector. The collaboration between the Company and Qioptiq was performed within the framework of the Eureka organization, a Pan-European organization which includes approximately 40 member states, including the State of Israel, and which acts to coordinate and to finance research and development enterprises in and outside of Europe.

In accordance with the outline of the Dental Project, we and Qioptiq collaborated on the development of an innovative miniature-diameter endoscope, with side viewing capabilities, intended for use in various dental implant procedures, the Dental Endoscope. During the Dental Project, each of the parties developed different parts of the Dental Endoscope. In accordance with the terms of the collaboration, the intellectual property which originated from the development of the Dental Endoscope remained the exclusive property of the party which developed it. Subject to the completion of the project, the parties agreed to conduct negotiations regarding the method used to produce and market the Product. The foregoing negotiations have not been conducted. In January 2019 we have notified the IIA that the Dental Project has failed due to technological reasons and that there are no revenues to be expected from this project.

Grants and Royalty Obligations

We received various grants from the IIA in connection with our participation in its programs. We received a grant of approximately $2.3 million in connection with our participation in the Bio Medical Photonics Consortium in the production of generic technology related to the partial development of miniature or the Consortium Grant. Under the terms of the Consortium Grant we are not required to pay royalties. In addition, we received a grant of approximately $0.2 million in connection with a collaboration within the framework of the Eureka organization related to miniature endoscope for dental implants, or the Eureka Grant. Under the terms of the Eureka Grant, we would have to pay royalties at a rate of 3% -5% from the actual sales of the relevant device, up to the repayment of the grant, with the addition of interest and linkage. In January 2018 we have notified the IIA that the project that received the Eureka Grant has failed due to technological reasons and that there are no revenues to be expected from this project.

C. Organizational Structure

We currently have one wholly owned subsidiary, Medigus USA LLC, a limited liability company, incorporated in the State of Delaware, United States, and two majority held subsidiaries, (i) ScoutCam Inc., a corporation incorporated in the State of Nevada, United states in which we hold approximately 56% of its outstanding share capital; (ii) GERD IP, a corporation incorporated in the State of Delaware, United States in which we hold 90% of its outstanding share capital. We currently own minority stakes in Algomizer Ltd., a company incorporated under the laws of the State of Israel, in which we hold approximately 8.22% of its outstanding share capital, Linkury Ltd. a company incorporated under the laws of the State of Israel, in which we hold approximately 9.34% of its outstanding share capital, and Matomy Media Group Ltd., a company incorporated under the laws of the State of Israel, in which we hold approximately 24.99% of its outstanding share capital.

D. Property, Plant and Equipment

Our offices and research and development facility are located at Omer Industrial Park, No. 7A, P.O. Box 3030, Omer 8496500 Israel, where we occupy approximately 807 square meters. We leased our facilities pursuant to a lease agreement which terminated as of December 31, 2019. The lease has been recently renewed by ScoutCam Ltd., and we will sub-lease/participate in the lease costs in accordance with our usage of the space. The arrangement regarding the allocation of lease costs between Medigus and ScoutCam Ltd. are set out in an Amended and Restated Inter Company Services Agreement entered into by the parties on April 19, 2020.

We consider our current office space sufficient to meet our anticipated needs for the foreseeable future and is suitable for the conduct of our business. We have no current plans to construct, expend or improve our facilities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with "Item 3. Key Information—Selected Financial Data" and our consolidated financial statements and the related notes to those statements included elsewhere in this annual report. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Item 3. Key Information—D. Risk Factors" and elsewhere in this annual report.

The audited consolidated financial statements for the years ended December 31, 2019 and 2018 in this annual report have been prepared in accordance with International Financial Reporting Standards, which are standards and interpretations thereto issued by the International Accounting Standard Board.

For the purpose of this Item 5., references to "Medigus", the "Company", "us", "we" and "our" refer to Medigus and its consolidated subsidiaries.

Overview

Our Israeli subsidiary, ScoutCam Ltd. and our Nevada subsidiary ScoutCam Inc. are engaged in the development, production and marketing of innovative miniaturized imaging equipment known as our micro ScoutCam™ portfolio for use in medical procedures as well as various industrial applications.

In addition, we have been engaged in the development, production and marketing of innovative surgical devices with direct visualization capabilities for the treatment of Gastroesophageal Reflux Disease, or GERD, a common ailment, which is predominantly treated by medical therapy (e.g. proton pump inhibitors) or in chronic cases, conventional open or laparoscopic surgery. Our board of directors has determined to examine potential opportunities to sell our MUSE™ technology, or alternatively grant a license or licenses for the use of the MUSE™ technology.

To date, substantially material portion of our revenues have derived from our micro ScoutCam™ portfolio for use within the medical and industrial fields.

We have incurred net losses each year since inception. The Company's accumulated deficit as of December 31, 2019 aggregated to approximately $76.7 million. We anticipate that we are likely to continue to incur significant net losses for at least the next several years as we continue the development of our products and expand our sales and marketing capabilities required to sell and market our products.

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

- In July 2018, pursuant to a registration statement in the United States, we raised approximately $10 million (gross) through the issuance of ADSs and warrants. See "Item 10. Additional Information – C. Material Contracts."

- On September 20, 2018, the annual general meeting of the shareholders has determined to replace the then serving directors with our current directors.

- On January 3, 2019, we formed a wholly owned subsidiary in Israel under the name ScoutCam Ltd., or ScoutCam. ScoutCam was incorporated as part of a reorganization of the Company intended to distinguish the Company's miniaturized imaging business, or the micro ScoutCam™ portfolio, from the other operations of the Company and to enable the Company to form a separate business unit with dedicated resources focused on the promotion of such technology.

- On June 3, 2019 we entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (Golden Grand) for the know-how licensing and sale of good relating to the Medigus Ultrasonic Surgical Endostapler (MUSE™) system in China, Hong Kong, Taiwan and Macao. Under the agreement, we committed to provide a license, training services and goods to Golden Grand in consideration for $3,000,000 to be paid to us in four milestone based installments. To date, some of these milestones have been achieved and the Company has received $1,800,000. The final milestone shall be completed and the final installment paid upon completion of a MUSE™ assembly line in China.

- On September 3, 2019 we consummated an investment agreement in Algomizer and its wholly owned subsidiary Linkury, for an aggregate investment of $5,000,000. The investment agreement contains customary provisions and warranties, and provides for us to invest NIS 5.4 million directly in Algomizer, which engages in internet advertising and whose shares are traded on the Tel Aviv Stock Exchange. The investment was made at a price per Algomizer share of NIS 4.15. We invested an additional NIS 9 million through a direct acquisition of the shares of Linkury from Algomizer, at a company valuation of Linkury of approximately NIS 96 million. We further invested an additional $1 million in Algomizer through equity exchange by issuing Algomizer American Depositary Shares (ADRs) at a price of $3 per ADR in consideration for Algomizer shares based on a price per Algomizer share of NIS 4.15. In addition, we issued Algomizer warrants to purchase our ADRs in an amount equal to the ADRs issued to Algomizer, at an exercise price of $4 per ADR.

- On December 1, 2019, Medigus and ScoutCam Ltd. consummated an A&R Transfer Agreement, effective as of March 1, 2019, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business, and a patent license. Under the A&R Transfer Agreement, we transferred two patent families in exchange for a license in connection with the marketing and sale of the Medigus Ultrasonic Surgical Endostapler. In addition, we granted to ScoutCam Ltd. a license to access, use, improve, develop, market and sell licensed intellectual property, including the right to any future versions, enhancements, improvements and derivative works of such licensed intellectual property in connection with the development and commercialization of the ScoutCam™ miniature video technology.

- On December 30, 2019 we consummated a securities exchange agreement with Intelllisense Solutions Inc., a Nevada corporation (Intellisense), and as a result we assigned, transferred and delivered 100% of our holdings in ScoutCam to Intellisense, in exchange for (i) common stock representing 60% of Intellisense's issued and outstanding share capital as of the Closing, and (ii) in the event ScoutCam achieves $33,000,000 in aggregate sales within the first three (3) years immediately following the Closing, we will receive additional shares of Intellisense's common stock representing 10% of its outstanding share capital as of the Closing. Simultaneous with the Closing, Intellisense consummated a financing transaction in the aggregate amount of $3.3 million (gross) based on a company post-money valuation of $13.3 million.

- On January 13, 2020, together with our advisor Mr. Kfir Zilberman we formed a subsidiary in Delaware, in which we hold 90% of the stock capital, under the name GERD IP, Inc., or GERD IP. GERD IP was incorporated in accordance with our efforts to reorganize our assets and increase asset and organizational efficiencies. In connection thereto, the Company entered into a founders agreement as of January 12, 2020, with Kfir Zilberman. The founders agreement subjects the transfer of GERD IP membership interests held by Kfir Zilberman to a right of first offer, and provides that owners of 51% of GERD IP membership interest may enforce a sale of GERD IP on the minority membership interest. The Company is obligated under the founders agreement to indemnify Kfir Zilberman for litigations expenses imposed on him or incurred by him in connection with his capacity as owner of a membership interest in GERD IP.

- On February 18, 2020, we purchased 2,284,865 shares of Matomy, which represents 2.32% of its issued and outstanding share capital. On March 24, we completed an additional purchase of 22,326,246 shares of Matomy, raising our aggregate holdings in Matomy to 24.99% of Matomy's issued and outstanding share capital.

- On April 19, 2020, we entered an Asset Transfer Agreement, effective January 20, 2020, with our majority owned subsidiary GERD IP, Inc. Pursuant to the Asset Transfer Agreement, we transferred certain of our patents in consideration for seven (7) capital notes issued to us by GERD IP, Inc., of $2,000,000 each.

Summary of Critical Accounting Policies

The preparation of consolidated financial statements in conformity with general accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that are the most important to the portrayal of our financial condition and results of operations, and that require our most difficult, subjective and complex judgments. While our significant accounting policies are described in more detail in the notes to our financial statements, our most critical accounting policies, discussed below, pertain to revenue recognition, warrants, share- based compensation, inventory impairment, functional currency and accounting for income taxes.

Estimates, by their nature, are based upon judgments and information currently available to us. The estimates that we make are based upon historical factors, current circumstances and the experience and judgment of management. We evaluate our assumptions and estimates on an ongoing basis.

Impairment of non-monetary assets

Non-monetary assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of identifiable cash flows (cash-generating units). Non-monetary assets that were impaired are reviewed for possible reversal of the impairment recognized at each balance sheet date.

Financial instruments:

As of January 1, 2018, the Group adopted IFRS 9 "Financial Instruments".

Financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

Recognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.
- A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures equity investments at fair value except when the group has control or significant influence. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "net change in fair value of financial assets at fair value through profit or loss" in the statement of profit or loss as applicable.

Impairment

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the financial instrument is determined to have a low credit risk at the reporting date, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition.

The Group measures the loss allowance for expected credit losses on trade receivables that are within the scope of IFRS 15 and on financial instruments for which the credit risk has increased significantly since initial recognition based on lifetime expected credit losses. Otherwise, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

Prior to the effective date and adoption of IFRS 9, the financial assets of the Group were classified into the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depended on the purpose for which the financial assets were acquired, also, prior to the adoption of IFRS 9, the Group assessed at December 31, 2017, whether there is any objective evidence that a financial asset or group of financial assets was impaired.

Financial liabilities

Financial liabilities are initially recognized at their fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Financial liabilities are subsequently measured at amortized cost, except for derivative financial instruments, which are subsequently measured at fair value through profit or loss.

The Group has early adopted the narrow-scope amendment to IAS 1 as described in note 2(q). Accordingly, financial liabilities are classified as non-current if the group has a substantive right to defer settlement for at least 12 months at the end of the reporting period, otherwise, they are classified as current liabilities.

The Group's financial liabilities at amortized cost are included in accounts payable, accrued expenses, other current liabilities, payable in respect of the intangible asset and lease liabilities.

The derivative financial instruments represent warrants that confer the right to net share settlement.

The Group removes a financial liability (or a part of a financial liability) when, and only when, it is extinguished (when the obligation specified in the contract is discharged, cancelled or expired).

Inventory

Inventory is measured at the lower of cost or net realizable value.

The cost is determined on the basis of "first in-first out" basis. Cost of purchased products and inventory in process includes costs of design, raw materials, direct labor, other direct costs and fixed production overheads.

Net realizable value is an estimated selling price in the ordinary course of business less applicable variable selling expenses.

Provisions for potentially obsolete or slow-moving inventory are made based on management's analysis of inventory levels and historical obsolescence.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

The Group periodically analyzes anticipated product sales based on historical results, current backlog and marketing plans. Based on these analyses, the Group anticipates that certain products will not be sold during the next twelve months, such products were classified within the non-current assets.

Trade receivables

The balance of trade receivables includes amounts due from customers for products sold or services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for loss allowance.

Revenue Recognition

a) Revenue measurement

Commencing January 1, 2018 (the initial implementation date of IFRS 15), the Group's revenues are measured according to the amount of consideration that the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, such as sales taxes. Revenues are presented net of VAT.

Until December 31, 2017 (IAS 18 implementation) revenues were measured in accordance with the fair value of the consideration received or receivable in respect of sales supplied in the ordinary course of business. Revenues were presented net of value added tax, returns, rebates and discounts.

b) Revenue recognition

Commencing January 1, 2018 (the initial implementation date of IFRS 15), the Group recognizes revenue when a customer obtains control over a promised goods or services. For each performance obligation the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Performance obligations are satisfied over time if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, a Group satisfies the performance obligation at a point in time.

The transaction price is allocated to each distinct performance obligations on a relative standalone selling price ("SSP") basis and revenue is recognized for each performance obligation when control has passed. In most cases, the Company is able to establish SSP based on the observable prices of services sold separately in comparable circumstances to similar customers and for products based on the Company's best estimates of the price at which the Company would have sold the product regularly on a stand-alone basis. The Company reassesses the SSP on a periodic basis or when facts and circumstances change.

Product Revenue

Revenues from product sales are recognized when the customer obtains control of the Company's product, typically upon shipment to the customer. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Service Revenue

The Company also generates revenues from development services. Revenue from development services is recognized over the period of the applicable service contract. There are no long-term payment terms or significant financing components of the Company's contracts.

The Company's contract payment terms for product and services vary by customer. The Company assesses collectability based on several factors, including collection history.

Until December 31, 2017 revenue from the sale of goods is recognized when all of the following conditions are met:

- The Group transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Group does not retain continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of the revenue can be measured reliably. The amount of the revenue is not considered as being reliably measured until all the conditions relating to the transaction are met. The Group bases its estimates on past experience, considering the type of customer, type of transaction and special details of each arrangement;

- It is probable that the economic benefits that are associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Leases

Group as lessee:

Through December 31, 2018 the Group applied IAS 17 to account for leases whereby a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Therefore the Group's leases were operating leases which were charged to income statements on a straight-line basis over the lease term, including extending options which were reasonably certain.

IFRS 16 replaces upon first-time implementation the existing guidance in IAS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and is expected to impact mainly the accounting treatment applied by the lessee in a lease transaction.

IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts (except for the following), with no distinction between financing and capital leases. IFRS 16 exempts lessees in short-term leases or the when underlying asset has a low value.

IFRS 16 also changes the definition of a "lease" and the manner of assessing whether a contract contains a lease.

The Group adopted IFRS 16 on January 1, 2019, using a modified retrospective transition approach, and as a result did not adjust prior periods. The effect upon first-time implementation on the Group's consolidated statement of financial position are: right-of-use lease assets of approximately $39 thousand, current lease liabilities of approximately $30 thousand and non-current lease liabilities of approximately $9 thousand.

In respect of agreements in which the Group is the lessee, the Group elected to apply the standard for the first time by recognizing lease liabilities, for leases that were previously classified as operating leases, based on the present value of the remaining lease payments, discounted at the incremental interest rate of the lessee as at the date of first-time application. At the same time, the Group recognized a right-of-use asset at an amount equal to the amount of the lease liabilities, adjusted to reflect any prepaid or accrued lease payments in respect of those leases. As a result, the application of the standard has no an effect on the accumulated deficit balance.

The Group applied the following practical expedients:

- Non-lease components: practical expedient by class of underlying asset not to separate non-lease components (services) from lease components and, instead, account for each lease component and any associated non lease components as a single lease component.

- The practical expedient for short-term leases is applied. Accordingly, for leases in which the Group is the lessee, the Group does not to recognize a right-of-use asset and a lease liability in respect of leases whose lease period ends within 12 months of the date of initial application.

As part of the first-time application of the standard, the Group has elected to apply the following practical expedients:

- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- For leases in which the Group is the lessee, the Group does not to recognize a right-of-use asset and a lease liability in respect of leases whose lease period ends within 12 months of the date of initial application;
- Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17.

Discount rate: The lease payments are discounted using the lessee's incremental borrowing rate, since the interest rate implicit in the lease cannot be readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. However, the Group is using the practical expedient of accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The weighted average of lessee's incremental annual borrowing rate applied to the lease liabilities was 10%.

Lease liabilities measurement:

Lease liabilities were initially measured on a present value basis of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate (such as CPI);
- lease payments (principal and interest) to be made under reasonably certain extension options.

The lease liability is subsequently measured according to the effective interest method, with interest costs recognized in the statement of income as incurred. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future changes in lease payments based on linkage to the CPI index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Principal elements of the lease payments are presented in the statement of cash flows under the cash used in financing activities. Finance cost of the lease payments are presented in the statement of cash flows under the operating activities.

Right-of-use assets measurement:

Right-of-use assets were measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date and;
- any initial direct costs (except for initial application).

After the commencement date, the Group measures the right-of-use asset applying the cost model, less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Assets are depreciated by the straight-line method over the estimated useful lives of the right of use assets or the lease period, which is shorter:

	Years
Property	1-2
Motor vehicles	3

Significant Judgments and Estimates

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Included in this note are accounting judgments and/or estimates which cover areas that the Directors and Management consider to have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the future:

Deferred tax assets

Based on management's judgment, no deferred tax assets have been recorded in the Group's books of accounts for current losses carried forward for tax purposes since it is not probable that the Group will be able to utilize those losses in the foreseeable future against taxable income as of December 31, 2019. The deferred tax asset in connection with the accumulated losses for tax purposes (which was not recorded due to the reason mentioned above) aggregated to approximately USD 17 million.

Fair value measurement of share-based payment transactions

The Company granted several equity-settled share based compensation plans to the Group's employees and other service providers in connection with their service to the Group. The fair value of the share options is measured at grant date on the basis of accepted valuation models and assumptions regarding unobservable inputs used in the valuation models. The fair value mentioned above is expensed to the statement of loss and other comprehensive loss during the vesting period and concurrently recorded as capital reserves from options granted within the consolidated statement of changes in equity.

Inventory impairment

The Company continually evaluates inventory for potential loss due to excess quantity or obsolete or slow-moving inventory by comparing sales history and sales projection to the inventory on hand. When evidence indicates that the carrying value of a product may not be recoverable, a charge is recorded to reduce the inventory to its current net realizable value. During 2018, the Company recorded in its books an inventory impairment of $328 thousands, charged to cost of revenues.

Fair value measurement of financial assets and liabilities at fair value through profit or loss

As described in Note 4 to our financial statements for the year ended December 31, 2019, the Company signed an agreement with Algomizer Ltd. As part of the agreement a Company received several financial assets. The fair value of this financial assets classified at FVTPL, which are not traded on an active market, is determined by using a level 3 valuation technique, see note 5 to our financial statements for the year ended December 31, 2019.

In addition, the Company issued warrants to investors. The fair value of this warrants classified at financial liabilities through profit or loss, which are not traded on an active market, is determined by using a level 3 valuation technique, see note 5 to our financial statements for the year ended December 31, 2019.

The fair value of this financial assets and liabilities is measured on the basis of accepted valuation models and assumptions regarding unobservable inputs used in the valuation models. The fair value mentioned above is expensed to the statement of loss and other comprehensive loss.

Considering the likelihood of contingent losses and quantifying possible settlements

Provisions are recorded when a loss is considered probable and can be reasonably estimated. Judgment is necessary in assessing the likelihood that a pending claim or litigation against the Group will succeed, or a liability will arise, quantifying the possible range of final settlement. These judgments are made by management with the support of internal specialists or with the support of outsource consultants such as legal counsel. Because of the inherent uncertainties in this evaluation process, actual results may be different from these estimates.

Listing expenses

The reverse recapitalization transaction conducted at ScoutCam Ltd.'s level. was accounted for in the consolidated financial statements of the Company as a transaction with non-controlling interest in which the Company consolidated Intellisense's net assets in consideration equal to the fair value of the shares Intellisense had to issue to Medigus as part of the reverse recapitalization transaction. The fair value could not be determined based on Intellisense's stock market value since the trading volume of Intellisense's common stock was nil. Therefore, the Company determined the fair value of the transaction based on the pre-money valuation of Intellisense which was taken into account as part of the Issuance of Units to External Investors as mentioned above.

Warrants

Receipts from investors in respect of warrants are classified as equity to the extent that they confer the right to purchase a fixed number of shares for a fixed exercise price. In the event that the exercise price is not deemed to be fixed, the warrants are classified as current liability. This liability initially recognized at its fair value on the issue date and subsequently accounted for at fair value at each reporting date. The fair value changes are charged to profit from changes in fair value of warrants issued to investors on the statement of comprehensive loss. The fair value of the warrants is measured at issue date and each reporting date on the basis of accepted valuation models and assumptions regarding unobservable inputs used in the valuation models.

We adopted the amendment to IAS 1. Accordingly, we classified in the statement of financial position warrants as part of current liabilities based on the rights that exist at the end of the reporting period including the right to convert into equity. The amendment was applied retrospectively and as a result we reclassified warrants presented in comparative periods to current liabilities.

In December 2016, in connection with a registered direct offering, we issued warrants to purchase 9,970 of our ADSs at an exercise price of $36 per ADS. The warrants are exercisable for a period of five and half years from the date of issuance.

In March 2017, in connection with our public offering, we issued warrants to purchase 535,730 of our ADSs at an exercise price of $14 per ADS. The warrants are exercisable for a period of five years from the date of issuance.

In November 2017, in connection with a registered direct offering, we issued warrants to purchase 101,251 of our ADSs at an exercise price of $9 per ADS. The warrants are exercisable for a period of five and half years from the date of issuance.

In July 2018, in connection with an underwritten offering, we issued warrants to purchase 3,263,325 of our ADSs at an exercise price of $3.5 per ADS. The warrants were listed on Nasdaq under the symbol MDGSW. The warrants are exercisable for a period of five years from their issuance.

The fair value of the warrants was calculated according to valuation methods, and based on the following assumptions:

	December 31					
	2019			2018		
	Standard deviation (%)	Risk-free interest (%)	Fair value (USD thousands)	Standard deviation (%)	Risk-free interest (%)	Fair value (USD thousands)
Warrants issued November 2017	85.23%	0.32%	40	82.62%	1.46%	94
Warrants issued March 2017	84.49%	0.19%	-	91.11%	1.02%	-
Warrants issued December 2016	82.19%	0.23%	-	89.64%	1.18%	3

Financial assets at fair value through profit or loss

On June 19, 2019 the Company signed an agreement with Algomizer Ltd. ("Algomizer") and its wholly-owned subsidiary Linkury Ltd. (together the "Algomizer Group"), for an investment of approximately $5 million in Algomizer Group (the "Investment Agreement"). The investment was subject to certain pre-conditions, which were met on September 3, 2019 ("Closing Date"). As part of the Investment Agreement:

a. Medigus received 2,168,675 ordinary shares of Algomizer ("Algomizer Shares").

b. Medigus received 729,508 ordinary shares of Linkury Ltd ("Linkury Shares").

c. Medigus received 2,898,183 warrants to purchase 2,898,183 Algomizer shares at an exercise price of NIS 5.25 per share ("Algomizer Warrants").

d. Medigus' investment in Algomizer and Linkury is based on a projection that Linkury's net profit for 2019 will be at least NIS 15 million. In the event that Linkury's net income is less than NIS 15 million for 2019, Medigus will be issued with additional securities in Algomizer group, adjusting the price per Algomizer group securities to the actual net profit for 2019, and compensating Medigus for the difference between the actual net profit and the target net profit for 2019 ("Reverse Earn Out"). Linkury net profit for 2019 was more than NIS 15 million.

e. Medigus is also entitled, for a period of three years following the closing of the investment, to convert any and all of its Linkury shares into Algomizer shares with a 20% discount over the average share price of Algomizer on TASE within the 60 trading days preceding the conversion ("Conversion Right").

f. In the event, during the three year period following the closing of the investment, Algomizer shall issue, or under take to issue ordinary shares with a price per share or exercise per share lower NIS 4.15 (the "Reduced Per Share Purchase Price"), Algomizer shall be allocated immediately with such amounts of additional Ordinary Shares (and the Algomizer Warrant shall be adjusted accordingly) equal to the difference of (x) the amount of ordinary shares actually received by the Company under the Investment Agreement, and (y) the amount which Medigus would have otherwise received should the Reduced Per Share Purchase Price was applied ("Anti-Dilution").

In consideration for the assets as described above Medigus:

a. Paid NIS 14,400,000 at cash (approximately USD 4,057 thousands).

b. Issued to Algomizer 333,334 ADS representing 6,666,680 ordinary shares.

c. Issued to Algomizer 333,334 warrants at an exercise price of USD 4 per ADS.

The difference between the fair value of consideration paid by the Company and the fair value of Linkury Shares, Algomizer Warrants, Reverse Earn Out, Conversion Right and Anti-Dilution was attributed to Algomizer shares which accounted for using the equity method.

The following table presents the level 3 fair value financial assets as of December 31, 2019:

	December 31, 2019 Level 3 USD in thousands
Linkury's shares	2,637
Algomizer Warrants	71
Reverse earn-out	0
Conversion Right	619
Anti-dilution	289
	3,616

Valuation processes of the financial assets (for details, see Note 4 to our financial statements for the year ended December 31, 2019):

Linkury shares - the Company used the Discounted Cash Flow (DCF) model for a period of 7 years, using the following principal assumptions: weighted average cost of capital (WACC) – 20.9%. The asset amount is adjusted at each balance sheet date based on the then relevant assumptions. A shift of the WACC by +/- 5% results in a change in fair value of Linkury shares of $55 thousands.

Algomizer warrants - the Company used the Black-Scholes model, using the following principal assumptions: expected volatility of 34.74%, risk-free interest of 0.24%, expected term of 3 years following the grant date. The asset amount is adjusted at each balance sheet date based on the then relevant assumptions, until the earlier of full exercise or expiration. For details, see Note 4.

Anti-dilution - the Company used the Black-Scholes model, using the following principal assumptions: 25% probability for the occurrence of an anti-dilution event, expected volatility of 34.74%, risk-free interest of 0.24%, expected term of 3 years following the issuance date. An increase of the probability for the occurrence of anti-dilution event by 10% would have increased the fair value of Anti-dilution by $116 thousands. For details, see Note 4.

Reverse earn out - the Company used the Monte Carlo model for a period of 0.32 years following the grant date, using the following principal assumptions: expected volatility 22.9%, risk-free interest 0.12%. For details, see Note 4.

Conversion right - the Company used the Monte Carlo method for a period of 3 years following the grant date, using the following principal assumptions: expected volatility 34.74%, risk-free interest 0.24%. For details, see Note 4.

Share-Based Compensation

We granted several equity-settled share-based compensation plans to the Company's employees, directors and other service providers in connection with their service to the Company. The fair value of such services is calculated at the grant date and amortized to the statement of loss and other comprehensive loss during the vesting period.

The fair value of the options which was granted on October 2017, January 2019 and July 2019 was calculated using the Black and Scholes options pricing model, and based on the following assumptions:

Date of grant	Fair value on grant date (NIS in thousands)	Share price on date of grant (NIS)	Expected dividend	Expected volatility	Risk free interest	Vesting conditions	Expected term
October 2017	1,109	1.62	None	64%	1.16%	Four equal portions, following each anniversary of the grant date	6 years
January 2019	947	0.506	None	74%	1.45%	will vest in 12 equal quarterly installments over a three-year period commencing October 1, 2018	6 years
July 2019	325	0.436	None	75%	1.12%	25% will vest on the first anniversary of the grant date and 75% will vest on a quarterly basis over a period of three years thereafter	6 years

Functional Currency

Until December 31, 2015, our consolidated financial statements were presented in NIS, which was the Company's functional and presentation currency as of such date. Effective January 1, 2016, the Company changed its functional currency to the U.S. dollar. The 2015 and 2014 financial data presented in this annual report were translated from NIS to USD as follows: (1) assets and liabilities were translated using the December 31 exchange rates of each year, as applicable; (2) equity items were translated using historical exchange rates at the relevant transaction dates; (3) the consolidated statements of loss and other comprehensive loss line items were translated using the average exchange rates for each year; and (4) the translation net effect was recorded as "currency translation differences" within the consolidated statements of loss and other comprehensive loss for each year.

Accounting for Income Taxes

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

We recognize deferred tax assets for unused tax losses, tax benefits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which that can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

No deferred tax assets have been recorded in the Group's books and records with respect to accumulated losses since it is not probable that the Group will be able to utilize such losses in the foreseeable future against taxable income.

A. Results of Operations

Overview

ScoutCam Ltd. was formed in Israel on January 3, 2019, as a wholly owned subsidiary of Medigus, and commenced operations on March 1, 2019. ScoutCam was incorporated as part of the reorganization of Medigus, which was designed to distinguish ScoutCam's miniaturized imaging business, or the micro ScoutCam™ portfolio, from Medigus's other operations and to enable Medigus to form a separate business unit with dedicated resources focused on the promotion of such technology. In December 2019, Medigus and ScoutCam consummated an Amended and Restated Asset Transfer Agreement, effective March 1, 2019, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business.

On March 1, 2019, 12 employees moved from Medigus to ScoutCam. The vast majority of these employees were from the Production and R&D departments. Therefore, their transfer caused large changes in the data of these two line items.

The following table sets forth a summary of our operating results:

	Year ended December 31,		
	2019	2018	2017
	U.S. Dollars, in thousands, except per share and weighted average shares data		
Revenues:			
Products	188	219	467
Services	85	217	-
Other	-	-	-
	273	436	467
Cost of revenues:			
Products	370	164	219
Services	85	115	-
Inventory impairment	-	328	297
	455	607	516
Gross Profit (Loss)	(182)	(171)	(49)
Research and development expenses	609	1,809	2,208
Sales and marketing expenses	326	1,354	846
General and administrative expenses	3,081	3,338	3,005
Net change in fair value of financial assets at fair value through profit or loss	92	-	-
Share of net loss of associates accounted for using the equity method	(216)	-	-
Listing expenses	(10,098)	-	-
Operating loss	(14,420)	(6,672)	(6,108)
Changes in fair value of warrants issued to investors	142	148	3,502
Financial income (expenses) in respect of deposits, bank commissions and exchange differences, net	99	(54)	54
Loss before taxes on income	(14,179)	(6,578)	(2,552)
Taxes benefit (Taxes on income)	1	(20)	7
Loss for the year	(14,178)	(6,598)	(2,545)
Other comprehensive loss for the year, net of tax	(41)	-	-
Total comprehensive loss for the year	(14,219)	(6,598)	(2,545)
Loss for the year is attributable to:			
Owners of Medigus	(14,178)	(6,598)	(2,545)
Non-controlling interest	-	-	-
	(14,178)	(6,598)	(2,545)
Total comprehensive income for the period is attributable to:			
Owners of Medigus	(14,219)	(6,598)	(2,545)
Non-controlling interest	-	-	-
	(14,219)	(6,598)	(2,545)
Basic loss per ordinary share[(1)]	(0.18)	(0.16)	(0.20)
Diluted loss per ordinary share[(1)]	(0.18)	(0.16)	(0.23)
Weighted average number of ordinary shares outstanding used to compute (in thousands)[(1)]:			
Basic loss per share	78,124	41,988	12,569
Diluted loss per share	78,124	41,988	12,969

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenues

Revenues for the year ended December 31, 2019 were $273,000 a decrease of $163,000, or 37%, compared to total revenues of $436,000 for the year ended December 31, 2018.

The tables below set forth our revenues, by region and by product for the periods presented:

	Year Ended December 31,			
U.S. dollars; in thousands	**2019**		**2018**	
United States	138	51%	315	72%
Europe	69	25%	63	14%
Asia	22	8%	36	8%
Other	44	16%	22	6%
Total	273	100%	436	100%

U.S. dollars; in thousands	**2019**		**2018**	
MUSE™ system and related equipment	-	-%	44	10%
Development services	85	31%	217	50
Miniature camera and related equipment	188	69%	175	40%
Total	273	100%	436	100%

Our revenues in recent years were primarily derived from the sale of miniature camera and related equipment which we develop and manufacture and from development services. The remainder revenues relate to the sale of the MUSE™ system.

The decrease in revenues in 2019 was due to a decrease of $44,000 in revenues from MUSE™ systems, decrease of $132,000 in development services revenues, which was partially offset by an increase of $13,000 from miniature camera and related equipment revenues

The decrease in revenues from MUSE™ systems was due to our strategy to abandon the commercialization of the MUSE™ system.

The increase in revenues from miniature camera and related equipment was primarily due to an overall increase in the sales of the products to occasional customers.

The decrease in revenues from services was primarily due to:

(i) during the year ended December 31, 2018, we recorded revenues for development services provided to a customer in the amount of approximately $130,000 (see ‘Customer A’ in note 18d to our financial statements for the year ended December 31, 2019). During year ended December 31, 2019 we recorded revenues for development services provided to this customer in the amount of approximately $85,000; and

(ii) during the year ended December 31, 2018, we recorded revenues for development services provided to a customer in the amount of approximately $87,000 (see ‘Customer B’ in note 18d to our financial statements for the year ended December 31, 2019). We did not receive any revenue from development services from this customer during the year ended December 31, 2019.

Cost of revenues and inventory impairment

Cost of revenues for the year ended December 31, 2019 were $455,000, a decrease of $152,000, or 25%, compared to cost of revenues and inventory impairment of $607,000 for the year ended December 31, 2018. The decrease was primarily due to the decrease in inventory impairment of $328,000 partially offset by the increase in cost of revenues of $176,000. During the year ended December 31, 2018 we recognized inventory impairment due to the Company’s decision to terminate distribution agreements and due to our strategy to abandon the commercialization of the MUSE™ system.

The increase in cost of revenues was due to:

a) changes in products and services mix; and

b) increase in payroll expenses and allocation of other expenses, as result of the Reorganization (as described under “Overview”) and allocating employees salaries from research and development line item to the cost of revenues line item due to the nature of their current work.

Gross Loss

Gross loss for the year ended December 31, 2019 was $182,000, an increase of $11,000 compared to gross loss of $171,000 for the year ended December 31, 2018. The increase was primarily due to the decrease in revenues partially offset by the decrease in cost of revenues and inventory impairment, as mentioned above.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2019, were $609,000, a decrease of $1,200,000, or 66%, compared to $1,809,000 for the year ended December 31, 2018. The decrease was primarily due to the decision of the company to cease the MUSE™ operation which resulted mainly by decrease on salary expenses, acquisition of materials and services rendered to the company for research and development activities.

Sales and Marketing Expenses

Sales and marketing expenses for the year ended December 31, 2019, were $326,000, a decrease of $1,028,000, or 76%, compared to $1,354,000 for the year ended December 31, 2018. The decrease was primarily due to the decision to abandon the strategy to commercialize the MUSE™ system which resulted in a decrease on payroll expenses and reduction of our marketing activities.

General and Administrative Expenses

General and Administrative expenses for the year ended December 31, 2019, were $3,081,000, a decrease of $257,000, or 8%, compared to $3,338,000 for the year ended December 31, 2018. The decrease was primarily due to a decrease in professional services in connection with issuance expenses which were attributed to the warrants classified as liabilities and therefore allocated directly to the consolidated statement of loss and other comprehensive loss on the year ended December 31, 2018, partially offset by increase in professional services due to:

a. Stock-based compensation in connection with options granted to the new directors and new CEO.

b. Appointment of CEO.

c. Hiring new financial consultants.

d. Increase on PR activities.

Net change in fair value of financial assets at fair value through profit or loss

On June 19, 2019 the Company signed an agreement with Algomizer Ltd. (“Algomizer”) and its wholly-owned subsidiary Linkury Ltd. (together the “Algomizer Group”), for an investment of approximately $5 million in Algomizer Group (the “Investment Agreement”). The investment was subject to certain closing conditions, which were met on September 3, 2019 (“Closing Date”). As part of the Investment Agreement:

a. Medigus received 2,168,675 ordinary shares of Algomizer (“Algomizer Shares”).

b. Medigus received 729,508 ordinary shares of Linkury Ltd (“Linkury Shares”).

c. Medigus received 2,898,183 warrants to purchase 2,898,183 Algomizer shares at an exercise price of NIS 5.25 per share (“Algomizer Warrants”).

d. Medigus' investment in Algomizer and Linkury is based on a projection that Linkury's net profit for 2019 will be at least NIS 15 million. In the event that Linkury's net income is less than NIS 15 million for 2019, Medigus will be issued with additional securities in Algomizer group, adjusting the price per Algomizer group securities to the actual net profit for 2019, and compensating Medigus for the difference between the actual net profit and the target net profit for 2019 ("Reverse Earn Out"). Linkury net profit for 2019 was more than NIS 15 million.

e. Medigus is also entitled, for a period of three years following the closing of the investment, to convert any and all of its Linkury shares into Algomizer shares with a 20% discount over the average share price of Algomizer on TASE within the 60 trading days preceding the conversion ("Conversion Right").

f. In the event, during the three year period following the closing of the investment, Algomizer shall issue, or undertake to issue ordinary shares with a price per share or exercise per share lower than NIS 4.15 (the "Reduced Per Share Purchase Price"), Algomizer shall be allocated immediately with such amounts of additional Ordinary Shares (and the Algomizer Warrant shall be adjusted accordingly) equal to the difference of (x) the amount of ordinary shares actually received by the Company under the Investment Agreement, and (y) the amount which Medigus would have otherwise received should the Reduced Per Share Purchase Price was applied ("Anti-Dilution").

Linkury Shares, Algomizer Warrants, Reverse Earn Out, Conversion Right and Anti-Dilution are classified as financial assets through profit and loss and measured at fair value through profit or loss at each balance sheet date based on the then relevant assumptions, until the earlier of full exercise or expiration. On year ended December 31,2019 we recognized income of $92,000 from net change in fair value of this financial assets.

Share of net loss of accounted for using the equity method

As described above we invest at Algomizer and received 2,168,675 ordinary shares of Algomizer. This investment accounted for using the equity method. Share of net loss of accounted for using the equity method we recognized at year ended December 31, 2019 was $216,000.

Listing expenses

The reverse recapitalization transaction conducted at ScoutCam Ltd.'s level was accounted for in the consolidated financial statement of the Company as a transaction with non-controlling interest in which the Company consolidated Intellisense's net assets in consideration equal to the fair value of the shares Intellisense had to issue to Medigus as part of the reverse recapitalization transaction. The fair value could not be determined based on Intellisense's stock market value since the trading volume of Intellisense's common stock was nil. Therefore, the Company determined the fair value of the transaction based on the pre-money valuation of Intellisense which was taken into account as part of the Issuance of Units to External Investors. Accordingly, an amount of $10,098,000 was listed in the consolidated statement of loss and comprehensive loss as listing expenses.

Operating loss

We incurred an operating loss of $14,420,000 for the year ended December 31, 2019, an increase of $7,748,000, or 116%, compared to operating loss of $6,672,000 for the year ended December 31, 2018. The increase in operating loss was due to listing expenses at an amount of $10,098,000 and share of net loss accounted for using the equity method at an amount of $216,000, partially offset by $1,200,000 decrease in research and development expenses, $1,028,000 decrease in sales and marketing expenses, $257,000 decrease in administrative and general expenses and $92,000 profit from net change in fair value of financial assets at fair value through profit or loss.

Change in Fair Value of Warrants Issued to Investors

Profit from change in the fair value of warrants issued to investors for the year ended December 31, 2019, was $142,000, a decrease of $6,000, compared to profit of $148,000 for the year ended December 31, 2018.

Warrants issued to investors classified as either liabilities or as part of the shareholders' equity based on the accounting guidance established in connection with the rights attached to the warrants. The warrants that were classified as liabilities due to a cashless exercise mechanism are subject to adjustment to fair value each balance sheet cut-off date. This adjustment is presented separately within the consolidated statement of loss and other comprehensive loss.

Financial income (expenses) in respect of deposits, bank commissions and exchange differences, net

Finance income, net for the year ended December 31, 2019, was $99,000 an increase of $153,000, compared to finance expenses of $54,000 for the year ended December 31, 2018.

Loss for the year

We incurred loss of $14,178,000 for the year ended December 31, 2019, an increase of $7,580,000, or 115%, compared to loss of $6,598,000 for the year ended December 31, 2018. The increase was primarily due to $7,748,000 increase in operating loss partially offset by $147,000 increase in finance income, net.

Year ended December 31, 2018 compared to year ended December 31, 2017

The discussion and analysis regarding the results of operations from the fiscal years ended December 31, 2018 and December 31, 2017 is contained in our annual report on Form 20-F, filed with the SEC, on March 28, 2019.

Effective Corporate Tax Rate

Our effective consolidated tax rate for the years ended December 31, 2019 and 2018 was almost zero percent (0%), primarily due to the fact that the Company and ScoutCam Ltd. did not record deferred tax asset in connection with the losses incurred in Israel, since it is not probable that we will be able to utilize such losses in the foreseeable future against taxable income.

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

We generate part of our revenues in different currencies than our functional currency (U.S. dollars), such as NIS and Euro. As a result, some of our financial assets are denominated in these currencies, and fluctuations in these currencies could adversely affect our financial results. A considerable amount of our expenses are generated in U.S. dollars, but a significant portion of our expenses such as salaries are generated in other currencies such as NIS. In addition to our operations in Israel, we are expanding our international operations in the European Union. Accordingly, we incur and expect to continue incurring additional expenses in non-U.S. dollar currencies, such as described above. Due to the mentioned, our results could be adversely affected as a result of a strengthening or weakening of the U.S. Dollar compared to these other currencies.

The inflation in Israel during the last several years was relatively immaterial and therefore had immaterial effect on our results of operations.

Effective January 1, 2016, we changed our functional currency to the U.S. dollar from NIS. This change was based on management's assessment that the U.S. dollar is the primary currency of the economic environment in which we operate. Accordingly, the functional and reporting currency of our consolidated financial statements is the U.S. dollar.

B. Liquidity and Capital Resources

Liquidity

During the year ended December 31, 2019, we incurred a total comprehensive loss of approximately $14.2 million and a negative cash flow used in operating activities of approximately $2.7 million. As of December 31, 2019, we incurred accumulated deficit of approximately $76.7 million.

We will need to seek additional sources of funds, including selling additional equity, debt or other securities or entering into a credit facility, take costs reduction steps or modify our current business plan to achieve profitability. If we raise additional funds through the issuance of debt securities, these securities may have rights senior to those of our ordinary shares and could contain covenants that could restrict our operations and ability to issue dividends. We may also require additional capital beyond our currently forecasted amounts. Any required additional capital, whether forecasted or not, may not be available on reasonable terms, or at all. If we are unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned research, development and commercialization activities, which could materially harm our business and results of operations.

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

- the revenue generated by sales of our current and future products;
- the expenses we incur in selling and marketing our products and supporting our growth;
- the costs and timing of regulatory clearance or approvals for new products or upgrades or changes to our products;
- the expenses we incur in complying with domestic or foreign regulatory requirements imposed on medical device companies;
- the rate of progress, cost and success or failure of on-going development activities;
- the emergence of competing or complementary technological developments;
- the costs of filing, prosecuting, defending and enforcing any patent or license claims and other intellectual property rights;
- the terms and timing of any collaborative, licensing, or other arrangements that we may establish;
- the future unknown impact of recently enacted healthcare legislation;
- the acquisition of businesses, products and technologies; and
- general economic conditions and interest rates.

Cash Flows

Operating Activities

Net cash used in operating activities for the year ended December 31, 2019 was $2,695,000, a decrease of $1,527,000, compared to net cash used in operating activities of $4,222,000 for the year ended December 31, 2018.

Net cash used in operating activities for the year ended December 31, 2019, consisted primarily of loss for the year before taxes on income of $14,179,000 and increase in inventory of $819,000, partially offset by listing expenses of $10,098,000, stock-based compensation of $259,000, share of losses of associate company of $216,000, increase in other current liabilities of $88,000 and an increase in contract liability of $1,953,000.

Net cash used in operating activities for the year ended December 31, 2018, consisted primarily of loss for the year before taxes on income of $6,578,000, partially offset by issuance expenses which were attributed to the warrants classified as a financial liability and charged directly to profit or loss of $1,565,000, inventory impairment of $328,000, increase in contract liability, increase in accrued compensation expenses and an increase in other current liabilities of $396,000.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2019 was $4,119,000, a decrease of $7,606,000, compared to net cash generated from investing activities of $3,487,000 for the year ended December 31, 2018.

Net cash used in investing activities for the year ended December 31, 2019, consisted primarily of payment for acquisition of Algomizer and Linkury (see note 4 to our financial statements for the year ended December 31, 2019).

Net cash generated from investing activities for the year ended December 31, 2018, consisted primarily of withdrawal of short-term deposit.

Financing Activities

Net cash generated from financing activities for the year ended December 31, 2019 was $3,156,000, a decrease of $5,478,000, compared to net cash generated from financing activities of $8,634,000 for the year ended December 31, 2018.

Net cash generated from financing activities for the year ended December 31, 2019, consisted primarily of cash obtained in connection with a transaction with non-controlling interest of $3,202,000 (see note 4 to our financial statements for the year ended December 31, 2019).

Net cash generated from financing activities for the year ended December 31, 2018, consisted primarily of proceeds from issuance of shares and warrants and from exercise of warrants, net of issuances costs of $8,634,000.

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

Our research and development efforts are focused on continuous improvement of our products. We conduct all of our research activities in Israel.

As of December 31, 2019, our research and development team, including regulatory and quality team members, consisted of 6 employees. In addition, we work with subcontractors for the development of our products as needed. We have assembled an experienced team with recognized expertise in mechanical and electrical engineering, software, control algorithms and systems integration, as well as significant medical and clinical knowledge and expertise.

We finance our research and development activities mainly through sale of our products, capital raising and grants received from the IIA. As of December 31, 2019, we had received total aggregated grants of $2.5 million from the IIA. For further information see “Item 4. Information on the Company—B. Business Overview — Health Care Laws and Regulations—Israeli Government Programs.”

The table below set forth our research and development expenses for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
	(U.S. Dollars, in thousands)		
Research and development expenses	$ 609	$ 1,809	2,208

From time to time we file applications for patent registration in the certain countries, some in which we are active and some which we consider as potential markets in order to protect our developed intellectual property.

D. Trend Information

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

To date, a significant portion of our revenues was generated from the sale of our micro ScoutCam™ portfolio products, development services and the remainder from the sale of the MUSE™ system. The level of our future revenues is hard to predict as it depends on many factors, which most of them are outside of our control. For instance, future revenues from the sale of our products may be adversely affected by current general economic conditions and the resulting tightening of credit markets, which may cause purchasing decisions to be delayed, our customers may have difficulty securing adequate funding to buy our products or, in an extraordinary event, may cause our customers to experience difficulties in complying with their engagements with us. In addition, revenue growth depends on the acceptance of our technology in the market.

The healthcare industry in the United States has experienced a trend toward cost containment as government and private insurers seek to manage healthcare costs by imposing lower payment rates and negotiating reduced contract rates with service providers. This trend may result in inadequate coverage for procedures, especially those utilizing new technology, or result in new technology not receiving reimbursement coverage, which may negatively impact utilization of our products. In addition, medical malpractice carriers are withdrawing coverage in certain states or substantially increasing premiums. If this trend continues or worsens, physicians and surgeons may discontinue using our products or may choose to not purchase it in the future due to the cost or inability to procure insurance coverage.

E. Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our known contractual obligations and commitments as of December 31, 2019:

	Total	Less than 1 year	1 – 3 years
	(U.S. Dollars, in thousands)		
Car lease obligations	62	28	34
Premises leasing obligations	107	101	6
Total	169	129	40

Other Non-Current Liabilities Reflected on our Balance Sheet:

Long-term contract liabilities payments aggregated to approximately $1,800,000 as of December 31, 2019. For further details, please see note 17 to our financial statements for the year ended December 31, 2019.

Retirement benefit obligation, net aggregated to $5,000 as of December 31, 2019.

Long term lease liabilities aggregated to $33,000 as of December 31, 2019. For further details, please see note 10 to our financial statements for the year ended December 31, 2019.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table lists the names and ages of our directors and senior management as of April 15, 2020:

Name	Age	Position(s)
Liron Carmel	36	Chief Executive Officer
Eliyahu Yoresh[(1)]	50	Chairman of the Board of Directors
Ronen Rosenbloom[(1)(2)]	48	Director
Eli Cohen[(1) (2)]	51	Director
Kineret Tzedef[(2)]	40	Director
Tatiana Yosef	37	Chief Financial Officer

(1) Member of the audit committee.

(2) Member of the compensation committee.

Liron Carmel has been serving as our Chief Executive Officer since April 2019. Mr. Carmel has vast experience in business and leadership across multiple industries, including bio pharma, internet technology, oil & gas exploration & production, real estate and financial services. In addition he serves as chairman of the Israel Tennis Table Association. Mr. Carmel served as the chief executive officer and director of CannaPowder (PINK: CAPD), a bio-pharma company dedicated to developing and applying innovative technology in the cannabinoid field, from 2017 and 2018. Mr. Carmel previously served as a director of Chiron Refineries Ltd. (TASE: CHR), a company engaged in consulting and initiation of transactions in the refineries field, and as a director of Algomizer Ltd. (TASE: ALMO) which operates in the field of software development, marketing and distribution to internet users. He also served as vice president business development at Yaad Givatayim development, a municipal corporation dedicated to initiate, develop and establish projects of public importance. Prior to Yaad Givatayim, Mr. Carmel served as an investment manager and as a research and strategy analyst at Excellence Nessuah, one of the leading companies in the field of provident and advanced studies funds in Israel.

Eliyahu Yoresh has been serving as a member of our Board since September 2018 and as our Chairman of the board since February 2020. Mr. Yoresh serves as chief financial officer of Foresight Autonomous Holdings Ltd. (Nasdaq, TASE: FRSX) and Asia Group. In addition, Mr. Yoresh has served as a director of Nano Dimension Ltd. (Nasdaq, TASE: NNDM) and as a director of Geffen Biomed Investments Ltd. and Greenstone Industries Ltd. Mr. Yoresh served as the chief executive officer of Tomcar Global Holdings Ltd., a global manufacturer of off-road vehicles, from 2005 to 2008. Mr. Yoresh is an Israeli Certified Public Accountant. Yoresh acquired a B.A. in business administration from the Business College, Israel and an M.A. in Law Study from Bar-Ilan University, Israel.

Ronen Rosenbloom has been serving as a member of our Board since September 2018. Mr. Rosenbloom is an independent lawyer working out of a self-owned law firm specializing in white collar offences. Mr. Rosenbloom serves as chairman of the Israeli Money Laundering Prohibition committee and the Prohibition of Money Laundering Committee of the Tel Aviv District, both of the Israel Bar Association. Mr. Rosenbloom previously served as a police prosecutor in the Tel Aviv District. Mr. Rosenbloom holds an LL.B. from the Ono Academic College, an Israeli branch of University of Manchester.

Eli Cohen has been serving as a member of our Board since September 2018. Mr. Cohen is an independent lawyer working out of a self-owned firm. He serves as chairman of Univo Pharmaceuticals Ltd., as director of Europe Hagag Ltd., and has previously served as director of Hagag Group Ltd., Multimatrixs Ltd., Matrat Mizug Ltd. and User Trend-M Ltd. Mr. Cohen also serves as a director of several private companies. Mr. Cohen holds an economics degree, an LL.B. and LL.M in Commercial Law from Tel-Aviv University, as well as an MBA from the Northwestern University and Tel-Aviv University joint program.

Kineret Tzedef has been serving as member of our Board since June 2019. Ms. Tzedef also serves as a director of sport division and served in other positions at Hapoel Organization (Israeli Sport Federation) since 2007. Ms. Tzedef is the president of Israeli Gymnastics Federation since 2018. Ms. Tzedef serves as an external director at Chiron Refineries Ltd. (TASE: CHR), and as an external director of Biomedico Hadarim Ltd. (TASE: BIMCM). Ms. Tzedef is admitted to the Israel Bar Association since 2014. Ms. Tzedef acquired a LL.B from the Academic Center for Law and Science, Israel and a B.Ed. in Law Study from the Academic College at Wingate, Israel.

Tatiana Yosef has been serving as our Chief Financial Officer since March 22, 2019 and as Chief Financial Officer of our majority held subsidiary ScoutCam, Inc. since December 27, 2019. Ms. Yosef is a certified public accountant with many years of experience, who has served as the Company's controller since December 2009. During 2008-2009 Ms. Yosef worked in the audit department at Kesselman& Kesselman, a member firm of PricewaterhouseCoopers International Limited. Ms. Yosef holds a Bachelor degree in Economics and Accounting from the Ben-Gurion University of the Negev.

Mr. Chris Rowland, the former chief executive officer of the Company has stepped down effective as of February 28, 2019. Following such date, the board of directors undertook Mr. Rowland's responsibilities until the appointment of Liron Carmel as Chief Executive Officer.

On December 31, 2019, Benad Goldwasser stepped down as chairman of our board of directors in order to focus his efforts on ScoutCam where he serves as chairman of the board of directors. On February 2, 2020 our board of directors appointed Eliyahu Yoresh as chairman of the board of directors to replace Benad Goldwasser.

Family Relationships

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

Arrangements for Election of Directions and Members of Management

There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any of our executive management or our directors were appointed.

B. Compensation

Compensation of Executive Officers

In accordance with the provisions of the Companies Law, the compensation of our directors and officer holders must generally comply with the terms and conditions of our compensation policy, as approved by our compensation committee, board of directors and general meeting of our shareholders, subject to certain exceptions under the Companies Law. Our current compensation policy was approved by our general meeting on January 9, 2019 and a subsequent amendment was approved by our general meeting on July 25, 2019.

The table below reflects the compensation granted to our five most highly compensated office holders (as defined in the Companies Law) during or with respect to the year ended December 31, 2019:

Name and Position	Salary[1]	Bonus	Equity-Based Compensation[2]	All other compensation[3]	Total
	U.S. Dollars in thousands				
Liron Carmel *Chief Executive Officer*	102	46	54	-	202
Christopher (Chris) Rowland[4] *Former Chief Executive Officer*	72	-	56	-	128
Tatiana Yosef *Chief Financial Officer*	85	-	2	-	87
Minelu (Menashe) Sonnenschein[5] *Former VP, Israel Operations*	39	22	(7)	8	62
Eliyahu Yoresh *Chairman of the Board of Directors*[6]	24	-	37	-	61
Eli Cohen *Director*	24	-	37	-	61
Ronen Rosenbloom *Director*	24		37	-	61

(1) Salary includes the office holders' gross salary plus payment of social benefits made by us on behalf of such office holder. Such benefits may include, to the extent applicable to the office holder, payments, contributions and/or allocations for savings funds (such as managers' life insurance policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, risk insurances (e.g., life, or work disability insurance), payments for social security and tax gross-up payments, vacation, medical insurance and benefits, convalescence or recreation pay and other benefits and perquisites consistent with our policies.

(2) Represents the equity-based compensation expenses recorded in the Company's consolidated financial statements for the year ended December 31, 2019, based on the option's fair value, calculated in accordance with accounting guidance for equity-based compensation.

(3) Includes car expenses.

(4) Mr. Rowland stepped down from his position as the Company's Chief Executive Officer, effective February 28, 2019. Such compensation does not reflect severance payment equal to six (6) months' in the amount of $157,500 that was included in our financial statements for the year ended December 31, 2018.

(5) Mr. Sonnenschein stepped down from his position as the Company's VP Israel Operations, effective March 31, 2019.

(6) Mr. Yoresh has been serving as a member of our Board since September 2018 and as our Chairman of the board since February 2020.

The aggregate compensation paid by us to our office holders (as defined in the Companies Law) (7 persons, including our former executive officers) for the year ended December 31, 2019 was approximately $0.6 million. This amount includes, when applicable, set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, car expenses and value of the ordinary shares underlying the options representing accounting expenses, but does not include business travel, relocation, professional and business association dues and expenses reimbursed to officers, and other benefits commonly reimbursed or paid by companies in Israel.

Compensation of Directors

Under the Companies Law and the rules and regulations promulgated thereunder, our directors are entitled to fixed annual compensation and to an additional payment for each meeting attended. We currently pay Mr. Ronen Rosenbloom, Ms. Kineret Tzedef and Mr. Eli Cohen an annual fee of NIS 37,115 and a per meeting fee of NIS 1,860.

We paid Prof. Benad Goldwasser, our former chairman of the board of directors, an annual fee of NIS 37,115 and a per meeting fee of NIS 2,480 as well as a monthly consultancy fee in connection with his services as chairman of the board of directors of ScoutCam Ltd., all in accordance with the director fees allowed pursuant to applicable regulations under the Companies Law, as applicable to the Company. The aggregate amount paid by us to our directors for the year ended December 31, 2019, was approximately $200 thousands.

In addition, during 2019, we granted each of Prof. Benad Goldwasser, Mr. Ronen Rosenbloom, Mr. Eliyahu Yoresh and Mr. Eli Cohen options to purchase up to 750,000 ordinary shares of the Company with the following terms: (i) a vesting schedule of a three (3) year period commencing on October 1, 2018, with 1/12 of such options vesting at the end of each subsequent three-month period following the grant, (ii) a term of six (6) years after the grant date, unless the options have been exercised or cancelled in accordance with the terms of and conditions of the applicable incentive plan of the Company, (iii) unless previously exercised or cancelled, the options may be exercised until 180 days from the termination of the tenure of a director, (iv) the exercise price per share of the options is NIS 0.59 per ordinary share, and (v) the options will be accelerated upon the closing of a material transaction, resulting in change of control of the Company.

On February 2, 2020, our compensation committee and board of directors approved new compensation terms for Mr. Eliyahu Yoresh in connection with his services as an active chairman of the board of directors. For his services, Mr. Yoresh shall be entitled to receive a monthly payment of NIS15,000 which shall constitute the sole and complete compensation. Mr. Yoresh will not be entitled to a per meeting fee. The aforementioned compensation terms are subject to the approval of the Company's shareholders in accordance with the Companies Law.

Equity Based Compensation of our Executive Officers and Directors

As of April 15, 2020, options to purchase 3,524,950 of our ordinary shares were outstanding and held by current executive officers and directors (consisting of 5 persons) with an average exercise price of NIS 0.62 per ordinary share, of which, options to purchase 1,451,450 of our ordinary shares are currently exercisable or exercisable within 60 days as of April 15, 2020. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership" in this annual report on Form 20-F.

Employment Agreements

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

Our office holders are generally eligible for bonuses each year. The bonuses are established and granted in accordance with our compensation policy and, and are generally payable upon meeting objectives and targets that are approved by our compensation committee and board of directors (and if required by our shareholders).

Consulting Agreement with Mr. Carmel

On July 25, 2019, our shareholders approved that as of April 2, 2019, the Company would enter into a consulting agreement with Mr. Carmel, who serves as our Chief Executive Officer. The employment term is for an indefinite period, however the agreement may be terminated by either party by giving 60 days advance notice, or shorter periods in some cases, such as termination for "cause". During the notice period, Mr. Carmel will be entitled to consulting fees only to the extent that he provides services to the Company during the notice period.

In accordance with the consulting agreement, Mr. Carmel is entitled to a monthly consulting fee of NIS 36,000 + VAT for 80% position and reimbursement of business expenses in accordance with our policies from time to time. In addition, Mr. Carmel may be entitled to an annual cash bonus of up to NIS 215,000 + VAT, based on a discretionary component of not more than 25% and measurable objectives to be determined by our compensation committee and approved by our board of directors for the applicable fiscal year. The annual target bonus may be reduced by our board of directors according to our financial position and Mr. Carmel's performance, and must be returned by Mr. Carmel if it is later shown to be granted in error which shall be restated in our financial statements.

In addition, Mr. Carmel was granted with options to purchase up to 1,250,000 Ordinary Shares of the Company (the "**Options**"), in accordance with the following terms: (i) the Options shall vest over a period of four (4) years commencing April 1, 2019, 25% of the Options shall vest on the first anniversary (i.e., April 1, 2020), and 75% of the Options shall vest on a quarterly basis over a period of three (3) years thereafter; (ii) the term of the Options shall be of six (6) years from the date of grant, unless they have been exercised or cancelled in accordance with the terms of and conditions of the applicable incentive plan of the Company, (iii) unless previously exercised or cancelled, the Options may be exercised until 180 days from the date of termination of the service, (iv) the exercise price per share of the Options shall be NIS 0.59, (v) the Options' grant shall be in accordance and pursuant to Section 102 of the Income Tax Ordinance [New Version], and (vi) the Options shall be accelerated upon the closing of a material transaction, resulting in change of control of the Company.

The agreement also includes customary covenants regarding confidentiality, IP assignment, non-competition and non-solicitation.

Employment Agreement with Mr. Rowland

On September 29, 2013, our shareholders approved that as of October 1, 2013, our subsidiary, Medigus U.S., would enter into an employment agreement with Mr. Rowland, who served as our Chief Executive Officer and carried out his work from Medigus U.S.'s office in California, USA until February 28, 2019. In accordance with his employment agreement, Mr. Rowland was entitled to an annual base salary of $315,000.

On January 10, 2019, the Company entered into a separation agreement with Mr. Rowland, pursuant to which Mr. Rowland stepped down from his position as chief executive officer, effective February 28, 2019. As part of the separation agreement, Mr. Rowland was entitled to receive all accrued but unpaid sums including earned but unpaid incentive payments for 2018 in the amount of $88,200 and severance payment equal to six (6) months' in the amount of $157,500.

C. Board Practices

Introduction

Under the Companies Law and our articles of association, the management of our business is vested in our board of directors. Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders or to management. Our executive officers are responsible for our day-to-day management and have individual responsibilities established by our board of directors. Our chief executive officer is appointed by the general meeting of our shareholders, subject to his personal contract with the Company.

Under our articles of association, our board of directors must consist of at least three and not more than 12 directors, not including two external directors appointed as required under the Companies Law. Our board of directors currently consists of four members, none of which are external directors, including our chairman of the board of directors, which is also appointed by the general meeting of our shareholders. Our directors are nominated by our independent directors and elected at the annual general meeting of our shareholders by a simple majority. Because our ordinary shares do not have cumulative voting rights in the election of directors, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of our directors. The general meeting of our shareholders may resolve, at any time, by an ordinary majority resolution prior to the termination of his respective term of service and it may appoint another director in his place, provided that the director was given a reasonable opportunity to state his case before the general meeting.

In addition, if a director's office becomes vacant, the remaining serving directors may continue to act in any manner, provided that their number is of the minimal number specified in our articles of association. If the number of serving directors is lower than three, then our board of directors will not be permitted to act, other than for the purpose of convening a general meeting of the Company's shareholders for the purpose of appointing additional directors. In addition, the directors may appoint, immediately or of a future date, additional director(s) to serve until the subsequent annual general meeting of our shareholders, provided that the total number of directors in office do not exceed twelve directors (not including external directors).

Pursuant to the Companies Law and our articles of association, a resolution proposed at any meeting of our board of directors at which a quorum is present is adopted if approved by a vote of a majority of the directors present and eligible to vote. A quorum of the board of directors requires at least a majority of the directors then in office who are lawfully entitled to participate in the meeting.

According to the Companies Law, the board of directors of a public company must determine the minimum number of board members that should have financial and accounting expertise while considering, among other, the nature of the company, its size, the scope and complexity of its operations and the number of directors stated in the articles of association. Our board of directors resolved that the minimum number of board members that need to have financial and accounting expertise is one and that Mr. Eliyahu Yoresh has accounting and financial expertise as required under the Companies Law.

External Directors

Under the Companies Law, companies incorporated under the laws of the State of Israel that are "public companies," including companies with shares listed on the Nasdaq Capital Market, are required to appoint at least two external directors. External directors must meet certain independence criteria to ensure that they are unaffiliated with the company and its controlling shareholder, as well certain other criteria. External directors are elected for three-year terms in accordance with specific rules set forth in the Companies Law and the regulations promulgated thereunder and may be removed from office only under limited circumstances. Under the Companies Law, each committee of a company's board of directors that is authorized to exercise powers of the board of directors is required to include at least one external director, and all external directors must be members of the company's audit committee and compensation committee.

Pursuant to regulations promulgated under the Companies Law, companies with shares traded on a U.S. stock exchange, including the Nasdaq Capital Market, may, subject to certain conditions, "opt out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors. In accordance with these regulations, effective of June 28, 2017, we have "opted out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors.

Under these regulations, the exemptions from such Companies Law requirements will continue to be available to us so long as: (i) we do not have a "controlling shareholder" (as such term is defined under the Companies Law), (ii) our shares are traded on a U.S. stock exchange, including the Nasdaq Capital Market, and (iii) we comply with the director independence requirements, the audit committee and the compensation committee composition requirements, under U.S. laws (including applicable Nasdaq Rules) applicable to U.S. domestic issuers.

Alternate directors

Our articles of association provide, as allowed by the Companies Law, that any director may, by written notice to us, appoint another person who is qualified to serve as a director to serve as an alternate director and to terminate such appointment. Under the Companies Law, a person who is not qualified to be appointed as a director, a person who is already serving as a director or a person who is already serving as an alternate director for another director, may not be appointed as an alternate director. Nevertheless, a director who is already serving as a director may be appointed as an alternate director for a member of a committee of the board of directors as long as he or she is not already serving as a member of such committee.

Board committees

The board of directors may, subject to the provisions of the Companies Law, delegate any or all of its powers to committees, each consisting of one or more directors (except the audit and compensation committees, as described below), and it may, from time to time, revoke such delegation or alter the composition of any such committees. Unless otherwise expressly provided by the board of directors, the committees will not be empowered to further delegate such powers. The composition and duties of our audit committee and compensation committee are described below.

Audit committee

Our audit committee is currently comprised of Mr. Eli Cohen, Mr. Eliyahu Yoresh, and Mr. Ronen Rosenbloom. Mr. Eli Cohen acts as the chairperson of our audit committee.

Companies Law Requirements

Under the Companies Law, our board of directors is required to appoint an audit committee, which is responsible, among others, for:

(i) determining whether there are deficiencies in the business management practices of our Company, including in consultation with our internal auditor or the independent auditor, and making recommendations to our board of directors to improve such practices;

(ii) determining the approval process for transactions that are 'non-negligible' (i.e., transactions with a controlling shareholder that are classified by the audit committee as non-negligible, even though they are not deemed extraordinary transactions), as well as determining which types of transactions would require the approval of the audit committee, optionally based on criteria which may be determined annually in advance by the audit committee;

(iii) determining whether to approve certain related party transactions (including transactions in which an office holder has a personal interest and whether such transaction is extraordinary or material under Companies Law. See "— Fiduciary duties and approval of specified related party transactions and compensation under Israeli law."

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

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

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

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

Nasdaq requirements

Under the Nasdaq corporate governance rules, we are required to maintain an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq corporate governance rules. Our board of directors has determined that Mr. Eliyahu Yoresh is an audit committee financial expert as defined by the SEC rules and has the requisite financial experience as defined by the Nasdaq Marketplace Rules.

Each of the members of the audit committee is required to be "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members. Our board of directors has determined that each member of our audit committee is independent as such term is defined in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended.

Audit committee role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee consistent with the rules of the SEC and the Nasdaq Rules, which include, among others:

- retaining and terminating our independent auditors, subject to the ratification of the board of directors, and in the case of retention, to that of the shareholders;
- pre-approving of audit and non-audit services and related fees and terms, to be provided by the independent auditors;
- overseeing the accounting and financial reporting processes of our company and audits of our financial statements, the effectiveness of our internal control over financial reporting and making such reports as may be required of an audit committee under the rules and regulations promulgated under the Exchange Act;
- reviewing with management and our independent auditor our annual and quarterly financial statements prior to publication or filing (or submission, as the case may be) to the SEC;
- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor's engagement fees and terms, in accordance with the Companies Law as well as approving the yearly or periodic work plan proposed by the internal auditor.
- reviewing with our general counsel and/or external counsel, as deem necessary, legal and regulatory matters that could have a material impact on the financial statements;
- identifying irregularities in our business administration, inter alia, by consulting with the internal auditor or with the independent auditor, and suggesting corrective measures to the board of directors; and
- reviewing policies and procedures with respect to transactions (other than transactions related to the compensation or terms of services) between the company and officers and directors, or affiliates of officers or directors, or transactions that are not in the ordinary course of the company's business and deciding whether to approve such acts and transactions if so required under the Companies Law.

The audit committee charter states that in fulfilling its obligations, the committee is entitled to demand from the Company any document, file, report or any other information that is required for the fulfillment of its roles and duties and to interview any of our employees or any employees of our subsidiaries in order to receive more details about his or her line of work or other issues that are connected to the roles and duties of the audit committee.

Compensation Committee

Our compensation committee is currently comprised of Mr. Ronen Rosenbloom, Mr. Eli Cohen and Ms. Kineret Tzedef. Mr. Ronen Rosenbloom acts as the chairperson of our compensation committee.

Companies Law requirements

Under the Companies Law, the board of directors of a public company must appoint a compensation committee which roles are, among others, as follows:

- to recommend to the board of directors the approval of compensation policy for directors and officers in accordance with the requirements of the Companies Law;
- to oversee the development and implementation of such compensation policy and recommending to the board of directors regarding any amendments or modifications that the compensation committee deems appropriate;
- to determine whether to approve transactions concerning the terms of engagement and employment of office holders that require approval of the compensation committee; and
- to resolve whether to exempt a transaction with a candidate for chief executive officer from shareholder's approval.

Nasdaq requirements

Our board of directors has adopted a compensation committee charter setting forth the responsibilities of the committee consistent with the Nasdaq Rules, which include among others:

- recommending to our board of directors for its approval a compensation policy in accordance with the requirements of the Companies Law as well as other compensation policies, incentive-based compensation plans and equity-based compensation plans, and overseeing the development and implementation of such policies and recommending to our board of directors any amendments or modifications to the committee deems appropriate, including as required under the Companies Law;

- reviewing and approving the granting of options and other incentive awards to our chief executive officer and other executive officers, including reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and other executive officers, including evaluating their performance in light of such goals and objectives;

- approving and exempting certain transactions regarding office holders' compensation pursuant to the Companies Law; and

- administer our equity-based compensation plans, including without limitation to approve the adoption of such plans, to amend and interpret such plans and the awards and agreements issued pursuant thereto, and to make awards to eligible persons under the plans and determine the terms of such awards.

The compensation committee is also authorized to retain and terminate compensation consultants, legal counsel or other advisors to the committee and to approve the engagement of any such consultant, counsel or advisor, to the extent it deems necessary or advisable.

Our board of directors has determined that each member of our compensation committee is independent under the Nasdaq Rules, including the additional independence requirements applicable to the members of a compensation committee.

Compensation policy

Under the Companies Law, companies incorporated under the laws of the State of Israel, whose shares are listed for trading on a stock exchange or have been offered to the public in or outside of Israel, such as us, are required to adopt a policy governing the compensation of "office holders" (as defined in the Companies Law). Following the recommendation of our compensation committee and approval by our board of directors, our shareholders approved our current compensation policy at our special general meeting of shareholders held on January 9, 2019 as well as certain amendments to the policy approved by our shareholders on July 25, 2019. Our compensation policy must be approved at least once every three years, first, by our board of directors, upon recommendation of our compensation committee, and second, by a simple majority of the ordinary shares present, in person or by proxy, and voting at a shareholders meeting, provided that either:

- such majority includes at least a majority of the shares held by shareholders who are not controlling shareholders and do not have a personal interest in such compensation arrangement and who are present and voting (excluding abstentions); or

- the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the compensation arrangement and who vote against the arrangement, does not exceed 2% of the company's aggregate voting rights.

Such majority determined in accordance with the majority requirement described above is hereinafter referred to as the Compensation Special Majority Requirement.

To the extent a compensation policy is not approved by shareholders at a duly convened shareholders meeting or by the Compensation Special Majority Requirement, the board of directors of a company may override the resolution of the shareholders following a re-discussion of the matter by the board of directors and the compensation committee and for specified reasons, and after determining that despite the rejection by the shareholders, the adoption of the compensation policy is in the best interest of the company. A compensation policy that is for a period of more than three years must be approved in accordance with the above procedure once every three years.

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

- the knowledge, skills, expertise and accomplishments of the relevant office holder;
- the office holder's roles and responsibilities and prior compensation agreements with him or her;
- the ratio between the cost of the terms of employment of an office holder and the cost of the compensation of the other employees of the company, including those employed through manpower companies, in particular the ratio between such cost and the average and median compensation of the other employees of the company, as well as the impact such disparities may have on the work relationships in the company;
- the possibility of reducing variable compensation, if any, at the discretion of the board of directors; and the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and
- as to severance compensation, if any, the period of service of the office holder, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contribution towards the company's achievement of its goals and the maximization of its profits, and the circumstances under which the person is leaving the company.

The compensation policy must also include the following principles:

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

Internal auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor based on the recommendation of the audit committee. Under the Companies Law, each of the following may not be appointed as internal auditor:

- a person (or a relative of a person) who holds more than 5% of the company's outstanding shares or voting rights;
- a person (or a relative of a person) who has the power to appoint a director or the general manager of the company;
- an office holder (including a director) of the company (or a relative thereof); or
- a member of the company's independent accounting firm, or anyone on his or her behalf.

The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. The audit committee is required to oversee the activities and to assess the performance of the internal auditor as well as to review the internal auditor's work plan. Our internal auditor is Daniel Spira, Certified Public Accountant (Isr.).

Fiduciary duties and approval of specified related party transactions and compensation under Israeli law

Fiduciary duties of office holders

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

The duty of care requires an office holder to act in the same degree of proficiency with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes, among other things, a duty to use reasonable means, in light of the circumstances, to obtain:

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

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

- refrain from any act involving a conflict of interest between the performance of his or her duties in the company and his or her other duties or personal affairs;
- refrain from any activity that is competitive with the business of the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder received as a result of his or her position as an office holder.

Under the Companies Law, we may approve an act specified above, provided that the office holder acted in good faith, the act or its approval does not harm the company's best interest, and the office holder discloses his or her personal interest a sufficient time before the approval of such act, including any relevant document.

Disclosure of personal interests of an office holder and approval of transactions

The Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. An interested office holder's disclosure must be made promptly and, in any event, no later than the first meeting of the board of directors at which the transaction is considered. Under the Companies Law, once an office holder complies with the above disclosure requirement, the board of directors at which the transaction is considered. An office holder is not obliged to disclose such information if the personal interest of the office holder derives solely from the personal interest of his or her relative in a transaction that is not considered an extraordinary transaction.

Under the Companies Law, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest only if the office holder has complied with the above disclosure requirement, provided, however, that a company may not approve a transaction or action that is not to the company's benefit.

Under the Companies Law, unless the articles of association of a company provide otherwise, a transaction with an office holder or with a third party in which the office holder has a personal interest, which is not an extraordinary transaction, requires approval by the board of directors. Our articles of association do not state otherwise. If the transaction considered with an office holder or third party in which the office holder has a personal interest is an extraordinary transaction, then the audit committee's approval is required prior to approval by the board of directors. For the approval of compensation arrangements with directors and executive officers, see "Item 6. Directors, Senior Management and Employees —C. Board Practices—Compensation of directors and executive officers."

Any person who has a personal interest in the approval of a transaction that is brought before a meeting of the board of directors or the audit committee may not be present at the meeting or vote on the matter. However, if the chairperson of the board of directors or the chairperson of the audit committee has determined that the presence of an office holder with a personal interest is required, such office holder may be present at the meeting for the purpose of presenting the matter. Notwithstanding the foregoing, a director who has a personal interest may be present at the meeting and vote on the matter if a majority of the directors or members of the audit committee have a personal interest in the approval of such transaction' provided, however, that if a majority of the directors at a board of directors meeting have a personal interest in the approval of the transaction, such transaction also requires the approval of the shareholders of the company.

A "personal interest" is defined under the Companies Law as the personal interest of a person in an action or in a transaction of the company, including the personal interest of such person's relative or the interest of any other corporate body in which such person and/or such person's relative is a director or general manager, a 5% shareholder or holds 5% or more of the voting rights, or has the right to appoint at least one director or the general manager, but excluding a personal interest stemming solely from the fact of holding shares in the company. A personal interest also includes (1) a personal interest of a person who votes according to a proxy of another person, including in the event that the other person has no personal interest, and (2) a personal interest of a person who gave a proxy to another person to vote on his or her behalf regardless of whether the discretion of how to vote lies with the person voting or not.

An "extraordinary transaction" is defined under the Companies Law as any of the following:

- a transaction other than in the ordinary course of business;
- a transaction that is not on market terms; or
- a transaction that may have a material impact on the company's profitability, assets or liabilities.

An extraordinary transaction in which an office holder has a personal interest requires approval of the company's audit committee followed by the approval of the board of directors.

Disclosure of personal interests of a controlling shareholder and approval of transactions

The Companies Law also requires that a controlling shareholder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. A controlling shareholder's disclosure must be made promptly and, in any event, no later than the first meeting of the board of directors at which the transaction is considered. The following require the approval of each of (i) the audit committee (or the compensation committee with respect to the terms of engagement of the controlling shareholder or relative thereof with the company related for the provision of service, including among others as an office holder or employee of the company), (ii) the board of directors and (iii) the shareholders (in that order): (a) extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest (including a private placement in which a controlling shareholder has a personal interest), (b) the engagement with a controlling shareholder or his or her relative, directly or indirectly, for the provision of services to the company, (c) the terms of engagement and compensation of a controlling shareholder or his or her relative as an office holder, and (d) the employment of a controlling shareholder or his or her relative by the company, other than as an office holder (collectively referred as Transaction with a Controlling Shareholder). In addition, the shareholder approval must fulfill one of the following requirements:

- at least a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or

- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than two percent (2%) of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the abovementioned approval every three years, however, unless, with respect to certain transactions the audit committee determines that such longer term is reasonable under the circumstances.

Pursuant to regulations promulgated under the Companies Law, certain transactions with a controlling shareholder, a relative thereof, or with a director, that would otherwise require approval of a company's shareholders may be exempt from shareholder approval upon certain determinations of the audit committee and board of directors.

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

Approval of the compensation of directors and executive officers

The compensation of, or an undertaking to indemnify, insure or exculpate, an office holder who is not a director requires the approval of the company's compensation committee, followed by the approval of the company's board of directors, and, if such compensation arrangement or an undertaking to indemnify or insure is inconsistent with the company's stated compensation policy, or if the said office holder is the chief executive officer of the company (apart from a number of specific exceptions), then such arrangement is subject to the approval of our shareholders, subject to the Compensation Special Majority Requirement.

Directors. Under the Companies Law, the compensation of our directors requires the approval of our compensation committee, the subsequent approval of the board of directors and, unless exempted under the regulations promulgated under the Companies Law, the approval of the general meeting of our shareholders. If the compensation of our directors is inconsistent with our stated compensation policy, then, provided that those provisions that must be included in the compensation policy according to the Companies Law have been considered by the compensation committee and board of directors, shareholder approval will also be required to be approved by the Compensation Special Majority Requirement.

Executive officers other than the chief executive officer. The Companies Law requires the approval of the compensation of a public company's executive officers (other than the chief executive officer) in the following order: (i) the compensation committee, (ii) the company's board of directors, and (iii) if such compensation arrangement is inconsistent with the company's stated compensation policy, the company's shareholders by the Compensation Special Majority Requirement. However, if the shareholders of the company do not approve a compensation arrangement with an executive officer that is inconsistent with the company's stated compensation policy, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision.

Chief executive officer. Under the Companies Law, the compensation of a public company's chief executive officer is required to be approved by: (i) the company's compensation committee; (ii) the company's board of directors, and (iii) the company's shareholders by the Compensation Special Majority Requirement. However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide a detailed reasoning for their decision. The approval of each of the compensation committee and the board of directors must be in accordance with the company's stated compensation policy; however, under special circumstances, the compensation committee and the board of directors may approve compensation terms of a chief executive officer that are inconsistent with the company's compensation policy provided that they have considered those provisions that must be included in the compensation policy according to the Companies Law and that shareholder approval was obtained by the Compensation Special Majority Requirement. In addition, the compensation committee may resolve that the shareholder approval is not required for the approval of the engagement terms of a candidate to serve as the chief executive officer, if the compensation committee determines that the compensation arrangement is consistent with the company's stated compensation policy, that the chief executive officer did not have a prior business relationship with the company or a controlling shareholder of the company, and that subjecting the approval to a shareholder vote would impede the company's ability to attain the candidate to serve as the company's chief executive officer.

Duties of shareholders

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

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

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

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

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

Approval of private placements

Under the Companies Law and the regulations promulgated thereunder, a private placement of securities does not require approval at a general meeting of the shareholders of a company; provided however, that in special circumstances, such as a private placement completed in lieu of a special tender offer (See "Item 10. Additional Information —Memorandum and Articles of Association—Acquisitions under Israeli law") or a private placement which qualifies as a related party transaction (See "Item 6. Directors, Senior Management and Employees —C. Board Practices—Fiduciary duties and approval of specified related party transactions and compensation under Israeli law"), for which approval at a general meeting of the shareholders of a company is required.

Exemption, Insurance and Indemnification of Directors and Officers

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of a fiduciary duty. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is included in its articles of association. Our articles of association include such a provision. The company may not exculpate in advance a director from liability arising out of a prohibited dividend or distribution to shareholders.

Under the Companies Law and the Securities Law, 5738-1968, or the Securities Law, a company may indemnify an office holder in respect of the following liabilities, payments and expenses incurred for acts performed by him or her as an office holder, either in advance of an event or following an event, provided its articles of association include a provision authorizing such indemnification:

- a monetary liability incurred by or imposed on the office holder in favor of another person pursuant to a court judgment, including pursuant to a settlement confirmed as judgment or arbitrator's decision approved by a competent court. However, if an undertaking to indemnify an office holder with respect to such liability is provided in advance, then such an undertaking must be limited to events which, in the opinion of the board of directors, can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking will detail the abovementioned foreseen events and amount or criteria;

- reasonable litigation expenses, including reasonable attorneys' fees, which were incurred by the office holder as a result of an investigation or proceeding filed against the office holder by an authority authorized to conduct such investigation or proceeding, provided that such investigation or proceeding was either (i) concluded without the filing of an indictment against such office holder and without the imposition on him of any monetary obligation in lieu of a criminal proceeding; (ii) concluded without the filing of an indictment against the office holder but with the imposition of a monetary obligation on the office holder in lieu of criminal proceedings for an offense that does not require proof of criminal intent; or (iii) in connection with a monetary sanction;

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or which were imposed on the office holder by a court (i) in a proceeding instituted against him or her by the company, on its behalf, or by a third party, (ii) in connection with criminal indictment of which the office holder was acquitted, or (iii) in a criminal indictment which the office holder was convicted of an offense that does not require proof of criminal intent;

- a monetary liability imposed on the office holder in favor of a payment for a breach offended at an Administrative Procedure (as defined below) as set forth in Section 52(54)(a)(1)(a) to the Securities Law;

- expenses incurred by an office holder or certain compensation payments made to an injured party that were instituted against an office holder in connection with an Administrative Procedure under the Securities Law, including reasonable litigation expenses and reasonable attorneys' fees; and

- any other obligation or expense in respect of which it is permitted or will be permitted under applicable law to indemnify an office holder, including, without limitation, matters referenced in Section 56H(b)(1) of the Securities Law.

An "Administrative Procedure" is defined as a procedure pursuant to chapters H3 (Monetary Sanction by the Israeli Securities Authority), H4 (Administrative Enforcement Procedures of the Administrative Enforcement Committee) or I1 (Arrangement to prevent Procedures or Interruption of procedures subject to conditions) to the Securities Law.

Under the Companies Law and the Securities Law, a company may insure an office holder against the following liabilities incurred for acts performed by him or her as an office holder if and to the extent provided in the company's articles of association:

- a breach of a fiduciary duty to the company, provided that the office holder acted in good faith and had a reasonable basis to believe that the act would not harm the company;
- a breach of duty of care to the company or to a third party, to the extent such a breach arises out of the negligent conduct of the office holder;
- a monetary liability imposed on the office holder in favor of a third party;
- a monetary liability imposed on the office holder in favor of an injured party at an Administrative Procedure pursuant to Section 52(54)(a)(1)(a) of the Securities Law; and
- expenses incurred by an office holder in connection with an Administrative Procedure, including reasonable litigation expenses and reasonable attorneys' fees.

Under the Companies Law, a company may not indemnify, exculpate or insure an office holder against any of the following:

- a breach of fiduciary duty, except for indemnification and insurance for a breach of the fiduciary duty to the company to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a civil or administrative fine, monetary sanction or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by the compensation committee and the board of directors and, with respect to directors or controlling shareholders, their relatives and third parties in which such controlling shareholders have a personal interest, also by the shareholders.

Our articles of association permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted or to be permitted by law. Our compensation committee, the board of directors and our shareholders have approved on March 6, 2019, March 28, 2019 and July 25, 2019, respectively, a new directors' and officers' liability insurance policy.

Employment and consulting agreements with executive officers

We have entered into written employment or service agreements with each of our executive officers. See "Item 7. Major Shareholders and Related Party Transactions— B. Related Party Transactions – Employment Agreements" for additional information.

Directors' service contracts

There are no arrangements or understandings between us, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company.

D. Employees

Number of Employees

As of December 31, 2019, we employed 20 employees in Israel including those employed by our indirect subsidiary ScoutCam Ltd.

As of April 15, 2020, we employed 3 employees and CEO as consultant in Israel.

Distribution of Employees

The following is the distribution of our employees (including those employed by our indirect subsidiary ScoutCam Ltd.) by areas of engagement and geographic location:

	As of December 31,		
	2019	**2018**	**2017**
Numbers of employees by category of activity			
Management and administrative	4	6	6
Research and development	4	6	6
Operations	6	6	6
Sales and marketing	1	3	3
Production	5	6	6
Total workforce	20	27	27
Numbers of employees by geographic location			
Israel	20	26	26
United States	-	1	1
Total workforce	20	27	27
Numbers of employees by employer			
Medigus Ltd.	3	26	26
Medigus LLC.	-	1	1
ScoutCam Ltd.	17	-	-
	20	27	27

During the years covered by the above table, we did not employ a significant number of temporary employees. We consider our relations with our employees excellent and have never experienced a labor dispute, strike or work stoppage. None of our employees is represented by a labor union.

In Israel we are subject to certain labor statutes and national labor court precedent rulings, as well as to certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations including the Industrialists' Associations. These provisions of collective bargaining agreements are applicable to our Israeli employees by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy and Industry, and which apply such agreement provisions to our employees even though they are not directly part of a union that has signed a collective bargaining agreement. The laws and labor court rulings that apply to our employees principally concern the minimum wage laws, length of the work day and workweek, overtime payment, procedures for dismissing employees, determination of severance pay, leaves of absence (such as annual vacation or maternity leave), sick pay and other conditions for employment. The extension orders which apply to our employees principally concern mandatory contributions to a pension fund or managers' insurance, annual recreation allowance, travel expenses payment and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums.

Israeli law generally requires severance pay, which may be funded by allocating payments to a managers' insurance and/or a pension fund described below, upon the retirement or death of an employee or termination of employment without cause (as defined in the law). The payments to the managers' insurance and/or pension fund in respect of severance pay amount to approximately 8.33% of an employee's wages, in the aggregate. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration. Such amounts also include payments for national health insurance.

E. Share Ownership

Share ownership by Directors and Executive Officers

For information regarding ownership of our ordinary shares by our directors and executive officers, see Item 7.A "Major Shareholders and Related Party Transactions — Major Shareholders."

2013 Share Option and Incentive Plan

In August 2013, our board of directors approved and adopted our 2013 Share Option and Incentive Plan, or the Plan, which expires in August 2023. The Plan provides for the issuance of shares and the granting of options, restricted shares, restricted share units and other share-based awards to employees, directors, officers, consultants, advisors, and service providers of us and Medigus U.S. The Plan provides for awards to be issued at the determination of our board of directors in accordance with applicable law.

As of April 15, 2020, there were 4,276,380 ordinary shares reserved under the Plan and 2,723,620 ordinary shares issuable upon the exercise of awards issued under the Plan:

Grant date	Number of options outstanding – April 15, 2020	exercise price per one ordinary share (NIS)	Number of shares issuable upon the exercise	Expiration date
July 2014	880,000	53.7	8,800	July 17, 2020
December 2015	170,800	20.5	17,080	December 29, 2021
October 2017	4,380,000	1.62	438,000	October 17, 2023
January 2019	2,562,500	0.59	2,562,500	January 4, 2025
July 2019	1,250,000	0.59	1,250,000	July 1, 2025

The Plan provides for the grant to residents of Israel of options that qualify under the provisions of Section 102 of the Israeli Income Tax Ordinance (New Version) 1961, as well as for the grant of options that do not qualify under such provisions. The 2013 Plan was submitted to the ITA, as required by applicable law. The Plan also provides for the grant of options to U.S. resident employees that are "qualified", i.e., incentive stock options, under the U.S. Internal Revenue Code of 1986, as amended, or the Code, and options that are not qualified. In addition to the grant of awards under the relevant tax regimes of the United States and Israel, the Plan allows for the grant of awards to grantees in other jurisdictions, with respect to which our board of directors is empowered to make the requisite adjustments in the plan.

Options granted under the Plan which are currently outstanding generally may not expire later than six years from the date of grant, unless otherwise specified. Unvested awards that are cancelled and/or forfeited go back into the plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of April 15, 2020 (unless otherwise noted below), the beneficial ownership of our ordinary shares by:

- each of our directors and executive officers individually; and
- all of our executive officers and directors as a group.

The beneficial ownership of our ordinary shares is determined in accordance with the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security. For purposes of the table below, we deem ordinary shares issuable pursuant to options that are currently exercisable or exercisable within 60 days as of March April 15, 2020, if any, to be outstanding and to be beneficially owned by the person holding the options or warrants for the purposes of computing the percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of ordinary shares beneficially owned is based 82,598,738 ordinary shares outstanding as of April 15, 2020.

Except where otherwise indicated, we believe, based on information furnished to us by such owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares. In addition, none of our shareholders will have different voting rights from other shareholders. To the best of our knowledge, we are not owned or controlled, directly or indirectly, by another corporation or by any foreign government. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

As of April 15, 2020, there was one shareholder of record of our ordinary shares, which was located in Israel. The number of record holders is not representative of the number of beneficial holders of our ordinary shares, as the shares of all shareholders for a publicly traded company such as ours which is listed on the Tel Aviv Stock Exchange are recorded in the name of our Israeli share registrar, Bank Hapoalim Registration Company Ltd.

Unless otherwise noted below, each beneficial owner's address is Medigus Ltd., Omer Industrial Park, No. 7A, P.O. Box 3030, Omer 8496500, Israel.

Our principal shareholders do not have different or special voting rights.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Principal Shareholders		
Algomizer Ltd. [(1)]	13,333,336	14.94%
Kfir Zilberman[(2)]	6,757,920	8.04%
Directors and executive officers		
Kineret Tzedef	-	-
Liron Carmel	*	*
Ronen Rosenbloom	*	*
Eliyahu Yoresh	*	*
Eli Cohen	*	*
Tatiana Yosef	*	*
All directors and executive officers as a group (six persons)[(3)]	1,648,064	1.96%

* less than 1%.

(1) Based solely upon, and qualified in its entirety by reference to Schedule 13G filed with the SEC on April 13, 2020, by Algomizer Ltd. Includes (i) 6,666,668 ordinary shares underlying 333,334 ADSs held by Algomizer Ltd.; (ii) 6,666,668 ordinary shares underlying warrants to purchase 333,334 ADSs held by Algomizer Ltd.

(2) Based solely upon, and qualified in its entirety with reference to, Schedule 13D/A filed with the SEC on September 25, 2018, by Kfir Zilberman and L.I.A. Pure Capital Ltd. Includes (i) 670,000 ordinary shares held by L.I.A Pure Capital Ltd., (ii) 4,433,920 ordinary shares underlying 221,696 ADSs held by L.I.A Pure Capital Ltd., (iii) 154,000 ordinary shares underlying 7,700 ADSs held by Kfir Silberman Ltd., and (iv) 1,500,000 ordinary shares underlying 75,000 Series C Warrants held by L.I.A. Pure Capital. Kfir Zilberman is the controlling person of L.I.A. Pure Capital. The address of Mr. Zilberman and L.I.A. Pure Capital Ltd. is 20 Raoul Wallenberg Street, Tel Aviv, Israel 6971916.

(3) Consists of 196,614 ordinary shares and options to purchase 1,451,450 ordinary shares currently exercisable or exercisable within 60 days as of April 15, 2020.

Significant Changes in Percentage Ownership by Major Shareholders

To our knowledge, the significant changes in the percentage of ownership held by our major shareholders during the past three years have been: (i) the increase in the percentage of ownership held by Orbimed Israel GP Ltd. above 5% as of 2013 and 2014, and the decrease in the percentage of ownership in 2015, 2016 and in 2017; (ii) the increase in the percentage of ownership held by Migdal Insurance& Financial Holdings Ltd. above 5% as of 2014 and the decrease in the percentage of ownership in 2015, 2016 and in 2017 below 5%; (iii) the increase in the percentage of ownership held by Senvest Management LLC above 5% as of 2013, 2014, 2015 and 2016, and the decrease in the percentage of ownership in 2017 below 5%; (iv) the increase in the percentage of ownership held by Oren Dan above 5% as of 2012, and the decrease in the percentage of ownership in 2013, 2014, 2015, 2016 and 2017 below 5%; (v) the increase in the percentage of ownership held by Armistice Capital Master Fund Ltd. above 5% as of 2014, and the decrease in the percentage of ownership in 2015, 2016 and 2017 below 5%; (vi) the increase in the percentage of ownership held by Sabby Healthcare Master Fund Ltd. and Sabby Volatility Warrant Master Fund, Ltd. above 5% as of 2016, 2017 and 2018, and the decrease in the percentage of ownership in 2018 below 5%; (vii) the increase in the percentage of ownership held by Empery Asset Management LP above 5% as of 2016 and 2017, and the decrease in the percentage of ownership in 2018 below 5%; (viii) the increase in the percentage of ownership held by L.I.A. Pure Capital Ltd. above 5% as of 2018; and (ix) the increase in the percentage of ownership held by Algomizer Ltd. above 5% as of 2019.

B. Related Party Transactions

Employment Agreements

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

Our office holders are generally eligible for bonuses each year. The bonuses are established and granted in accordance with our compensation policy and, and are generally payable upon meeting objectives and targets that are approved by our compensation committee and board of directors (and if required by our shareholders).

Directors and Officers Insurance Policy and Indemnification Agreements

Our articles of association permit us to exculpate, indemnify and insure our directors and officeholders to the fullest extent permitted by the Companies Law.

We have entered into agreements with each of our current director and officers exculpating them from a breach of their duty of care to us to the fullest extent permitted by law, subject to limited exceptions, and undertaking to indemnify them to the fullest extent permitted by law, to the extent that these liabilities are not covered by insurance. This indemnification is limited, with respect to any monetary liability imposed in favor of a third party, to events determined as foreseeable by the board of directors based on our activities. The maximum aggregate amount of indemnification that we may pay to our directors and officers based on such indemnification agreement is equal to 25% of our shareholders' equity pursuant to our latest audited or unaudited consolidated financial statements, as applicable, as of the date of the indemnification payment. Such indemnification amounts are in addition to any insurance amounts. Each director or officer who agrees to receive this letter of indemnification also gives his approval to the termination of all previous letters of indemnification that we have provided to him or her in the past, if any.

Our compensation committee approved on December 23, 2019, a new directors' and officers' liability insurance policy. The new directors' and officers' liability insurance policy providing total coverage of $8 million for the benefit of all of our directors and officers, in respect of which we are charged a twelve-month premium of $410,000, and which includes a deductible of up to $250,000 per claim, other than securities related claims filed in the United States or Canada, for which the deductible will not exceed $1,500,000. The aforementioned policy covers us as well as ScoutCam Inc. with the premium costs allocated between Medigus and ScoutCam Inc.

In addition, at general meeting of our shareholders held on July 25, 2019, our shareholders approved our compensation policy, which determines, among others, that we may provide our directors and officers, including those serving in any of our subsidiaries from time or time and those who are controlling shareholders, with liability insurance policies provided that the engagement is in the ordinary course of business, in market terms and is not expected to materially influence our profits, properties and undertakings. The coverage limit is of up to $30 million per occurrence and for the insurance period (additional coverage for legal expenses not included), provided that the annual premium will not exceed $500,000 and that the deductible (except for extraordinary matters as prescribed in the insurance policy, such as lawsuits against the Company pursuant to securities laws and/or lawsuits to be filed in the US/Canada) will not exceed $1,000,000 per occurrence.

Medigus and ScoutCam Ltd. entered into an Intercompany Services Agreement, as of May 30, 2019 providing for provision of services by Medigus to ScoutCam Ltd. On April 19, 2020, Medigus and ScoutCam Ltd. amended and rested the agreement such that ScoutCam Ltd. shall provide Medigus with services, including usage of ScoutCam Ltd. office space in consideration for a fee determined based on the actual usage by Medigus.

On December 1, 2019, Medigus and ScoutCam Ltd. (ScoutCam) consummated a certain Amended and Restated Asset Transfer Agreement, effective March 1, 2019, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business (A&R Transfer Agreement), and a patent license. Under the A&R Transfer Agreement, we transferred two patent families in exchange for a license in connection with the marketing and sale of the Medigus Ultrasonic Surgical Endostapler. In addition, we granted to ScoutCam a license to access, use, improve, develop, market and sell licensed intellectual property, including the right to any future versions, enhancements, improvements and derivative works of such licensed intellectual property in connection with the development and commercialization of the ScoutCam miniature video technology.

On May 1, 2019, we entered into a consulting agreement with L.I.A Pure Capital Ltd. or Pure Capital, a company owned by Kfir Zilberman for the provision of business development and strategic consulting services, including ongoing consulting to the company, its management and its chief executive officer in the fields of M&A and investment activities. In consideration for its services, Pure Capital is entitled to a monthly fee of NIS 40,000 (approximately $11,500), a finder's fee of 5% of any investment of equity or debt introduced by him to the company and reimbursement of expenses of up to $1,000 per month. In connection with the transaction between Medigus and Algomizer, Pure Capital received a finder's fee of $125,000.

On March 6, 2019, March 28, 2019 and July 25, 2019 our compensation committee, board of directors and shareholders, respectively, have approved to amend, the framework for the liability insurance policy we provide our directors and officers. Under the amendment the coverage limit of the liability insurance policy is of up to $30 million per occurrence and for the insurance period (additional coverage for legal expenses not included), provided that the annual premium will not exceed $500,000.

On April 19, 2020, we entered an Asset Transfer Agreement, effective January 20, 2020, with our majority owned subsidiary GERD IP, Inc. Pursuant to the Asset Transfer Agreement, we transferred certain of our patents in consideration for seven (7) capital notes issued to us by GERD IP, Inc., of $2,000,000 each.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See "Item 18. Financial Statements."

Export Sales

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

	For the year ended December 31,		
	2019	**2018**	**2017**
Total export sales*	242	424	445
as a percentage of total revenues	89%	97%	95%

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

Legal Proceedings

From time to time we may assert or be subject to various asserted or unasserted legal proceedings and claims. Any such claims, regardless of merit, could be time-consuming and expensive to defend and could divert management's attention and resources from our operations. While management believes we have adequate insurance coverage and we accrue loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations.

In June 2018, we reached an agreement with the Israeli Tax Authorities, or the ITA agreement, regarding a withholding tax audit conducted by the ITA for the four-year period ended on December 31, 2014, which was disclosed in our annual report on Form 20-F for the fiscal year ended 31, 2017. According to the ITA agreement we are required to pay the ITA an immaterial amount.

Dividends

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

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

B. Significant Changes

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

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ordinary shares have been trading on the TASE under the symbol "MDGS" since February 2006. The ADSs are listed on Nasdaq under the symbol "MDGS" with one ADS representing 20 ordinary shares.

Our ADSs commenced trading on Nasdaq under the symbol "MDGS" on August 2015. Each ADS represents 20 ordinary shares.

For a description of the ADSs, see "Item 12. Description of Securities Other Than Equity Securities – D. American Depositary Shares."

Our Series C Warrants have been trading on Nasdaq under the symbol "MDGSW" since July 2018. Each Series C Warrant is exercisable into one ADS for an exercise price of $3.50, and will expire five years from the date of issuance.

B. Plan of Distribution

Not Applicable.

C. Markets

Our ordinary shares are listed and traded on TASE. The ADSs, each representing 20 ordinary share and evidenced by an American depositary receipt, or ADR, are traded on Nasdaq under the symbol "MDGS." The ADRs were issued pursuant to a Depositary Agreement entered into with The Bank of New York. Our Series C Warrants, each exercisable into one ADS for an exercise price of $3.50, are traded on the Nasdaq under the symbol "MDGSW".

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

General

Our legal and commercial name is Medigus Ltd. We were incorporated in the State of Israel on December 9, 1999, as a private company pursuant to the Israeli Companies Ordinance (New Version), 1983. In February 2006, we completed our initial public offering in Israel, and our ordinary shares have since traded on the TASE, under the symbol "MDGS". In May 2015, we listed our ADSs on Nasdaq, and since August 2015 our ADSs have been traded on the Nasdaq under the symbol "MDGS". Each ADS represents 20 ordinary shares. In July 2018, we listed our Series C Warrants on the Nasdaq, and since then our Series C Warrants have been traded on Nasdaq under the symbol "MDGSW". Each Series C Warrant is exercisable into one ADS for an exercise price of $3.50, and will expire five years from the date of issuance.

Our authorized share capital consists of 250,000,000 ordinary shares, par value NIS 1.00 per share. As of April 15, 2020, we had 82,598,738 ordinary shares issued and outstanding. All of our outstanding ordinary shares have been fully paid and non-assessable. Holders of paid-up ordinary shares are entitled to participate equally in the payment of dividends and other distributions and, in the event of liquidation, in all distributions after the discharge of liabilities to creditors. Our ordinary shares are not redeemable.

Options

As of April 15, 2020, options to purchase an aggregate of 4,276,380 ordinary shares have been granted under our share option plans. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership" in this annual report on Form 20-F.

Warrants

As of April 15, 2020, the following warrants are outstanding:

- Unregistered warrants to purchase an aggregate of 990 ADSs at an exercise price per ADS of $57.50. These warrants expire on September 8, 2021.
- Unregistered warrants to purchase an aggregate of 10,469 ADSs at an exercise price per ADS of $36. These warrants expire on June 6, 2022.
- Unregistered warrants to purchase an aggregate of 998 ADSs at an exercise price per ADS of $29.48. These warrants expire on December 6, 2021.
- Warrants to purchase an aggregate of 535,730 ADSs at an exercise price per ADS of $14. These warrants expire on March 29, 2022.
- Warrants to purchase an aggregate of 37,501 ADSs at an exercise price per ADS of $17.5. These warrants expire on March 29, 2022.
- Unregistered warrants to purchase an aggregate of 101,251 ADSs at an exercise price per ADS of $9. These warrants expire on May 27, 2023.
- Unregistered warrants to purchase an aggregate of 14,177 ADSs at an exercise price per ADS of $10. These warrants expire on November 24, 2022.
- Warrants to purchase an aggregate of 3,263,325 ADSs at an exercise price per ADS of $3.50. These warrants expire on July 18, 2023.
- Unregistered warrants to purchase an aggregate of 198,637 ADSs at an exercise price per ADS of $4.375. These warrants expire on July 18, 2023.
- Unregistered warrant to purchase an aggregate of 333,334 ADSs at an exercise price per ADS of $4.00. The warrant expires on September 3, 2022.

B. Memorandum and Articles of Association

A copy of our amended and restated articles of association is attached as Exhibit 1.1 to this annual report on Form 20-F. The information called for by this Item is set forth in Exhibit 2.5 to this annual report on Form 20-F and is incorporated by reference into this annual report on Form 20-F.

C. Material Contracts

The following are summary descriptions of certain material agreements to which we are a party. The descriptions provided below do not purport to be complete and are qualified in their entirety by the complete agreements, which are attached as exhibits to this annual report on Form 20-F.

Amended and Restated Asset Transfer Agreement & License Agreement

On December 1, 2019, Medigus and ScoutCam Ltd. (ScoutCam) consummated a certain Amended and Restated Asset Transfer Agreement, effective March 1, 2019, which transferred and assigned certain assets and intellectual property rights related to its miniaturized imaging business (A&R Transfer Agreement), and a patent license. Under the A&R Transfer Agreement, we transferred two patent families in exchange for a license in connection with the marketing and sale of the Medigus Ultrasonic Surgical Endostapler. In addition, we granted to ScoutCam a license to access, use, improve, develop, market and sell licensed intellectual property, including the right to any future versions, enhancements, improvements and derivative works of such licensed intellectual property in connection with the development and commercialization of the ScoutCam miniature video technology.

Intellisense Securities Exchange Agreement

On September 16, 2019 we entered a securities exchange agreement with Intelllisense Solutions Inc., a Nevada corporation (Intellisense). Under the securities exchange agreement, we assigned and transferred 100% of our holdings in ScoutCam to Intellisense in exchange for common stock of Intellisense representing 60% of its issued and outstanding share capital as of the closing of the securities exchange agreement. In addition, in the event that ScoutCam meets certain sales targets within the first three years following the closing of the securities exchange agreement, we will receive additional stock of Intellisense representing 10% of its outstanding share capital calculated as of the closing. Subsequently, Intellisense changed its name to ScoutCam Inc., effective December 31, 2019.

Algomizer Group Investment Agreement

On September 3, 2019 we consummated an investment agreement in Algomizer Ltd. (Algomizer) and its wholly owned subsidiary Linkury Ltd. (Algomizer Group), for an aggregate investment of $5,000,000. The investment agreement contains customary provisions and warranties, and provides for us to invest NIS 5.4 million directly in Algomizer, which engages in internet advertising and whose shares are traded on the Tel Aviv Stock Exchange. The investment will be made at a price per Algomizer share of NIS 4.15. We invested an additional NIS 9 million through a direct acquisition of the shares of Linkury from Algomizer, at a company valuation of Linkury of approximately NIS 96 million. We will further invest an additional $1 million in Algomizer through equity exchange by issuing Algomizer American Depositary Shares (ADRs) at a price of $3 per ADR in consideration for Algomizer shares based on a price per Algomizer share of NIS 4.15. In addition, we issued Algomizer warrants to purchase our ADRs in an amount equal to the ADRs issued to Algomizer, at an exercise price of $4 per ADR.

MUSE™ Licensing and Sale Agreement, dated June 3, 2019

On June 3, 2019, we entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (Golden Grand) for the know-how licensing and sale of good relating to the Medigus Ultrasonic Surgical Endostapler (MUSE™) system in China, Hong Kong, Taiwan and Macao. Under the agreement, we committed to provide a license, training services and goods to Golden Grand in consideration for $3,000,000 to be paid to us in four milestone based installments. The final milestone shall be completed and the final installment paid upon completion of a MUSE™ assembly line in China.

Underwriting Agreement, dated July 19, 2018

On July 19, 2018, we entered into an underwriting agreement as part of an offering of our ADSs pursuant to a registration statement in the United States. As part of the offering we issued a total of 577,529 Class C Units at a purchase price per unit of $3.50 and of 2,260,145 Class D Units at a purchase price per unit of $3.49. Each Class C unit consists of (i) one American Depositary Share, or ADS, and (ii) one Series C warrant to purchase one ADS, and each Class D unit consists of (i) one pre-funded warrant to purchase one ADS, and (ii) one Series C warrant to purchase one ADS. The Series C Warrants have a term of five years, and are exercisable immediately and have an exercise price of $3.50 per ADS and are listed on Nasdaq. In addition, as part of such offering, we issued to H.C. Wainwright & Co., acting as underwriter in our offering, warrants to purchase up to an aggregate of 198,637 ADSs representing 3,972,740 ordinary shares, with an exercise price of $4.375 per ADS. Pursuant to the engagement letter executed with H.C. Wainwright & Co. relating to the offering, we agreed to provide the placement agent with the right of first refusal, expiring on the twelve month anniversary following the closing of the offering, if we or our subsidiaries decide to raise funds by means of a public offering or a private placement of equity or debt securities using an underwriter or placement agent in the U.S. In connection with the offering, we granted the underwriter a 30-day option to purchase up to 425,651 additional ADSs and/or 425,651 Series C warrants to purchase up to additional 425,651 ADSs. The underwriter partially exercised its option to purchase additional securities by purchasing 425,651 Series C warrants to purchase up to additional 425,651 ADSs. As of the date of this report, all pre-funded warrants were exercised.

D. Exchange Controls

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our securities or the proceeds from the sale of our securities, except or otherwise as set forth in this section and under "Item 10E. Additional Information — Taxation." However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our ordinary shares by non-residents of Israel, except with respect to citizens of countries that are in a state of war with Israel, is not restricted in any way by our articles or by the laws of the State of Israel.

E. Taxation

The following description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Israeli Tax Considerations and Government Programs

The following is a summary of the material Israeli tax laws applicable to us, and some Israeli Government programs benefiting us. This section also contains a discussion of some Israeli tax consequences to persons owning our ordinary shares. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include traders in securities or persons that own, directly or indirectly, 10% or more of our outstanding voting capital, all of whom are subject to special tax regimes not covered in this discussion. Some parts of this discussion are based on a new tax legislation which has not been subject to judicial or administrative interpretation. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax considerations.

SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE ISRAELI OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES, INCLUDING, IN PARTICULAR, THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.

General Corporate Tax Structure in Israel

Israeli resident companies are generally subject to corporate tax on their taxable income at the rate of 23% of a company's taxable income as of 2019 tax year. However, the effective tax rate payable by a company that derives income from a Benefited Enterprise or a Preferred Enterprise (as discussed below) may be considerably less. Capital gains derived by an Israeli resident company are subject to tax at the prevailing corporate tax rate.

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

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

The Industry Encouragement Law defines an "Industrial Company" as a company resident in Israel which was incorporated in Israel, of which 90% or more of its income in the tax year, other than income from certain government loans, is derived from an "Industrial Enterprise" owned by it and located in Israel. An "Industrial Enterprise" is defined as an enterprise whose principal activity in any given tax year is industrial activity.

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

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

We may qualify as an Industrial Company and may be eligible for the benefits described above.

Tax Benefits and Grants for Research and Development

Israeli tax law allows, under certain conditions, a tax deduction for research and development expenditures, including capital expenditures, over three-years period. Expenditures are deemed related to scientific research and development projects, if:

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

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

From time to time we may apply the IIA for approval to allow a tax deduction for all research and development expenses/more than a third during the year incurred, rather than deduction over three-years period. There can be no assurance that such application will be accepted.

Law for the Encouragement of Capital Investments, 5719-1959

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

The Investment Law has been amended several times over the recent years, with the three most significant changes effective as of April 1, 2005 (referred to as the 2005 Amendment), as of January 1, 2011 (referred to as the 2011 Amendment) and as of January 1, 2017 (referred to as the 2017 Amendment).

Tax Benefits Subsequent to the 2005 Amendment

The 2005 Amendment applies to investment programs commencing after 2004, but does not apply to investment programs approved prior to April 1, 2005. The 2005 Amendment provides that terms and benefits included in any certificate of approval that was granted before the 2005 Amendment became effective (April 1, 2005) will remain subject to the provisions of the Investment Law as in effect on the date of such approval. Pursuant to the 2005 Amendment, the Israeli Authority for Investments and Development of the Israeli Ministry of Economy (referred to as the Investment Center) will continue to grant Approved Enterprise status to qualifying investments. The 2005 Amendment, however, limits the scope of enterprises that may be approved by the Investment Center by setting criteria for the approval of a facility as an Approved Enterprise, such as provisions generally requiring that at least 25% of the Approved Enterprise's income be derived from exports.

An enterprise that qualifies under the new provisions is referred to as a "Beneficiary Enterprise", rather than "Approved Enterprise". The 2005 Amendment provides that Approved Enterprise status will only be necessary for receiving cash grants. As a result, it was no longer necessary for a company to obtain Approved Enterprise status in order to receive the tax benefits previously available under the alternative benefits track. Rather, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set forth in the 2005 Amendment. Such position may be subject to a future tax audit. Companies are entitled to approach the Israeli Tax Authority for a pre-ruling regarding their eligibility for benefits under the Investment Law, as amended.

Tax benefits are available under the 2005 Amendment to production facilities (or other eligible facilities) which are generally required to derive 25% or more of their business income from export to specific markets with a population of at least 14 million in 2012 (such export criteria will further be increased in the future by 1.4% per annum). In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment which meets all of the conditions, including exceeding a minimum investment amount specified in the Investment Law. Such investment allows a company to receive "Benefited Enterprise" status, and may be made over a period of no more than three years that will end at the year in which the company requested to have the tax benefits apply to its Benefited Enterprise. The benefits period under the Beneficiary Enterprise status is limited to 12 years from the year the company chose to have its tax benefits apply. Where the company requests to apply the tax benefits to an expansion of existing facilities, only the expansion will be considered to be a Benefited Enterprise and the company's effective tax rate will be the weighted average of the applicable rates. In this case, the minimum investment required in order to qualify as a Benefited Enterprise is required to exceed a certain percentage of the value of the company's production assets before the expansion.

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Benefited Enterprise depend on, among other things, the geographic location in Israel of the Benefited Enterprise. The location will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income for a period of between two to ten years, depending on the geographic location of the Benefited Enterprise in Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year. The benefits period is limited to 12 or 14 years from the year the company first chose to have the tax benefits apply, depending on the location of the company within Israel.

A company qualifying for tax benefits under the 2005 Amendment which pays a dividend out of income derived by its Benefited Enterprise during the tax exemption period will be subject to corporate tax in respect of the gross amount of the dividend, or a lower rate in the case of a qualified FIC which is at least 49% owned by non-Israeli residents. Dividends paid out of income attributed to a Benefited Enterprise (or out of dividends received from a company whose income is attributed to a Benefited Enterprise) are generally subject to withholding tax at source at the rate of 15% or such lower rate as may be provided in an applicable tax treaty. The reduced rate of 15% is limited to dividends and distributions out of income attributed to a Benefited Enterprise during the benefits period and actually paid at any time up to 12 years thereafter except with respect to a qualified Foreign Investment Company (as such term is defined in the Investment Law), in which case the 12-year limit does not apply.

The benefits available to a Benefited Enterprise are subject to the fulfillment of conditions stipulated in the Investment Law and its regulations. If a company does not meet these conditions, it may be required to refund the amount of tax benefits, as adjusted by the Israeli consumer price index, and interest, or other monetary penalties.

We applied for tax benefits as a "Benefited Enterprise" with 2005 as a "Year of Election". In addition, the Company elected that years 2009 and 2012 be "years of election" for expansion of the benefited enterprise. We may be entitled to tax benefits under this regime once we are profitable for tax purposes and subject to the fulfillment of all the relevant conditions. If we do not meet these conditions, the tax benefits may not be applicable which would result in adverse tax consequences to us. Alternatively, and subject to the fulfillment of all the relevant conditions, we may elect in the future to irrevocably waive the tax benefits available for Benefited Enterprise and claim the tax benefits available to Preferred Enterprise under the 2011 Amendment (as detailed below).

Tax Benefits under the 2011 Amendment

The Investment Law was significantly amended as of January 1, 2011 (the "2011 Amendment"). The 2011 Amendment introduced new benefits to replace those granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment.

The 2011 Amendment introduced new tax benefits for income generated by a "Preferred Company" through its "Preferred Enterprise," in accordance with the definition of such term in the Investments Law. A "Preferred Company" is defined as either: (i) a company incorporated in Israel which is not wholly owned by a governmental entity, or (ii) a limited partnership that: (a) was registered under the Israeli Partnerships Ordinance and; (b) all of its limited partners are companies incorporated in Israel, but not all of them are governmental entities; which has, among other things, Preferred Enterprise status and is controlled and managed from Israel.

A Preferred Company is entitled to a reduced flat tax rate with respect to the income attributed to the Preferred Enterprise, at the following rates:

Tax Year	Development Region "A"	Other Areas within Israel
2011 – 2012	10%	15%
2013	7%	12.5%
2014	9%	16%
2017 onwards[(1)]	7.5%	16%

(1) In December 2016, the Israeli Parliament (the Knesset) approved an amendment to the Investment Law pursuant to which the tax rate applicable to Preferred Enterprises in Development Region "A" would be reduced to 7.5% as of 2017.

Dividends distributed from income which is attributed to a "Preferred Enterprise" will be subject to withholding tax at source at the following rates: (i) Israeli resident corporations — 0% (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty will apply), (ii) Israeli resident individuals — 20%, and (iii) non-Israeli residents — 20%, subject to a reduced tax rate under the provisions of an applicable double tax treaty.

Under the 2011 Amendment, a company located in Development Region "A" may be entitled to cash grants and the provision of loans under certain conditions, if approved. The rates for grants and loans shall not be fixed, but up to 20% of the amount of the approved investment (may be increased with additional 4%). In addition, a company owning a Preferred Enterprise under the Grant Track may be entitled also to the tax benefits which are prescribed for a Preferred Company.

The 2011 Amendment also provided transitional provisions to address companies already enjoying current benefits under the Investment Law. These transitional provisions provide, among other things, that unless an irrevocable request is made to apply the provisions of the Investment Law as amended in 2011 with respect to income to be derived as of January 1, 2011: (i) the terms and benefits included in any certificate of approval that was granted to an Approved Enterprise, which chose to receive grants, before the 2011 Amendment became effective, will remain subject to the provisions of the Investment Law as in effect on the date of such approval, and subject to certain conditions;. (ii) the terms and benefits included in any certificate of approval that was granted to an Approved Enterprise, that had participated in an alternative benefits program, before the 2011 Amendment became effective will remain subject to the provisions of the Investment Law as in effect on the date of such approval, provided that certain conditions are met; and (iii) a Beneficiary Enterprise can elect to continue to benefit from the benefits provided to it before the 2011 Amendment came into effect, provided that certain conditions are met.

The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.

As the Company does not have taxable income as of today, it does not use tax benefits under the said regime.

New Tax benefits under the 2017 Amendment that became effective on January 1, 2017

The 2017 Amendment was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and is effective as of January 1, 2017. The 2017 Amendment provides new tax benefits for two types of Technology Enterprises, as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

The 2017 Amendment provides that a technology company satisfying certain conditions will qualify as a Preferred Technology Enterprise and will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as Preferred Technology Income, as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone A. In addition, a Preferred Technology Company will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain Benefited Intangible Assets (as defined in the Investment Law) to a related foreign company if the Benefited Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Innovation (previously known as the Israeli Office of the Chief Scientist) (referred to as IIA).

The 2017 Amendment further provides that a technology company satisfying certain conditions will qualify as a "Special Preferred Technology Enterprise" (an enterprise for which, among others, total consolidated revenues of its parent company and all subsidiaries exceed NIS 10 billion) and will thereby enjoy a reduced corporate tax rate of 6% on Preferred Technology Income regardless of the company's geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefited Intangible Assets" to a related foreign company if the Benefited Intangible Assets were either developed by an Israeli company or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from IIA. A Special Preferred Technology Enterprise that acquires Benefited Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If such dividends are distributed to a foreign company and other conditions are met, the withholding tax rate will be 4% (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate).

Taxation of Our Shareholders

Capital Gains

Capital gain tax is imposed on the disposition of capital assets by an Israeli resident, and on the disposition of such assets by a non-Israeli resident if those assets are either (i) located in Israel; (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a tax treaty between Israel and the seller's country of residence provides otherwise. The Israeli Income Tax Ordinance of 1961 (New Version) (the "Ordinance") distinguishes between "Real Capital Gain" and the "Inflationary Surplus." Real Gain is the excess of the total capital gain over Inflationary Surplus computed generally on the basis of the increase in the Israeli Consumer Price Index or CPI between the date of purchase and the date of disposition. Inflationary Surplus is not subject to tax in Israel.

Generally, Real Capital Gain accrued by individuals on the sale of our ordinary shares will be taxed at the rate of 25%. However, if the individual shareholder is a "Controlling Shareholder" (i.e., a person who holds, directly or indirectly, alone or together with such person's relative or another person who collaborates with such person on a permanent basis, 10% or more of one of the Israeli resident company's means of control (including, among other things, the right to receive profits of the company, voting rights, the right to receive the company's liquidation proceeds and the right to appoint a director)) at the time of sale or at any time during the preceding 12 months period, such gain will be taxed at the rate of 30%.

Real Capital Gain derived by corporations will be generally subject to a corporate tax rate of 23% as of 2018 and thereafter.

Individual and corporate shareholder dealing in securities in Israel are taxed at the tax rates applicable to business income — 23% for corporations as of 2018 and a marginal tax rate of up to 47% in 2018 for individuals.

Notwithstanding the foregoing, capital gain derived from the sale of our ordinary shares by a non-Israeli shareholder may be exempt under the Ordinance from Israeli taxation provided that the following cumulative conditions are met: (i) the shares were purchased upon or after the registration of the securities on the stock exchange (this condition will not apply to shares purchased on or after January 1, 2009), (ii) the seller does not have a permanent establishment in Israel to which the derived capital gain is attributed, (iii) neither the shareholder nor the particular capital gain is otherwise subject to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985) (this condition will not apply to shares purchased on or after January 1, 2009), (iv) if the seller is a corporation, no more than 25% of its means of control are held, directly and indirectly, by an Israeli resident shareholders, and there is no Israeli Resident that is entitled to 25% or more of the revenues or profits of the corporation directly or indirectly. In addition, such exemption would not be available to a person whose gains from selling or otherwise disposing of the securities are deemed to be business income.

In addition, the sale of shares may be exempt from Israeli capital gain tax under the provisions of an applicable tax treaty. For example, the U.S.-Israel Double Tax Treaty exempts U.S. resident from Israeli capital gain tax in connection with such sale, provided that (i) the U.S. resident owned, directly or indirectly, less than 10% of an Israeli resident company's voting power at any time within the 12 month period preceding such sale; (ii) the seller, being an individual, is present in Israel for a period or periods of less than 183 days in the aggregate at the taxable year; and (iii) the capital gain from the sale was not derived through a permanent establishment of the U.S. resident in Israel; (iv) the capital gain arising from such sale, exchange or disposition is not attributed to real estate located in Israel; (v) the capital gains arising from such sale, exchange or disposition is not attributed to royalties; and (vi) the shareholder is a U.S. resident (for purposes of the U.S.-Israel Treaty) is holding the shares as a capital asset. Under the U.S.-Israel Double Tax Treaty, a U.S. resident would be permitted to claim a credit for the Israeli tax against the U.S. federal income tax imposed with respect to the sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S-Israel Double Tax Treaty does not provide such credit against any U.S. state or local taxes.

In some instances where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the Israel Tax Authority may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the Israel Tax Authority to confirm their status as non-Israeli resident, and, in the absence of such declarations or exemptions, may require the purchaser of the shares to withhold taxes at source.

Either the purchaser, the Israeli stockbrokers or financial institution through which the shares are held is obliged, subject to the above-mentioned exemptions, to withhold tax upon the sale of securities from the Real Capital Gain at the rate of up to 25% with respect to an individual, or at a rate of corporate tax with respect to a corporation (23% in 2018 and thereafter).

At the sale of securities traded on a stock exchange a detailed return, including a computation of the tax due, must be filed and an advanced payment must be paid on January 31 and July 31 of every tax year in respect of sales of securities made within the previous six months. However, if all tax due was withheld at source according to applicable provisions of the Ordinance and regulations promulgated thereunder the aforementioned return need not be filed and no advance payment must be paid. Capital gain is also reportable on the annual income tax return.

Dividends

We have never paid cash dividends. A distribution of dividend by our company from income attributed to a Benefited Enterprise will generally be subject to withholding tax in Israel at a rate of 15% unless a reduced tax rate is provided under an applicable tax treaty. A distribution of dividend by our company from income attributed to a Preferred Enterprise (if the company will be entitled to tax benefits of a Preferred Enterprise) will generally be subject to withholding tax in Israel at the following tax rates: Israeli resident individuals — 20%; Israeli resident companies — 0%; Non-Israeli residents — 20%, subject to a reduced rate under the provisions of any applicable double tax treaty.

A distribution of dividends from income, which is not attributed to a Preferred Enterprise or a Benefited Enterprise to an Israeli resident individual, will generally be subject to withholding tax at a rate of 25%. However, a 30% tax rate will apply if the dividend recipient is a "Controlling Shareholder" (as defined above) at the time of distribution or at any time during the preceding 12 months period. If the recipient of the dividend is an Israeli resident corporation, such dividend will be exempt from withholding tax provided the income from which such dividend is distributed was derived or accrued within Israel and was subject to tax in Israel.

The Ordinance provides that a non-Israeli resident (either individual or corporation) is generally subject to an Israeli income tax on the receipt of dividends at the rate of 25% (30% if the dividends recipient is a "Controlling Shareholder" (as defined above), at the time of distribution or at any time during the preceding 12 months period); those rates are subject to a reduced tax rate under the provisions of an applicable double tax treaty (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). Thus, under the U.S.-Israel Double Tax Treaty the following rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident: (i) if the U.S. resident is a corporation which holds during that portion of the taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding shares of the voting share capital of the Israeli resident paying corporation and not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year (if any) consists of certain type of interest or dividends — the tax rate is 12.5%, (ii) if both the conditions mentioned in section (i) above are met and the dividend is paid from an Israeli resident company's income which was entitled to a reduced tax rate applicable to an Approved Enterprise or a Benefited Enterprise — the tax rate is 15% and (iii) in all other cases, the tax rate is 25%. The aforementioned rates under the Israel U.S. Double Tax Treaty will not apply if the dividend income was derived through a permanent establishment of the U.S. resident in Israel.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the obligation to file tax returns in Israel with respect to such income, provided that (i) such income was not generated from business conducted in Israel by the taxpayer, and (ii) the taxpayer has no other taxable sources of income in Israel with respect to which a tax return is required to be filed.

Payers of dividends on our ordinary shares, including the Israeli stockbroker effectuating the transaction, or the financial institution through which the securities are held, are generally required, subject to any of the foregoing exemptions, reduced tax rates and the demonstration of a shareholder regarding his, her or its foreign residency, to withhold tax upon the distribution of dividend at the rate of 25%, so long as the shares are registered with a nominee company.

Excess Tax

Individuals who are subject to tax in Israel are also subject to an additional tax at a rate of 3% as of 2018 on annual income exceeding a certain threshold (NIS 649,560 for 2019, which amount is linked to the annual change in the CPI), including, but not limited to income derived from, dividends, interest and capital gains.

Foreign Exchange Regulations

Non-residents of Israel who hold our ordinary shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, repayable in non-Israeli currency at the rate of exchange prevailing at the time of conversion. However, Israeli income tax is generally required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of currency exchange control has not been eliminated, and may be restored at any time by administrative action.

Estate and Gift Tax

Israeli law presently does not impose estate or gift taxes.

U.S. Federal Income Tax Consequences

The following discussion describes certain material U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in our ordinary shares. This discussion applies only to U.S. Holders that hold our ordinary shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), that have acquired their ordinary shares or ADSs and that have the U.S. dollar as their functional currency.

This discussion is based on the tax laws of the United States, including the Code, as in effect on the date hereof and on U.S. Treasury regulations as in effect or, in some cases, as proposed, on the date hereof, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. There can be no assurances that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of our shares or that such a position would not be sustained. This summary does not address any estate or gift tax consequences, the alternative minimum tax, the Medicare tax on net investment income or any state, local, or non-U.S. tax consequences.

The following discussion neither deals with the tax consequences to any particular investor nor describes all of the tax consequences applicable to persons in special tax situations such as:

- banks;
- certain financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to mark to market;
- certain former citizens or residents of the United States;
- tax-exempt entities;
- persons holding our ordinary shares as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting share capital;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;
- persons who acquired our ordinary shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- S-corporation and partnerships, including entities classified as partnerships for U.S. federal income tax purposes.

INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES.

The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply to you if you are the beneficial owner of our ordinary shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or other arrangement treated as a partnership for U.S. federal income tax purposes holds our ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A person that would be a U.S. Holder if it held our ordinary shares directly and that is a partner of a partnership holding our ordinary shares is urged to consult its own tax advisor.

Passive Foreign Investment Company

Based on our anticipated income and the composition of our income and assets, there is a significant risk that we will be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes at least until we start generating a substantial amount of active revenue. However, because PFIC status is a factual determination based on actual results for the entire taxable year, our U.S. counsel expresses no opinion with respect to our PFIC status. A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will generally be a PFIC for U.S. federal income tax purposes for any taxable year after applying certain look-through rules with respect to the income and assets of subsidiaries if either:

- at least 75% of its gross income for such year is passive income (such as interest income); or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of our shares.

For this purpose, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other entity treated as a corporation for U.S. federal income tax purposes in which we own, directly or indirectly, 25% or more (by value) of the stock.

A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ordinary shares, our PFIC status may depend in part on the market price of our ordinary shares, which may fluctuate significantly. In addition, there may be certain ambiguities in applying the PFIC test to us. No rulings from the U.S. Internal Revenue Service (the "IRS"), however, have been or will be sought with respect to our status as a PFIC.

If we are a PFIC for any taxable year during which you hold our ordinary shares, we generally will continue to be treated as a PFIC with respect to your investment in our ordinary shares for all succeeding years during which you hold our ordinary shares, unless we cease to be a PFIC and you make a "deemed sale" election with respect to our ordinary shares. If such election is made, you will be deemed to have sold our ordinary shares you hold at their fair market value on the last day of the last taxable year in which we were a PFIC, and any gain from such deemed sale would be subject to taxation under the excess distribution regime described below. After the deemed sale election, your ordinary shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year that we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" (as defined below) you receive and any gain you realize from a sale or other disposition (including a pledge) of our ordinary shares, unless you make a valid "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for our ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for our ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses, and gains (but not losses) realized on the sale of our ordinary shares cannot be treated as capital gains, even if you hold our ordinary shares as capital assets.

If we are treated as a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs, you may be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by us in that proportion which the value of our ordinary shares you own bears to the value of all of our ordinary shares, and you may be subject to the adverse tax consequences described above with respect to the shares of such lower-tier PFICs you would be deemed to own. As a result, you may incur liability for any excess distribution described above if we receive a distribution from our lower-tier PFICs or if any shares in such lower-tier PFICs are disposed of (or deemed disposed of). You should consult your tax advisor regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. If you make a valid mark-to-market election for our ordinary shares, you will include in income for each year that we are treated as a PFIC with respect to you an amount equal to the excess, if any, of the fair market value of our ordinary shares as of the close of your taxable year over your adjusted basis in such ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of our ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on our ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of our ordinary shares, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on our ordinary shares, as well as to any loss realized on the actual sale or disposition of our ordinary shares, to the extent the amount of such loss does not exceed the net mark-to-market gains for such ordinary shares previously included in income. Your basis in our ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, any distributions we make would generally be subject to the rules discussed below under "— Taxation of dividends and other distributions on our ordinary shares," except the lower rates applicable to qualified dividend income would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. We expect our ordinary shares will be listed on Nasdaq. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs we own, you generally will continue to be subject to the PFIC rules with respect to your indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. The Nasdaq is a qualified exchange, but there can be no assurance that the trading in our ordinary shares will be sufficiently regular to qualify our ordinary shares as marketable stock. You should consult your tax advisor as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs. Alternatively, if a non-U.S. entity treated as a corporation is a PFIC, a holder of shares in that entity may avoid taxation under the PFIC rules described above regarding excess distributions and recognized gains by making a "qualified electing fund" election to include in its income, on a current basis: (1) as ordinary income, its pro rata share of the "ordinary earnings" of the qualified electing fund; and (2) as long-term capital gain, its pro rata share of the "net capital gain" of the qualified electing fund. However, you may make a qualified electing fund election with respect to your ordinary shares only if we furnish you annually with certain tax information, and we currently do not intend to prepare or provide such information.

A U.S. Holder of a PFIC may be required to file an IRS Form 8621. The failure to file this form when required could result in substantial penalties. If we are a PFIC, you should consult your tax advisor regarding any reporting requirements that may apply to you. You are urged to consult your tax advisor regarding the application of the PFIC rules to the acquisition, ownership and disposition of our ordinary shares.

YOU ARE STRONGLY URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE IMPACT OF OUR BEING A PFIC ON YOUR INVESTMENT IN OUR ORDINARY SHARES AS WELL AS THE APPLICATION OF THE PFIC RULES AND THE POSSIBILITY OF MAKING A MARK-TO-MARKET ELECTION.

Taxation of Dividends and Other Distributions on our Ordinary Shares

Subject to the PFIC rules discussed above, the gross amount of any distributions we make to you (including the amount of any tax withheld) with respect to our ordinary shares generally will be includible in your gross income as dividend income on the date of receipt by the holder, but only to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. To the extent the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess amount will be treated first as a tax-free return of your tax basis in your ordinary shares, and then, to the extent such excess amount exceeds your tax basis in your ordinary shares, as capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be taxed at the lower capital gain rates applicable to "qualified dividend income," provided (1) our ordinary shares are readily tradable on an established securities market in the United States (such as Nasdaq), (2) we are neither a PFIC nor treated as such with respect to you (as discussed above) for either the taxable year in which the dividend was paid or the preceding taxable year, (3) certain holding period requirements are met and (4) you are not under an obligation to make related payments with respect to positions in substantially similar or related property. As discussed above under "Passive foreign investment company," there is a significant risk that we will be a PFIC for U.S. federal income tax purposes, and, as a result, the qualified dividend rate may be unavailable with respect to dividends we pay.

The amount of any distribution paid in a currency other than U.S. dollars will be equal to the U.S. dollar value of such currency on the date such distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the foreign currency is converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the foreign currency is converted into U.S. dollars after the date of receipt, depending on the exchange rate at the time of conversion. Any gains or losses resulting from the conversion of foreign currency into U.S. dollars generally will be treated as ordinary income or loss, as the case may be, and generally will be treated as U.S. source. In addition, proposed Treasury regulations (which taxpayers may rely upon pending publication of final regulations) issued on December 18, 2017, provide that certain taxpayers may elect to 'mark to market' gain or loss resulting from exchange rate fluctuations. The proposed regulations are complex, and you should consult your tax advisor regarding the availability of the proposed regulations in your particular circumstances. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Any dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our ordinary shares will generally constitute "passive category income" but could, in the case of certain U.S. Holders, constitute "general category income."

If Israeli withholding taxes apply to any dividends paid to you with respect to our ordinary shares, subject to certain conditions and limitations, such withholding taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. Instead of claiming a credit, you may elect to deduct such taxes in computing taxable income, subject to applicable limitations. If a refund of the tax withheld is available under the applicable laws of Israel or under the Israel-U.S. income tax treaty (the "Treaty"), the amount of tax withheld that is refundable will not be eligible for such credit against your U.S. federal income tax liability (and will not be eligible for the deduction against your U.S. federal taxable income). The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisor regarding the availability of a foreign tax credit in your particular circumstances, including the effects of the Treaty.

Taxation of Disposition of Ordinary Shares

Subject to the PFIC rules discussed above, upon a sale or other disposition of ordinary shares, you will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized (including the amount of any tax withheld) and your tax basis in such ordinary shares. If the consideration you receive for our ordinary shares is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of the payment received determined by reference to the spot rate of exchange on the date of the sale or other disposition. However, if our ordinary shares are treated as traded on an "established securities market" and you are either a cash basis taxpayer or an accrual basis taxpayer that has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), you will determine the U.S. dollar value of the amount realized in a non-U.S. dollar currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. If you are an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, you will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of sale or disposition and the U.S. dollar value of the currency received at the spot rate on the settlement date. In addition, proposed Treasury regulations (which taxpayers may rely upon pending publication of final regulations) issued on December 18, 2017 provide that certain taxpayers may elect to 'mark to market' gain or loss resulting from exchange rate fluctuations. The proposed regulations are complex, and you should consult your tax advisor regarding the availability of the proposed regulations in your particular circumstances.

Your tax basis in our ordinary shares generally will equal the cost of such ordinary shares. If you are a non-corporate U.S. Holder, capital gain from the sale, exchange or other disposition of shares is generally eligible for a preferential rate of taxation applicable to capital gains, if your holding period determined at the time of such sale, exchange or other disposition for such shares exceeds one year (i.e., such gain is long-term capital gain). The deductibility of capital losses is subject to significant limitations.

As mentioned above, to the extent that, the sale, exchange or disposition of our ordinary shares would be subject to Israeli tax, the U.S holder would be permitted to claim a credit for any such taxes incurred against U.S. federal income tax imposed on any gain from such sale, exchange or disposition, under the circumstances and subject to the limitations specified in the U.S-Israel Double Tax Treaty and U.S. domestic law applicable to foreign tax credit.

Information Reporting and Backup Withholding

Dividend payments with respect to ordinary shares and proceeds from the sale, exchange or redemption of ordinary shares may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9. You should consult your tax advisor regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Information with respect to Foreign Financial Assets

Certain U.S. Holders may be required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for ordinary shares held in accounts maintained by certain U.S. financial institutions). Penalties can apply if U.S. Holders fail to satisfy such reporting requirements. You should consult your tax advisor regarding the effect, if any, of this requirement on your ownership and disposition of our ordinary shares.

Information with respect to the Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act, or FATCA, encourages foreign financial institutions to report information about their U.S. account holders (including holders of certain equity interests) to the IRS. Foreign financial institutions that fail to comply with the withholding and reporting requirements of FATCA and certain account holders that do not provide sufficient information under the requirements of FATCA are subject to a 30% U.S. withholding tax on certain payments they receive, including foreign pass-through payments (which may include payments made by us with respect to our shares). The term "foreign pass thru payment" is not currently defined in U.S. Treasury Regulations, and therefore, the future application of FATCA withholding tax on foreign pass-thru payments to holders of shares is uncertain. If a holder of shares is subject to withholding, there will be no additional amounts payable by way of compensation to the holder of such securities for the deducted amount. Holders of shares should consult their own tax advisors regarding this legislation in light of such holder's particular situation.

Information with respect to Net Investment Income Tax

Certain U.S. Holders who are individuals, estates or trusts may be required to pay an additional 3.8% Net Investment Income Tax, or NIIT, on, among other things, dividends and capital gains from the sale or other disposition of our shares. For individuals, the additional NIIT tax applies to the lesser of (i) "net investment income" or (ii) the excess of "modified adjusted gross income" over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income. U.S. Holders will likely not be able to credit foreign taxes against the 3.8% NIIT.

Information with respect to Reporting Requirements

Certain U.S. Holders owning "specified foreign financial assets" may be required to file IRS Form 8938, or Statement of Specified Foreign Financial Assets, with respect to such assets with their tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. The IRS has issued guidance exempting "specified foreign financial assets" held in a financial account from reporting under this provision (although the financial account itself, if maintained by a foreign financial institution, may remain subject to this reporting requirement). The failure to file this form when required could result in substantial penalties. You are urged to consult your tax advisors regarding the application of these requirements to your ownership of our shares.

In addition, certain U.S. Holders may be required to report additional information relating to an interest in our ordinary shares, subject to certain exceptions. You are urged to consult your tax advisors regarding your information reporting obligations, if any, with respect to your ownership and disposition of our ordinary shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS FOR GENERAL INFORMATIONAL PURPOSES ONLY. INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ORDINARY SHARES.

B. Dividends and Paying Agents

Not applicable.

C. Statement by Experts

Not applicable.

D. Documents on Display

You may read and copy this annual report on Form 20-F, including the related exhibits and schedules, and any document we file with the SEC through the SEC's website at www.sec.gov.

As a foreign private issuer, are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. Furthermore, as a foreign private issuer, we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act. In addition, we are not be required under the Exchange Act to file annual or other reports and consolidated financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Instead, we must file with the SEC, within 120 days after the end of each fiscal year, or such other applicable time as required by the SEC, an annual report on Form 20-F containing consolidated financial statements audited by an independent registered public accounting firm. We also intend to furnish certain other material information to the SEC under cover of Form 6-K.

We maintain a corporate website at www.medigus.com. Information contained on, or that can be accessed through, our website does not constitute a part of this annual report on Form 20-F. We have included our website address in this annual report on Form 20-F solely as an inactive textual reference.

E. Subsidiary Information

Not applicable**.**

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to changes in market prices, including interest rates and foreign exchange rates, of financial instruments that may adversely impact our consolidated financial position, results of operations or cash flows.

Risk of Interest Rate Fluctuation

Currently, our investments consist primarily of cash and cash equivalents and short-term bank deposits. We follow an investment policy that was set by our board of directors, pursuant to which we currently invest in tradable short term Israeli government loans or bank deposits. Our investments are exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. However, given the low levels of interest rates worldwide, our interest income is not material and a further reduction in interest rates would not cause us a significant reduction in the absolute amounts of interest income to us. We manage this exposure by performing ongoing evaluations of our investments. Due to the short-term maturities of our investments to date, their carrying value has always approximated their fair value. It is be our current policy to hold investments to maturity in order to limit our exposure to interest rate fluctuations.

Foreign Currency Exchange Risk

Our reporting and functional currency is the U.S. dollar. Our revenues are currently primarily payable in U.S. dollars and Euros and we expect our future revenues to be denominated primarily in U.S. dollars and Euros. However, certain amount of our expenses are in NIS and as a result, we are exposed to the currency fluctuation risks relating to the recording of our expenses in U.S. dollars. We may, in the future, decide to enter into currency hedging transactions. These measures, however, may not adequately protect us from material adverse effects.

To date, we have not engaged in hedging transactions, however we hold our investments in both NIS and US dollars. In the future, we may enter into currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

Our interest rate risk exposure is in respect to bank deposits, which expose us to risk due to change in fair value interest rates. As of December 31, 2019, these deposits carried relatively low interest rates and under these low interest rates, reasonable changes in interest rates are expected have negligible impact on the fair value of these assets.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and rights.

Not applicable.

C. Other Securities.

Not applicable.

D. American Depositary Shares

General

The following is a summary description of the ADSs and does not purport to be complete. Each ADS represents 20 ordinary shares (or a right to receive 20 ordinary shares) deposited with the principal Tel Aviv office of either of Bank Hapoalim or Bank Leumi, as custodian for the Bank of New York Mellon as the Depositary. Each ADS also represents any other securities, cash or other property which may be held by the Depositary. The Depositary's office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the Depositary confirming their holdings. As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Israeli law governs shareholder rights. The Depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the Depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the Depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The Depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The Depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the Depositary to distribute the NIS only to those ADS holders to whom it is possible to do so. It will hold the NIS it cannot convert for the account of the ADS holders who have not been paid. It will not invest the NIS and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. For more information see "Item 10. Addition Information—E. Taxation." The Depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the Depositary cannot convert the NIS, you may lose some or all of the value of the distribution.*

Shares. The Depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The Depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the Depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The Depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution (or ADSs representing those shares).

Rights to purchase additional shares. If we offer holders of our securities any rights to subscribe for additional ordinary shares or any other rights, the Depositary may make these rights available to ADS holders. If the Depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the Depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The Depositary will allow rights that are not distributed or sold to lapse. *In that case, you will receive no value for them.*

If the Depositary makes rights available to ADS holders, it will exercise the rights and purchase the shares on your behalf. The Depositary will then deposit the shares and deliver ADSs to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the Depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

Other Distributions. The Depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the Depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the Depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The Depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you*.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The Depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs at the Depositary's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the Depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the Depositary will deliver the deposited securities at its office, if feasible.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the Depositary for the purpose of exchanging your ADR for uncertificated ADSs. The Depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the Depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the Depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the Depositary how to vote the number of deposited shares their ADSs represent. The Depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the Depositary how to vote. For instructions to be valid, they much reach the Depositary by a date set by the Depositary. *Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.*

The Depositary will try, as far as practical, subject to the laws of Israel, and of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The Depositary will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.*

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to deposited securities, if we request the Depositary to act, we agree to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

Each of our American Depositary Shares, or ADSs, represents 50 of our ordinary shares. The ADSs trade on the Nasdaq Capital Market.

The form of the deposit agreement for the ADSs and the form of American Depositary Receipt (ADR) that represents an ADS as filed as exhibits to the Company's registration statement on Form F-6 with the SEC on May 7, 2015. Copies of the deposit agreement are available for inspection at the principal office of the Bank of New York Mellon, located at 101 Barclay Street, New York, New York 10286, and at the principal office of our custodian Bank Hapoalim B.M., 104 Hayarkon Street, Tel Aviv 63432, Israel.

Fees and Expenses

***Persons depositing or withdrawing shares or ADS holders must pay*:**	***For*:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	● Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property ● Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$0.05 (or less) per ADS	● Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	● Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS holders
$0.05 (or less) per ADS per calendar year	● Depositary services
Registration or transfer fees	● Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares
Expenses of the Depositary	● Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) ● converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	● As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	● As necessary

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

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

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The Depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the Depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:	*Then:*
● Change the nominal or par value of our shares ● Reclassify, split up or consolidate any of the deposited securities ● Distribute securities on the shares that are not distributed to you	The cash, shares or other securities received by the Depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.
● Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The Depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the Depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the Depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the Depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended*.

How may the deposit agreement be terminated?

The Depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may also terminate the deposit agreement by mailing notice of termination to us and the ADS holders if 60 days have passed since the Depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the Depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares and other deposited securities upon cancellation of ADSs. Four months after termination, the Depositary may sell any remaining deposited securities by public or private sale. After that, the Depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The Depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the Depositary and to pay fees and expenses of the Depositary that we agreed to pay.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the Depositary. It also limits our liability and the liability of the Depositary. We and the Depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our or its control from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the Depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the Depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the Depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The Depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the Depositary or our transfer books are closed or at any time if the Depositary or we think it advisable to do so.

Right to Receive the Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the Depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the Depositary to deliver ADSs before deposit of the underlying shares. This is called a pre-release of the ADSs. The Depositary may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the Depositary. The Depositary may receive ADSs instead of shares to close out a pre-release. The Depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the Depositary in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the Depositary considers appropriate; and (3) the Depositary must be able to close out the pre-release on not more than five business days' notice. In addition, the Depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the Depositary may disregard the limit from time to time if it thinks it is appropriate to do so.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, or DRS, and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by the Depository Trust Company, or DTC. DRS is the system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the Depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the Depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile System and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the Depositary.

Shareholder communications; inspection of register of holders of ADSs

The Depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The Depositary will send you copies of those communications if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There are no defaults, dividend arrangements or delinquencies that are required to be disclosed.

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

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures that are designed to ensure that information required to be disclosed on Form 20-F and filed with the Securities and Exchange Commission is recorded, processed, summarized and reported timely within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within the company to disclose information otherwise required to be set forth in our reports. Nevertheless, our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives.

Based on our evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d) - 15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this annual report on Form 20-F were not effective at such reasonable assurance level, due to the material weakness discussed below.

(b) Management report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Based on the framework in Internal Control - Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting as of December 31, 2019 was not effective due to the material weakness described below.

In connection with the preparation of our consolidated financial statements as of and for the year ended December 31, 2019, we have identified a material weakness in our internal control over financial reporting in relation to complex accounting matters, including for the reverse recapitalization transaction conducted with regard to ScoutCam Ltd. which was accounted for in our consolidated financial statements as a transaction with non-controlling interest. The cause of this material weakness was due to the complexities of the accounting treatment, which required additional qualified accounting personnel with an appropriate level of experience, and additional controls in the period-end financial reporting process commensurate with the complexity of the matters. Accordingly, we have determined that this control deficiency constituted a material weakness in our internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies in our internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis. This deficiency could result in additional misstatements to our consolidated financial statements that would be material and would not be prevented or detected on a timely basis.

We are evaluating and implementing additional procedures in order to remediate this material weakness, however, we cannot assure you that these or other measures will fully remediate the material weakness in a timely manner.

(c) Attestation Report of the Registered Public Accounting Firm

Not applicable.

(d) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Eliyahu Yoresh qualifies as an "audit committee financial expert" and that he is considered independent under the applicable SEC and Nasdaq Marketplace rules.

ITEM 16B. CODE OF ETHICS

In March 2016, we adopted a code of ethics and business conduct, which applies to all our directors, officers and employees, including without limitation our, Chief Executive Officer, Chief Financial Officer, and controller, or persons performing similar functions. This code of ethics is posted on our website, www.medigus.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees and services

The table below summarizes the total amounts that we were billed by our independent accountants, Kesselman & Kesselman, an independent registered public accounting firm, a member firm of PricewaterhouseCoopers International Limited, related to the following periods.

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(USD in thousands)	
Audit fees[(1)]	65*	144
Tax Fees[(2)]	6	20
Total	71	164

(1) Includes professional services rendered in connection with the audit of our annual financial statements and the review of our interim financial statements. This category also includes services that generally the independent accountant provides, such as consents and assistance with and review of documents filed with the SEC.

(2) Represents fees for professional services rendered by our independent registered public accounting firm for tax compliance and tax advice on actual or contemplated transactions.

* In addition to the amount mentioned above, the total audit fee amounts that ScoutCam Inc. was billed by its independent accountants, Kesselman & Kesselman, an independent registered public accounting firm, a member firm of PricewaterhouseCoopers International Limited, related to the year ended December 31, 2019 was USD 160,250.

Audit committee's pre-approval policies and procedures

Our audit committee's specific responsibilities in carrying out its oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company include the approval of audit and non-audit services to be provided by the external auditor. The audit committee approves in advance the particular services or categories of services to be provided to the Company during the following yearly period and also sets forth a specific budget for such audit and non-audit services. Additional non-audit services may be pre-approved by the audit committee.

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

None.

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

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Nasdaq Stock Market Listing Rules and Home Country Practices

As a foreign private issuer, we are permitted to follow Israeli corporate governance practices instead of Nasdaq Marketplace rules, provided that we disclose which requirements we are not following and the equivalent Israeli requirement. We rely on this "foreign private issuer exemption" with respect to the following items:

- *Quorum*. While the Marketplace Rules of the Nasdaq Stock Market require that the quorum for purposes of any meeting of the holders of a listed company's common voting stock, as specified in the company's bylaws, be no less than 33 1/3% of the company's outstanding common voting stock, under Israeli law, a company is entitled to determine in its articles of association the number of shareholders and percentage of holdings required for a quorum at a shareholders meeting. Our Articles of Association provide that a quorum of two or more shareholders holding at least 10% of the voting rights in person or by proxy is required for commencement of business at a general meeting. However, the quorum set forth in our Articles of Association with respect to an adjourned meeting consists of any number of shareholders present in person or by proxy.

- *Approval of Related Party Transactions*. All related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transactions, set forth in sections 268 to 275 of the Companies Law, and the regulations promulgated thereunder, which require the approval of the audit committee, the compensation committee, the board of directors and shareholders, as may be applicable, for specified transactions, rather than approval by the audit committee or other independent body of our board of directors as required under the Listing Rules of the Nasdaq Stock Market.

- *Equity Compensation Plans*. We do not necessarily seek shareholder approval for the establishment of, and amendments to, stock option or equity compensation plans (as set forth in Nasdaq Listing Rule 5635(c)), as such matters are not subject to shareholder approval under Israeli law. We will attempt to seek shareholder approval for our stock option or equity compensation plans (and the relevant annexes thereto) to the extent required in order to ensure they are tax qualified for our employees in the United States. However, even if such approval is not received, then the stock option or equity compensation plans will continue to be in effect, but we will not be able to grant options to our U.S. employees that qualify as Incentive Stock Options for U.S. federal tax purpose. Our stock option or other equity compensation plans are also available to our non-U.S. employees, and provide features necessary to comply with applicable non-U.S. tax laws.

Otherwise, we comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq Stock Market. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq Marketplace Rules related to corporate governance. We also comply with Israeli corporate governance requirements under the Israeli Companies Law applicable to public companies.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

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

MEDIGUS LTD.

Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of Medigus Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Medigus Ltd. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of loss and other comprehensive loss, of changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, based on our audits and the report of other auditors with respect to the consolidated financial statements as of and for the year ended December 31, 2019, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We did not audit the financial statements of Algomizer Ltd., a 8% equity investment of the Company, as of and for the year ended December 31, 2019, which is reflected in the consolidated financial statements of the Company as an equity method investment of $1,149 thousand as of December 31, 2019 and loss from equity investment of $216 thousand for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Algomizer Ltd. as of and for the year ended December 31, 2019, is based solely on the report of the other auditors.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

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

Change in Accounting Principle

As discussed in note 2(q) to the consolidated financial statements, the Company changed the manner in which it accounts for liabilities in 2019.

Basis for Opinion

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

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

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

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Tel - Aviv, Israel
April 21, 2020

We have served as the Company's auditor since 1999.

Deloitte.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Algomizer Ltd.

Opinion on the Financial Statements

We have audited the consolidated statements of financial position of Algomizer Ltd. and its subsidiaries (the "Company") as of December 31, 2019 and September 4, 2019, the related consolidated statements of comprehensive loss, shareholders' equity, and cash flow for the period from September 4, 2019 through December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and September 4, 2019 and the results of its operation and its cash flow for the period from September 4, 2019 through December 31, 2019, in conformity International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Tel Aviv, Israel
April 21, 2020

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MEDIGUS LTD.

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2019	2018	2017
		USD in thousands		
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	6	7,036	10,625	2,828
Short-term deposit		-	-	3,498
Accounts receivables – trade		22	24	18
Inventory	8	900	81	180
Other current assets	7	321	404	290
		8,279	11,134	6,814
NON-CURRENT ASSETS:				
Inventory	8	-	-	260
Property and equipment, net	9	137	105	136
Right-of-use assets, net	10	153	-	-
Investments accounted for using the equity method	4	1,149	-	-
Financial assets at fair value through profit or loss	4,5	3,616	-	-
		5,055	105	396
TOTAL ASSETS		13,334	11,239	7,210

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

MEDIGUS LTD.

CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2019	2018	2017
			USD in thousands	
Liabilities and equity				
CURRENT LIABILITIES :				
Accounts payables - trade	12	75	190	190
Lease liabilities	10	119	-	-
Warrants at fair value	5, 2r	1,459	1,601	559
Contract liability	17b	502	231	61
Accrued compensation expenses		607	588	506
Other current liabilities	12	603	353	200
		3,365	2,963	1,516
NON-CURRENT LIABILITIES:				
Lease liabilities	10	33	-	-
Contract liability	17b	1,800	118	118
Retirement benefit obligation, net		5	79	65
		1,838	197	183
TOTAL LIABILITIES		5,203	3,160	1,699
EQUITY:	13			
Share capital – ordinary shares of NIS 1.00 par value: authorized – December 31,2018 – 160,000,000 shares, December 2019 – 250,000,000 shares; issued and outstanding - December 31, 2018 – 75,932,058 shares December 31, 2019 – 82,598,738 shares		22,802	20,924	5,292
Share premium		47,873	48,942	55,040
Other capital reserves		12,492	692	330
Warrants		197	-	730
Accumulated deficit		(76,657)	(62,479)	(55,881)
Equity attributable to owners of Medigus Ltd.		6,707	8,079	5,511
Non-controlling interests	4	1,424	-	-
		8,131	8,079	5,511
TOTAL LIABILITIES AND EQUITY		13,334	11,239	7,210

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

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

	Note	Year Ended December 31, 2019	2018	2017
		USD in thousands		
REVENUES:	17			
PRODUCTS		188	219	467
SERVICES		85	217	-
		273	436	467
COST OF REVENUES:	14			
PRODUCTS		370	164	219
SERVICES		85	115	-
INVENTORY IMPAIRMENT		-	328	297
		455	607	516
GROSS LOSS		(182)	(171)	(49)
RESEARCH AND DEVELOPMENT EXPENSES	14	609	1,809	2,208
SALES AND MARKETING EXPENSES	14	326	1,354	846
GENERAL AND ADMINISTRATIVE EXPENSES	14	3,081	3,338	3,005
NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	92	-	-
SHARE OF NET LOSS OF ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD	4	(216)	-	-
LISTING EXPENSE	4	(10,098)	-	-
OPERATING LOSS		(14,420)	(6,672)	(6,108)
CHANGES IN FAIR VALUE OF WARRANTS ISSUED TO INVESTORS	5	142	148	3,502
FINANCIAL INCOME (EXPENSES) IN RESPECT OF DEPOSITS, BANK COMMISIOMS AND EXCHANGE DIFFERENCES, NET		99	(54)	54
FINANCING INCOME (EXPENSES), NET		241	94	3,556
LOSS BEFORE TAXES ON INCOME		(14,179)	(6,578)	(2,552)
TAXES BENEFIT (TAXES ON INCOME)	11e	1	(20)	7
LOSS FOR THE YEAR		(14,178)	(6,598)	(2,545)
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified to profit or loss				
Share of other comprehensive income of associates accounted for using the equity method		(28)	-	-
Items that will not be reclassified to profit or loss				
Share of other comprehensive income of associates accounted for using the equity method		(13)	-	-
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(41)	-	-
TOTAL COMREHENSIVE LOSS FOR THE YEAR		(14,219)	(6,598)	(2,545)
Loss for the year is attributable to:				
Owners of Medigus		(14,178)	(6,598)	(2,545)
Non-controlling interest		-	-	-
		(14,178)	(6,598)	(2,545)
Total comprehensive loss for the period is attributable to:				
Owners of Medigus		(14,219)	(6,598)	(2,545)
Non-controlling interest		-	-	-
		(14,219)	(6,598)	(2,545)
BASIC LOSS PER ORDINARY SHARE	15	(0.18)	(0.16)	(0.20)
DILUTED LOSS PER ORDINARY SHARE	15	(0.18)	(0.16)	(0.23)

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

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Capital and reserves attributable to owners of Medigus Ltd.										
	Note	Ordinary shares	Share premium	Capital reserves from options granted	Other reserves	Capital reserves from transactions with non-controlling interest	Currency translation differences	Warrants	Accumulated deficit	Total	Non-controlling interests	Total equity
BALANCE AS OF DECEMBER 31, 2018		20,924	48,942	1,271	538	-	(1,117)	-	(62,479)	8,079	-	8,079
Loss for the period									(14,178)	(14,178)	-	(14,178)
Other comprehensive loss					(13)		(28)			(41)	-	(41)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR					(13)		(28)		(14,178)	(14,219)	-	(14,219)
TRANSACTIONS WITH SHAREHOLDERS:												
Issuance of shares and warrants	13(b)(4)	1,878	(1,248)					197		827	-	827
Transactions with non-controlling interest	4					11,714				11,714	1,424	13,138
Share in capital reserve of an associate						47				47	-	47
Stock-based compensation in connection with options granted to employees and service providers	13(c)			259						259	-	259
Expiration of options			179	(179)								-
TOTAL TRANSACTIONS WITH SHAREHOLDERS		1,878	(1,069)	80	-	11,761	-	197	-	12,847	1,424	14,271
BALANCE AS OF DECEMBER 31, 2019		22,802	47,873	1,351	525	11,761	(1,145)	197	(76,657)	6,707	1,424	8,131

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

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Capital and reserves attributable to owners of Medigus Ltd.							
	Note	Ordinary shares	Share premium	Capital reserves from options granted	Other reserves	Currency translation differences	Warrants	Accumulated deficit	Total equity
		USD in thousands							
BALANCE AS OF DECEMBER 31, 2017		5,292	55,040	909	538	(1,117)	730	(55,881)	5,511
TOTAL COMPREHENSIVE LOSS FOR THE YEAR								(6,598)	(6,598)
TRANSACTIONS WITH SHAREHOLDERS:									
Issuance of shares and warrants	13(b)(3)	3,179	(1,823)	630					1,986
Exercise of warrant, net	13 (b)(3)	12,453	(5,430)						7,023
Stock-based compensation in connection with options granted to employees and service providers	13(c)			157					157
Expiration of options and warrants			1,155	(425)			(730)		-
TOTAL TRANSACTIONS WITH SHAREHOLDERS		15,632	(6,098)	362	-	-	(730)	-	9,166
BALANCE AS OF DECEMBER 31, 2018		20,924	48,942	1,271	538	(1,117)	-	(62,479)	8,079

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

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Capital and reserves attributable to owners of Medigus Ltd.							
	Note	Ordinary shares	Share premium	Capital reserves from options granted	Other reserves	Currency translation differences	Warrants	Accumulated deficit	Total equity
		USD in thousands							
BALANCE AS OF DECEMBER 31, 2016		1,189	53,817	779	538	(1,117)	1,057	(53,336)	2,927
TOTAL COMPREHENSIVE LOSS FOR THE YEAR								(2,545)	(2,545)
TRANSACTIONS WITH SHAREHOLDERS:									
Issuance of shares and warrants	13(b)(1)(2)	2,501	69	267					2,837
Exercise of warrant, net	13(b)(1)	1,602	626						2,228
Stock-based compensation in connection with options granted to employees and service providers	13(c)			64					64
Forfeiture and expiration of options and warrants			528	(201)			(327)		-
TOTAL TRANSACTIONS WITH SHAREHOLDERS		4,103	1,223	130	-	-	(327)	-	5,129
BALANCE AS OF DECEMBER 31, 2017		5,292	55,040	909	538	(1,117)	730	(55,881)	5,511

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

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	USD in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH FLOWS USED IN OPERATIONS (see Appendix)	(2,757)	(4,253)	(4,659)
Interest received	75	42	-
Interest paid	(5)	-	-
Income tax paid	(8)	(11)	(22)
Net cash flow used in operating activities	(2,695)	(4,222)	(4,681)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of property and equipment	(62)	(11)	(9)
Payment for acquisition of associate and financial assets at fair value through profit or loss (note 4)	(4,057)	-	-
Investment in short-term deposits	-	-	(5,000)
Withdrawal of short-term deposits	-	3,498	1,500
Net cash flow generated from (used in) investing activities	(4,119)	3,487	(3,509)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transaction with non-controlling interest (note 1)	3,202	-	-
Principal elements of lease liability	(46)	-	-
Proceeds from issuance of shares and warrants and from exercise of warrants, net of issuances costs	-	8,634	7,919
Net cash flow generated from financing activities	3,156	8,634	7,919
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,658)	7,899	(271)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,625	2,828	3,001
GAINS (LOSSES) FROM EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	69	(102)	98
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	7,036	10,625	2,828
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Right of use assets obtained in exchange for lease liabilities (note 10)	174	-	-
Non cash Investment agreement in the Algomizer Group and Issue of ADS (note 4)	827	-	-
Unpaid Recapitalization Transaction costs	89	-	-

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

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SUPPLEMENTAL INFORMATION FOR CASH FLOW:

	As of December 30, 2019
	USD in thousands
Assets acquired (liabilities assumed):	
Current assets excluding cash and cash equivalents	-
Current liabilities	(73)
Transaction costs	(89)
Effect on equity items	(3,040)
Cash obtained in connection with transaction with non-controlling interest	3,202

MEDIGUS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

APPENDIX TO THE STATEMENTS OF CASH FLOWS:

	For the year ended December 31,		
	2019	2018	2017
	USD in thousands		
NET CASH USED IN OPERATIONS:			
Loss for the year before taxes on income	(14,179)	(6,578)	(2,552)
Adjustment in respect of:			
Depreciation	75	42	77
Net change in the fair value of financial assets at fair value through profit or loss	(92)	-	-
Changes in fair value of warrants issued to investors	(142)	(148)	(3,502)
Loss (gain) from exchange differences on cash and cash equivalents	(69)	102	(98)
Share of losses of associate company	216	-	-
Retirement benefit obligation, net	(74)	14	(12)
Interest expenses	5	-	-
Inventory impairment	-	328	297
Issuance expenses which were attributed to the warrants classified as a financial liability and charged directly to profit or loss	-	1,565	970
Listing expenses	10,098		
Revaluation of and exchange differences on short-term deposits	-	-	2
Interest received	(75)	(42)	-
Stock-based compensation in connection with options granted to employees and service providers	259	157	64
CHANGES IN OPERATING ASSET AND LIABILITY ITEMS:			
Decrease (increase) in accounts receivable - trade	2	(6)	3
Decrease (increase) in other current assets	83	(101)	262
Increase (decrease) in accounts payables - trade	(115)	-	(177)
Increase (decrease) in accrued compensation expenses	29	73	(32)
Increase (decrease) in contract liability	1,953	170	(132)
Increase (decrease) in other current liabilities	88	153	(38)
Decrease (increase) in inventory	(819)	18	209
NET CASH USED IN OPERATIONS	(2,757)	(4,253)	(4,659)

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

NOTE 1 - GENERAL:

a. Medigus Ltd. (the "Company" or "Medigus") was incorporated in Israel on December 9, 1999. Company's registered office and principal place of business are located in Israel. The address of its registered office is P.O. Box 3030, Omer, Israel 8496500.

On July 24, 2007 the Company established a wholly owned subsidiary, MEDIGUS USA LLC (or "Medigus USA"), in the State of Delaware, USA (hereinafter - the "Subsidiary").

Medigus USA has not been engaged in any business activities until October 2013.

On October 1, 2013, the Company and Medigus USA entered into an inter-company agreement whereby the Subsidiary provides services to the Company in consideration for a reimbursement of its costs plus a reasonable premium. In February 2019, Medigus USA LLC ceased its operations due to the termination of Chris Rowland, the Company's previous chief executive officer.

On January 3, 2019, the Company established a wholly owned subsidiary in Israel under the name ScoutCam Ltd., or ScoutCam. ScoutCam was incorporated as part of a reorganization of the Company intended to distinguish the Company's miniaturized imaging business, or the micro ScoutCam™ portfolio, from the other operations of the Company and to enable the Company to form a separate business unit with dedicated resources focused on the promotion of such technology.

On September 16, 2019, the Company entered into a Securities Exchange Agreement (the "Exchange Agreement"), with ScoutCam Inc, formally known as Intellisense Solutions Inc ("Intellisense" or "INLL"), pursuant to which the Company assigned, transferred and delivered 100% of its holdings in ScoutCam to ScoutCam Inc, in exchange for consideration consisting of shares of ScoutCam's Inc. common stock representing 60% of the issued and outstanding share capital of ScoutCam Inc. immediately upon the closing of the Exchange Agreement (the "Closing"). For additional information, see note 4.

"Group" - the Company together with Medigus USA and ScoutCam Inc.

"Subsidiaries" – Entities under the control of the Company.

The Company currently own a minority stake in Algomizer and Linkury, which operates in the field of software development, marketing and distribution to internet users. For additional information, see note 4.

The Company has previously engaged in the development, production and marketing of the Medigus Ultrasonic Surgical Endostapler ((MUSE™) (hereinafter - "MUSE") endoscopy system, an FDA approved system, for the treatment of gastroesophageal reflux disease (hereinafter - "GERD"). The Company is no longer maintaining efforts to commercialize the MUSE™ System and rather are pursuing potential opportunities to sell or grant a license for the use of our MUSE™ technology.

ScoutCam is engaged in the development, production and marketing of innovative miniaturized imaging equipment known as micro ScoutCam™ portfolio for use in medical procedures as well as various industrial applications.

In addition, ScoutCam used the technological platform it developed for the purpose of additional special systems and products that are suitable for both medical and industrial applications.

On June 3, 2019, the Company entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (hereinafter "Golden Grand") for the know-how licensing and sale of goods relating to MUSE system in China, Hong Kong, Taiwan and Macao. Under the agreement, the Company committed to provide a license, training services and goods to Golden Grand in consideration for USD 3 million to be paid to the Company in four milestones based installments. The final milestone and the final installment shall be completed and paid upon the completion of a MUSE assembly line in China (see note 17b). The Company examines additional potential opportunities to sale MUSE to other territories.

NOTE 1 - GENERAL (continued)**:**

The Company's shares are listed on the Tel Aviv Stock Exchange Ltd. (hereinafter - "TASE") and as of May 20, 2015, the Company's American Depository Shares (hereinafter – "ADSs") evidenced by American Depositary Receipts (hereinafter – "ADRs") are listed on the Nasdaq Capital Market. The Company's depositary agent for the ADR program is The Bank of New York Mellon. Since July 2018, the Company's Series C Warrants are traded on Nasdaq Capital Market.

b. During the year ended December 31, 2019, the Group incurred a total comprehensive loss of approximately USD 14.2 million and a negative cash flows from operating activities of approximately USD 2.7 million. Furthermore, in the recent years the Group has suffered recurring losses from operations, negative cash flows from operating activities and has an accumulated deficit as of December 31, 2019. As a result, there is a substantial doubt about the Group's ability to continue as a going concern.

Management expects that the Company on a standalone basis will continue to generate operating losses. Management has initiated a plan to reduce operating expenses and plans to continue to fund its operations primarily through utilization of its financial resources. In addition, the Company may raise additional capital or realize some of its investments in other entities in order to fund its operating needs. Management is of the opinion that based on the Company's current operating plan it will be able to carry out its plan for one year after the issuance date of these financial statements.

Based on the projected cash flows and current cash balances of ScoutCam, Management is of the opinion that without further fund raising it will not have sufficient resources to enable it to continue its operating activities for a period of one year after the issuance date of these financial statements. ScoutCam's management plans include continuing commercialization of the products and securing sufficient financing through the sale of additional equity securities, debt or capital inflows from strategic partnerships and other opportunities. There are no assurances however, that ScoutCam will be successful in obtaining the level of financing needed for its operations. If ScoutCam is unsuccessful in commercializing its products and securing sufficient financing, it may need to reduce activities, curtail or even cease operations.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

a. Basis for preparation of the financial statements:

The Group's consolidated financial statements as of December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019, are in compliance with International Financial Reporting Standards, which are standards and interpretations thereto issued by the International Accounting Standard Board (hereinafter "IFRS").

In connection with the presentation of these consolidated financial statements it is noted as follows:

1) The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2) These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of plan assets related to the retirement benefit obligation, financial liabilities (including derivative instruments) and assets measured at fair value through profit or loss.

3) The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3. Actual results may differ materially from estimates and assumptions used by management.

4) The Group analyzes the expenses recognized in the consolidated statement of loss using a classification method based on the expenses' function.

b. Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Principles of consolidation

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of Medigus Ltd.

When the group ceases to consolidate for an investment because of a loss of control any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. Amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss, if applicable.

c. Principles of equity accounting and change in ownership interest

Associates
Associates are all entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Equity method
Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post acquisition profits or losses of the investee in profit or loss and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where -accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(f).

Changes in ownership interests

When the group ceases to equity account for an investment because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

d. Translation of foreign currency balances and transactions:

1) The functional currency and the presentation currency

The reporting and functional currency of the Company and each of its subsidiaries is the USD.

The consolidated financial statements are presented in USD and rounded to the nearest thousand.

2) Transactions and balances

Transactions made in a currency which is different from the functional currency (hereinafter – "foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the end-of-year exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income or loss.

Gains and losses from changes in exchange rates are presented in the consolidated statement of loss and other comprehensive loss within the "Financing income in respect of deposits and exchange differences" line item.

3) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

e. Property and equipment

Property and equipment are initially recognized at purchased cost. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced items is derecognized. All other repairs and maintenance are charged to income or loss during the financial period in which they are incurred.

Property and equipment is recognized at cost less accumulated depreciation.

Depreciation is calculated using the straight line method over the estimated useful life of the asset as follows:

Machinery and equipment	6 – 10 years (primarily 10)
Furniture	7 – 14 years
Computers	3 years
Computer programs	3 years

Leasehold improvements are depreciated using the straight line method over the shorter of the term of the lease or the estimated useful lives of the assets.

The assets' residual values, their useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each year.

Gains or losses with respect to disposals are determined by comparing the net proceeds with the carrying amount and recognized in the consolidated statement of loss and other comprehensive loss within "Other income – net" line item.

f. Impairment of non-monetary assets

Non-monetary assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of identifiable cash flows (cash-generating units). Non-monetary assets that were impaired are reviewed for possible reversal of the impairment recognized at each balance sheet date.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

g. Financial instruments:

As of January 1, 2018, the Group adopted IFRS 9 "Financial Instruments"**.**

Financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

Recognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

- A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

Equity instruments

The group subsequently measures equity investments at fair value except when the group has control or significant influence. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "net change in fair value of financial assets at fair value through profit or loss" in the statement of profit or loss as applicable.

Impairment

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the financial instrument is determined to have a low credit risk at the reporting date, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition.

The Group measures the loss allowance for expected credit losses on trade receivables that are within the scope of IFRS 15 and on financial instruments for which the credit risk has increased significantly since initial recognition based on lifetime expected credit losses. Otherwise, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

Prior to the effective date and adoption of IFRS 9, the financial assets of the Group were classified into the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depended on the purpose for which the financial assets were acquired, also, prior to the adoption of IFRS 9, the Group assessed at December 31, 2017, whether there is any objective evidence that a financial asset or group of financial assets was impaired.

Financial liabilities

Financial liabilities are initially recognized at their fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Financial liabilities are subsequently measured at amortized cost, except for derivative financial instruments, which are subsequently measured at fair value through profit or loss.

The Group has early adopted the narrow-scope amendment to IAS 1 as described in note 2(q). Accordingly, financial liabilities are classified as non-current if the Group has a substantive right to defer settlement for at least 12 months at the end of the reporting period, otherwise, they are classified as current liabilities.

The Group's financial liabilities at amortized cost are included in accounts payable, accrued expenses, other current liabilities, payable in respect of the intangible asset and lease liabilities.

The derivative financial instruments represent warrants that confer the right to net share settlement.

The Group removes a financial liability (or a part of a financial liability) when, and only when, it is extinguished (when the obligation specified in the contract is discharged, cancelled or expired).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

h. Inventory

Inventory is measured at the lower of cost or net realizable value.

The cost is determined on the basis of "first in-first out" basis. Cost of purchased products and inventory in process includes costs of design, raw materials, direct labor, other direct costs and fixed production overheads.

Net realizable value is an estimated selling price in the ordinary course of business less applicable variable selling expenses.

Provisions for potentially obsolete or slow-moving inventory are made based on management's analysis of inventory levels and historical obsolescence.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

The Group periodically analyzes anticipated product sales based on historical results, current backlog and marketing plans. Based on these analyses, the Group anticipates that certain products will not be sold during the next twelve months, such products were classified within the non-current assets.

i. Trade receivables

The balance of trade receivables includes amounts due from customers for products sold or services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for loss allowance.

j. Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

k. Current and deferred taxes

Tax expenses for the reported years include current taxes. The taxes are recognized in the consolidated statements of Loss and other comprehensive Loss.

The amount that was recorded as current taxes, is calculated based on the tax laws that have been enacted or substantively enacted at the balance sheet date, in countries in which the Company and its Subsidiary operate and generate taxable income. The Group's management periodically evaluates the tax implications applicable to the taxable income, in accordance with the relevant tax laws, and creates provisions in accordance with the amounts expected to be paid to the tax authorities.

The Group recognizes deferred taxes using the liability method, for temporary differences between the amounts of assets and liabilities included in the financial statements, and the amounts for tax purposes. Deferred taxes are not recognized, if the temporary differences arise at the initial recognition of the asset or liability which at the time of the transaction has no effect on profit or loss, whether for accounting or tax reporting. The amount of deferred taxes is determined using the tax rates (and laws) which are expected to apply when the related deferred tax assets is realized or the deferred tax liabilities will be settled.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for temporary differences that are tax deductible, up to the amount of the differences that are expected to be utilized in the future, against taxable income.

No deferred tax assets have been recorded in the Group's books and records with respect to accumulated losses since it is not probable that the Group will be able to utilize such losses in the foreseeable future against taxable income.

Deferred tax assets and liabilities are offset only if:

- There is a legally enforceable right to offset current tax assets against current tax liabilities; and

- Deferred income tax assets and liabilities relate to income taxes imposed by the same taxation authority on the same taxable entity.

In the event of a dividend distribution originating from tax exempted "benefited enterprises", tax will be levied on the amount distributed using the tax rate that would have been applicable to Company had it not been exempted from tax. In the event of such a distribution, the amount of tax will be recognized as an expense in the consolidated statement of loss and other comprehensive loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

l. Employee benefits

1) Pension and severance pay obligations

Israeli labor laws and Company's work agreements require the Company to pay retirement benefits to employees terminated or leaving their employment, in certain circumstances. Most of the Company's employees are covered by a defined contribution plan under Section 14 of the Israel Severance Pay Law. According to the plan, the Company regularly makes payments to severance pay or pension funds without having a legal or constructive obligation to pay further contributions if the funds does not hold sufficient assets to pay all employees in the plan the benefits relating to employee service in the current and prior periods. Contributions for severance pay or pension are recognized as employee benefit expenses when they are due commensurate with receipt of work services from the employee and no further provision is required in the financial statements.

With respect to the remaining employees, the Company records a liability on its balance sheet for defined benefit plans that represent the present value of the defined benefit obligation as of each reporting date, net of the fair value of plan assets. The present value of the defined benefit liability is determined by discounting the anticipated future cash outflows, using interest rates that are denominated in the currency in which the benefits will be payable.

2) Vacation and recreation pay

Under the Israeli law each employee is legally entitled to vacation and recreation benefits. The entitlement is based on term of employment. The Group records such obligations as incurred.

3) Bonus plans

The Group record bonus obligation when a contractual or constructive obligation exists. Such bonus obligation is record in the amount expected to be paid, to the extent that the Group can reliably estimate the amount expected to be paid.

m. Share based payments

The Company granted several equity-settled share based compensation plans to the Group's employees and other service providers in connection with their service to the Group. The fair value of such services is calculated at the grant date and amortized to the statement of loss and other comprehensive loss during the vesting period. The total amount charged as an expense is determined taking into consideration the fair value of the options granted:

- Without considering service and performance conditions, which are non-market vesting conditions (e.g. meeting profit and sales targets and continued employment in the Company for a certain period).

- Non-market vesting conditions are included among the assumptions in connection with the estimate level of options vesting period. The total expense is recognized during the vesting period, which is the period over which all of the specified vesting conditions of the share-based payment are to be satisfied.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**:**

The Group analyze the estimate level of options vesting period at each cut-off date, based on non-market vesting conditions. In case such analysis result in a variance vs. the original estimates, the Group records such variance in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds, less directly related transaction costs, are reflected in the share capital (at par value) and in share premium.

n. Revenue recognition

a) Revenue measurement

Commencing January 1, 2018 (the initial implementation date of IFRS 15), the Group's revenues are measured according to the amount of consideration that the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, such as sales taxes. Revenues are presented net of VAT.

Until December 31, 2017 (IAS 18 implementation) revenues were measured in accordance with the fair value of the consideration received or receivable in respect of sales supplied in the ordinary course of business. Revenues were presented net of value added tax, returns, rebates and discounts.

b) Revenue recognition

Commencing January 1, 2018 (the initial implementation date of IFRS 15), the Group recognizes revenue when a customer obtains control over a promised goods or services. For each performance obligation the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

Performance obligations are satisfied over time if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, a Group satisfies the performance obligation at a point in time.

The transaction price is allocated to each distinct performance obligations on a relative standalone selling price ("SSP") basis and revenue is recognized for each performance obligation when control has passed. In most cases, the Company is able to establish SSP based on the observable prices of services sold separately in comparable circumstances to similar customers and for products based on the Company's best estimates of the price at which the Company would have sold the product regularly on a stand-alone basis. The Company reassesses the SSP on a periodic basis or when facts and circumstances change.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

Product Revenue

Revenues from product sales of miniature cameras are recognized when the customer obtains control of the Company's product, typically upon shipment to the customer. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Service Revenue

The Company also generates revenues from development services. Revenue from development services is recognized over the period of the applicable service contract. There are no long-term payment terms or significant financing components of the Company's contracts.

The Company's contract payment terms for product and services vary by customer. The Company assesses collectability based on several factors, including collection history.

Until December 31, 2017 revenue from the sale of goods is recognized when all of the following conditions are met:

- The Group transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Group does not retain continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of the revenue can be measured reliably. The amount of the revenue is not considered as being reliably measured until all the conditions relating to the transaction are met. The Group bases its estimates on past experience, considering the type of customer, type of transaction and special details of each arrangement;
- It is probable that the economic benefits that are associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

o. Leases

Group as lessee:

Through December 31, 2018 the Group applied IAS 17 to account for leases whereby a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Therefore the Group's leases were operating leases which were charged to income statements on a straight-line basis over the lease term, including extending options which were reasonably certain.

IFRS 16 replaces upon first-time implementation the existing guidance in IAS 17. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and is expected to impact mainly the accounting treatment applied by the lessee in a lease transaction.

IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognize a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts (except for the following), with no distinction between financing and capital leases. IFRS 16 exempts lessees in short-term leases or the when underlying asset has a low value.

IFRS 16 also changes the definition of a "lease" and the manner of assessing whether a contract contains a lease.

The Group adopted IFRS 16 on January 1, 2019, using a modified retrospective transition approach, and as a result did not adjust prior periods. The effect upon first-time implementation on the Group's consolidated statement of financial position are: right-of-use lease assets of approximately $39 thousand, current lease liabilities of approximately $30 thousand and non-current lease liabilities of approximately $9 thousand.

In respect of agreements in which the Group is the lessee, the Group elected to apply the standard for the first time by recognizing lease liabilities, for leases that were previously classified as operating leases, based on the present value of the remaining lease payments, discounted at the incremental interest rate of the lessee as at the date of first-time application. At the same time, the Group recognized a right-of-use asset at an amount equal to the amount of the lease liabilities, adjusted to reflect any prepaid or accrued lease payments in respect of those leases. As a result, the application of the standard has no an effect on the accumulated deficit balance.

The Group applied the following practical expedients:

- Non-lease components: practical expedient by class of underlying asset not to separate non-lease components (services) from lease components and, instead, account for each lease component and any associated non lease components as a single lease component.
- The practical expedient for short-term leases is applied.

  As part of the first-time application of the standard, the Group has elected to apply the following practical expedients:

  - Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application,
  - Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
  - For leases in which the Group is the lessee, the Group does not to recognize a right-of-use asset and a lease liability in respect of leases whose lease period ends within 12 months of the date of initial application.
  - Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17

Discount rate:

The lease payments are discounted using the lessee's incremental borrowing rate, since the interest rate implicit in the lease cannot be readily determined. The lessee's incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. However, the Group is using the practical expedient of accounting together a portfolio of leases with similar characteristics provided that it is reasonably expected that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this Standard to the individual leases within that portfolio. And using a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The weighted average of lessee's incremental annual borrowing rate applied to the lease liabilities was 10%.

Lease liabilities measurement:

Lease liabilities were initially measured on a present value basis of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate (such as CPI).
- lease payments (principal and interest) to be made under reasonably certain extension options

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

The lease liability is subsequently measured according to the effective interest method, with interest costs recognized in the statement of income as incurred. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future changes in lease payments based on linkage to the CPI index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Principal elements of the lease payments are presented in the statement of cash flows under the cash used in financing activities. Finance cost of the lease payments are presented in the statement of cash flows under the operating activities.

Right-of-use assets measurement:

Right-of-use assets were measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date and;
- any initial direct costs (except for initial application).

After the commencement date, the Group measures the right-of-use asset applying the cost model, less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Assets are depreciated by the straight-line method over the estimated useful lives of the right of use assets or the lease period, which is shorter:

	Years
Property	1-2
Motor vehicles	3

p. Loss per share

Loss per share is based on the loss that is attributed to the shareholders holding ordinary shares, divided by the weighted average number of ordinary shares in issue during the period.

For purposes of the calculation of the diluted loss per share, the Group adjusts the loss that is attributed to the holders of the Company's ordinary shares, and the weighted average number of ordinary shares in issue, to assume conversion of all of the dilutive potential shares.

The potential shares are taken into account only if their effect is dilutive (increases loss per share).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

q. Classification of liabilities:

The IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. Inter alia, the amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights. The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right.

- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment should be applied retrospectively for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

The Group early adopted the narrow-scope amendment to IAS 1. Accordingly, the Group classified in the statement of financial position warrants as part of current liabilities. The amendment was applied retrospectively and as a result the Group reclassified warrants at fair value as of December 31, 2018 and 2017 amounting to $1,601 thousand and $559 thousand, respectively, to current liabilities.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS:

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Included in this note are accounting judgments and/or estimates which cover areas that the Directors and Management consider to have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the future:

a. Deferred tax assets

Based on management's judgment, no deferred tax assets have been recorded in the Group's books of accounts for current losses carried forward for tax purposes since it is not probable that the Group will be able to utilize those losses in the foreseeable future against taxable income as of December 31, 2019. The deferred tax asset in connection with the accumulated losses for tax purposes (which was not recorded due to the reason mentioned above) aggregated to approximately USD 17 million.

b. Fair value measurement of share-based payment transactions

The Company granted several equity-settled share based compensation plans to the Group's employees and other service providers in connection with their service to the Group. The fair value of the share options is measured at grant date on the basis of accepted valuation models and assumptions regarding unobservable inputs used in the valuation models. The fair value mentioned above is expensed to the statement of loss and other comprehensive loss during the vesting period and concurrently recorded as capital reserves from options granted within the consolidated statement of changes in equity.

c. Inventory impairment

The Company continually evaluates inventory for potential loss due to excess quantity or obsolete or slow-moving inventory by comparing sales history and sales projection to the inventory on hand. When evidence indicates that the carrying value of a product may not be recoverable, a charge is recorded to reduce the inventory to its current net realizable value. During 2018, the Company recorded in its books an inventory impairment of $ 328 thousands, charged to cost of revenues.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued):

d. Fair value measurement of financial assets and liabilities at fair value through profit or loss

As described in Note 4, the Company signed an agreement with Algomizer Ltd. As part of the agreement the Company received several financial assets. The fair value of this financial assets classified at FVTPL, which are not traded on an active market, is determined by using a level 3 valuation technique, see note 5.

In addition, the Company issued in previous years warrants to investors which include a cashless exercise mechanism and as a result did not meet the fixed-for-fixed criteria to be classified as an equity instrument. The fair value of this warrants classified at financial liabilities through profit or loss, which are not traded on an active market, is determined by using a level 3 valuation technique, see note 5.

The fair value of this financial assets and liabilities is measured on the basis of accepted valuation models and assumptions regarding unobservable inputs used in the valuation models. The fair value mentioned above is expensed to the statement of loss and other comprehensive loss.

e. Considering the likelihood of contingent losses and quantifying possible settlements:

Provisions are recorded when a loss is considered probable and can be reasonably estimated. Judgment is necessary in assessing the likelihood that a pending claim or litigation against the Group will succeed, or a liability will arise, quantifying the possible range of final settlement. These judgments are made by management with the support of internal specialists or with the support of outsource consultants such as legal counsel. Because of the inherent uncertainties in this evaluation process, actual results may be different from these estimates.

f. Listing expenses:

The reverse recapitalization transaction conducted at ScoutCam Ltd.'s level was accounted for in the Group's consolidated financial statements as a transaction with non-controlling interest in which the Company consolidated INLL's net assets in consideration equal to the fair value of the shares INLL had to issue to Medigus as part of the reverse recapitalization transaction. The fair value could not be determined based on INLL's stock market value since the trading volume of INLL's common stock was nil. Therefore, the Company determined the fair value of the transaction based on the pre-money valuation of INLL which was taken into account as part of the Issuance of Units to External Investors as mentioned above.

NOTE 4 - INTEREST IN OTHER ENTITIES:

Material subsidiaries:

On September 16, 2019, the Company entered into a Securities Exchange Agreement (the "Exchange Agreement"), with ScoutCam Inc, formally known as Intellisense Solutions Inc ("Intellisense"), pursuant to which the Company assigned, transferred and delivered 100% of its holdings in ScoutCam to ScoutCam Inc, in exchange for consideration consisting of shares of ScoutCam's Inc. common stock representing 60% of the issued and outstanding share capital of ScoutCam Inc. immediately upon the closing of the Exchange Agreement (the "Closing"). The Exchange Agreement was conditioned on certain obligations by the respective parties, including, but not limited to, that ScoutCam Inc. will have at least USD 3 million in cash on hand upon Closing, and that ScoutCam Inc. will bear the costs and expenses in connection with the execution of the Exchange Agreement. In accordance with said obligations, ScoutCam Inc. undertook to secure at least USD 3 million in funding prior to the Closing, based on a pre-money valuation of USD 10 million on a post-Closing basis. In addition, the Exchange Agreement provides that if ScoutCam achieves an aggregated amount of USD 33 million in sales within the first three years immediately after the Closing, ScoutCam Inc. will issue to the Company additional shares representing 10% of ScoutCam's Inc. issued and outstanding share capital as reflected on the date of the Closing.

The Closing occurred on December 30, 2019 (the "Closing Date"). Pursuant to the Exchange Agreement, Intellisense issued to Medigus 16,130,952 share. Upon such issuance, ScoutCam Ltd. became a wholly-owned subsidiary of Intellisense. On December 31, 2019, Intellisense Solutions Inc. changed its name to ScoutCam Inc.

Also on the Closing Date, 3,413,312 units, each comprised of two shares of common stock par value USD 0.001 per share, one Warrant A (as defined below) and two Warrants B (as defined below), were issued to investors as part of the financing transaction that the ScoutCam Inc. was obligated to secure prior to the closing. The immediate gross proceeds from the issuance of the units amounted to approximately USD 3.3 million (the "Issuance of Units to External Investors").

Each Warrant A is exercisable into one share of common stock of ScoutCam Inc. at an exercise price of USD 0.595 per share during the12 month period following the allotment. Each Warrant B is exercisable into one share of common stock of ScoutCam Inc. at an exercise price of USD 0.893 per share during the 18 month period following the allotment.

In addition, Shrem Zilberman Group Ltd (the "Consultant") will be entitled to receive the amount representing 3% of any exercise price of each Warrant A or Warrant B that may be exercised in the future. In the event the total proceeds received as a result of exercise of Warrants will be less than $2 million at the time of their expiration, the Consultant will be required to invest $250,000 in ScoutCam Inc.

NOTE 4 - INTEREST IN OTHER ENTITIES (continued):

While ScoutCam Inc. was the legal acquirer, ScoutCam Ltd. was treated as the acquiring company for accounting purposes as the Exchange Agreement was accounted for as a reverse recapitalization conducted at ScoutCam Ltd.'s level. Accordingly, the accounting treatment is equivalent to the issuance of 10,753,969 shares by ScoutCam Ltd, for the net monetary assets of ScoutCam Inc. The net acquired assets of the ScoutCam Inc. as of the Closing Date was $3,040 thousands. There were no fair value adjustments necessary to perform as the carrying values of the net acquired assets approximated fair value. Further, given the nature of the operations of ScoutCam Inc. prior to the Closing Date, there were no intangible assets, including goodwill, established as a result of the Exchange Agreement.

Listing expenses are presented in the Company's consolidated statement of loss and comprehensive loss for the period ended December 31, 2019 in connection with the reverse recapitalization.

The reverse recapitalization transaction conducted at ScoutCam Ltd.'s level was accounted for in the Group's consolidated financial statements as a transaction with non-controlling interest in which the Company consolidated INLL's net assets in consideration equal to the fair value of the shares INLL had to issue to Medigus as part of the reverse recapitalization transaction. The fair value could not be determined based on INLL's stock market value as there is currently no trading market for INLL's Common Stock and there is no assurance that a regular trading market will ever develop. The Company concluded to determine the fair value based on a pre-money valuation attributed to INLL as part of the Issuance of Units to External Investors as mentioned above. In accordance, an amount of USD 10,098 thousand was listed in the consolidated statement of loss and comprehensive loss as listing expenses. Furthermore, the Company recorded a capital reserve of $11,714 thousand resulting from the transaction with non-controlling interest.

Non-controlling interests (NCI)

Set out below is summarized financial information for ScoutCam Inc. that has non-controlling interest that are material to the Group. The amounts are before inter-company eliminations.

Summarized balance sheet

	December 31, 2019 USD in thousands
Currents assets	4,318
Current liabilities	1,910
Current net assets	2,408
Non-current assets	439
Non-current liabilities	325
Non-current net assets	114
Net assets	2,522
Accumulated non-controlling interests	1,424

Summarized statement of comprehensive income

	Year ended December 31, 2019 USD in thousands
Revenues	309
Loss for the period	(11,927)
Net loss attributable to the NCI	-

NOTE 4 - INTEREST IN OTHER ENTITIES (continued):

Summarized statement of cash flows:

Cash flow used in operating activities	(1,799)
Cash flow used in investing activities	(55)
Cash flow from financing activities	5,104
Net increase in cash and cash equivalents	3,250

Investments accounted for using the equity method

On June 19, 2019 the Company signed an agreement with Algomizer Ltd. ("Algomizer") and its wholly-owned subsidiary Linkury Ltd. (together the "Algomizer Group"), for an investment of approximately $5 million in Algomizer Group (the "Investment Agreement"). The investment was subject to certain pre-conditions, which were met at September 3, 2019 ("Closing Date"). As part of the Investment Agreement:

a. Medigus received 2,168,675 ordinary shares of Algomizer (Algomizer shares).

b. Medigus received 729,508 ordinary shares of Linkury Ltd ("Linkury's shares").

c. Medigus received 2,898,183 warrants to purchase 2,898,183 Algomizer shares at an exercise price of NIS 5.25 per share ("Algomizer Warrants").

d. Medigus' investment in Algomizer and Linkury is based on a projection that Linkury's net profit for 2019 will be at least NIS 15 million. In the event that Linkury's net income is less than NIS 15 million for 2019, Medigus will be issued with additional securities in Algomizer group, adjusting the price per Algomizer group securities to the actual net profit for 2019, and compensating Medigus for the difference between the actual net profit and the target net profit for 2019 ("Reverse earn out"). Linkury net profit for 2019 was more than NIS 15 million.

e. Medigus is also entitled, for a period of three years following the closing of the investment, to convert any and all of its Linkury shares into Algomizer shares with a 20% discount over the average share price of Algomizer on TASE within the 60 trading days preceding the conversion ("Conversion Right").

f. In the event, during the three year period following the closing of the investment, Algomizer shall issue, or under take to issue ordinary shares with a price per share or exercise per share lower NIS 4.15 (the ("Reduced Per Share Purchase Price"), Algomizer shall be allocated immediately with such amounts of additional Ordinary Shares (and the Algomizer Warrant shall be adjusted accordingly) equal to the difference of (x) the amount of ordinary shares actually received by the Company under the Investment Agreement, and (y) the amount which Medigus would have otherwise received should the Reduced Per Share Purchase Price was applied ("Anti-dilution").

NOTE 4 - INTEREST IN OTHER ENTITIES (continued):

In consideration for the assets as described above Medigus:

a. Paid NIS 14,400,000 at cash (approximately USD 4,057 thousands).

b. Issued to Algomizer 333,334 ADS representing 6,666,680 ordinary shares.

c. Issued to Algomizer 333,334 warrants to purchase 333,334 ADS representing 6,666,680 ordinary shares at an exercise price of USD 4 per warrant.

On September 3, 2019 the Company acquired 8.45% of the issued shares of Algomizer Ltd and 9.34% of the issued shares of Linkury Ltd. As part of the investment, Medigus appointed two directors to the board of directors of Algomizer, therefore, Medigus achieved a significant influence in Algomizer. Medigus does not have a significant influence in Linkury. Therefore, investment on Linkury's shares accounted as financial asset in fair value through profit or loss and investment on Algomizer's shares accounted for using the equity method.

The difference between the fair value of consideration paid by the Company and the fair value of Linkury's shares, Algomizer warrants, Reverse earn-out, Conversion right and Anti-dilution was attributed to Algomizer shares.

Two of the Company's members of the board of directors hold less than 5% each in Algomizer Ltd. Furthermore, the same directors hold less than 5% each in a subsidiary company of Algomizer Ltd.

To the best of the Company's knowledge, Algomizer Ltd. used the investment funds to finance its ongoing operations and for an early repayment of a loan previously organized and partially provided by an affiliated company related to one of Company's shareholders or by such shareholder in connection with the acquisition of Linkury.

Name of entity	Place of business/country of incorporation	% of ownership interest as of December 31, 2019	Nature of relationship	Measurement method	Quoted fair value as of December 31, 2019	Carrying amount as of December 31, 2019
					USD in thousands	
Algomizer Ltd	Israel	8.22%(*)	Associate	Equity method	1,537	1,149

(*) After the acquisition, Algomizer issued options to employees, so the Company's holding of Algomizer decreased from 8.45% to 8.22%

Algomizer Ltd, through its subsidiary Linkury, is engaged in internet marketing including: Internet video and imaging, website monetization and search engines and automated tools for internet advertising.

The table below provide summarized financial information for Algomizer.

Summarized balance sheet:

	December 31, 2019 USD in thousands (*)
Currents assets	
Cash and cash equivalents	3,712
Other current assets	7,285
Total current assets	10,997
Non-current assets	9,201
Current liabilities	
Financial liabilities (excluding trade payables)	1,270
Other current liabilities	8,375
Total current liabilities	9,645
Non-current liabilities	
Financial liabilities (excluding trade payables)	800
Other non-current liabilities	2,310
Total non-current liabilities	3,110
Net assets	7,443
Equity attributable to Algomizer shareholders	2,388
Non-controlling interests	5,055

NOTE 4 - INTEREST IN OTHER ENTITIES (continued):

	USD in thousands
Reconciliation to carrying amounts:	
Equity attributable to Algomizer shareholders' as of September 3, 2019	3,061
Loss attributable to Algomizer shareholders' for the period	(3,070)
Other comprehensive loss attributable to Algomizer shareholders' for the period	(527)
Increase in capital reverse	2,924
	2,388
Equity attributable to Algomizer shareholders' as of December 31, 2019	2,388
Groups share in %	8.22%
Group share (USD)	196
Fair value adjustments	953
Carrying amount	1,149

Summarized statement of comprehensive income:

	September 4, 2019 - December 31, 2019 USD in thousands (**)
Revenue	12,081
Gross profit	3,252
Loss for the period	(3,153)
Other comprehensive loss	(609)
Total comprehensive loss	(3,762)

(*) translated at the closing rate at the date of that balance sheet
(**) translated at average exchange rates for the period

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

Financial risk management:

1) Financial risk factors

The Group is exposed to a variety of financial risks such as: market risks (including currency risks, fair value interest rate risk, cash flow interest rate risk and price risk), credit risks and liquidity risks. The Group's overall risk management plan focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Group's financial performance.

Risk management is performed by the finance department according to the policy authorized by the board of directors.

a) Market risk - Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risks due to exposure to foreign currencies, primarily the NIS. Foreign exchange risk arises from future commercial transactions, assets or liabilities denominated in foreign currency.

The Group's policy to reduce the exposure to changes in exchange rates is based on maintaining, where possible, the balances of current monetary assets, according to the currency of the current liabilities.

As of December 31, 2019, if the Group's functional (USD) had weakened/strengthened by 10% against the NIS, with all other variables held constant, the loss for the year would decrease/increase by USD 27 thousand (the effect for 2018 was an increase/increase by USD 244 thousand and the effect for 2017 was a decrease/increase by USD 24 thousand).

b) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting year.

Credit risks are treated at the Group level. Credit risks arise typically from cash and cash equivalents, bank deposits and from credit exposures in connection with outstanding receivables and committed transactions.

No credit limits were exceeded during the reported periods and Group's management does not expect any losses from non-performance of these parties.

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**:**

c) Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

Cash flow forecasting is performed by the Group's finance department. The finance department monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities, so that the Group does not breach any of its credit facilities.

The Group invests cash surpluses in interest bearing investments such as time deposits and short-term government debentures, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

Liquidity risk arises from financial liabilities due to payable balances and amounted to USD 1,435 thousands on December 31, 2019 (December 31, 2018 - USD 1,131 thousands).

These liabilities are classified as current liabilities, and are expected to mature within 12 months following the balance sheet date, unless payment is not due within 12 months after the reporting period.

2) Estimates of fair value

Below is analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**:**

Financial assets

Level 1 and level 2 financial instruments:

As of December 31, 2019 and December 31, 2018 the Group has no financial assets measured at level 1 or level 2.

Level 3 financial instruments:

The Company has several financial assets measured at fair value through profit or loss, which meet the level 3 criteria as of December 31, 2019 (see note 4).

Fair value measurements based on unobservable data (level 3):

The following table presents the level 3 fair value financial assets as of December 31, 2019:

	December 31, 2019
	Level 3
	USD in thousands
Linkury's shares	2,637
Algomizer Warrants	71
Reverse earn-out	0
Conversion Right	619
Anti-dilution	289
	3,616

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**:**

The following table presents the Level 3 financial assets roll-forward during 2019:

	Linkury's shares	Algomizer Warrants	Reverse earn out	Conversion Right	Anti-dilution	Total
	USD in thousands					
Balance as of January 1, 2019	-	-	-	-	-	-
Initial recognition of financial asset	2,501	162	13	617	231	3,524
Changes in fair value recognized within profit or loss	136	(91)	(13)	2	58	92
Balance as of December 31, 2019	2,637	71	-	619	289	3,616

Total unrealized profits for the period included in profit or loss for assets held at the end of the reporting period amounted to USD 105 thousand.

Financial liabilities

Level 1 financial instruments:

As of December 31, 2019 and December 31,2018 the Group has financial liability measured at level 1 – Warrants C (see note 13(b)(3)).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 3 financial instruments:

The Company has several financial liabilities measured at fair value through profit or loss, which meet the level 3 criteria as of December 31, 2019 – warrants issued to investors (see note 13(b)(1)-(2)).

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**:**

The following table presents the financial liabilities that were measured at fair value as of December 31, 2019 and 2018:

	December 31					
	2019			2018		
	Level 1	Level 3	Total	Level 1	Level 3	Total
	USD in thousands					
Financial liabilities at fair value through profit or loss -						
Fair value of warrants	1,419	100	1,519	1,504	444	1,948
Unrecognized Day 1 loss (see note 13)	-	(60)	(60)	-	(347)	(347)
Warrants, net	1,419	40	1,459	1,504	97	1,601

The following table presents the Level 3 financial liabilities roll-forward during 2019:

	Warrants
	USD in thousands
Opening balance as of January 1, 2019	97
Changes in fair value of warrants issued to investors	(57)
Closing balance as of December 31, 2019	40

The following table presents the Level 3 financial liabilities roll-forward during 2018:

	Warrants
	USD in thousands
Opening balance as of January 1, 2018	559
Granted (see note 13(b))	6,681
Exercised	(7,045)
Changes in fair value of warrants issued to investors	(98)
Closing balance as of December 31, 2018	97

The following table presents the Level 3 financial liabilities roll-forward during 2017:

	Warrants
	USD in thousands
Opening balance as of January 1, 2017	237
Granted (see note 13(b))	6,041
Exercised	(2,217)
Changes in fair value of warrants issued to investors	(3,502)
Closing balance as of December 31, 2017	559

NOTE 5 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**:**

Valuation processes of the Group:

Set forth below are details regarding the valuation processes of the Group:

1) Warrants which were issued on December 6, 2016, as part of a registered direct offering - the Company used the Black-Scholes model, using the following principal assumptions: expected volatility of 82.19%, risk-free interest of 0.23%, expected term of 5.5 years following the grant date. The liability amount is adjusted at each balance sheet date based on the then relevant assumptions, until the earlier of full exercise or expiration.

2) Warrants which were issued on March 29, 2017, as part of a public offering - the Company used the Black-Scholes model, using the following principal assumptions: expected volatility of 84.49%, risk-free interest of 0.19%,expected term of 5 years following the grant date. The liability amount is adjusted at each balance sheet date based on the then relevant assumptions, until the earlier of full exercise or expiration. For details, see Note 13(b)(1).

3) Warrants which were issued on November 28, 2017, as part of a direct offering - the Company used the Black-Scholes model, using the following principal assumptions: expected volatility of 85.23%, risk-free interest of 0.32%, expected term of 5.5 years following the grant date. The liability amount is adjusted at each balance sheet date based on the then relevant assumptions, until the earlier of full exercise or expiration. For details, see Note 13(b)(2).

4) Series C warrants - level 1 financial instruments measured at fair value through profit or loss. For details, see Note 13(b)(3).

5) Linkury shares - the Company used the Discounted Cash Flow (DCF) model for a period of 7 years, using the following principal assumptions: weighted average cost of capital (WACC) – 20.9%. The asset amount is adjusted at each balance sheet date based on the then relevant assumptions. A shift of the WACC by +/- 5% results in a change in fair value of Linkury shares of $55 thousands. For details, see Note 4.

6) Algomizer warrants - the Company used the Black-Scholes model, using the following principal assumptions: expected volatility of 34.74%, risk-free interest of 0.24%, expected term of 3 years following the grant date. The asset amount is adjusted at each balance sheet date based on the then relevant assumptions, until the earlier of full exercise or expiration. For details, see Note 4.

7) Anti-dilution - the Company used the Black-Scholes model, using the following principal assumptions: 25% probability for the occurrence of an anti-dilution event, expected volatility of 34.74%, risk-free interest of 0.24%, expected term of 3 years following the issuance date. An increase of the probability for the occurrence of anti-dilution event by 10% would have increased the fair value of Anti-dilution by $116 thousands. For details, see Note 4.

8) Reverse earn out - the Company used the Monte Carlo model for a period of 0.32 years following the grant date, using the following principal assumptions: expected volatility 22.9%, risk-free interest 0.12%. For details, see Note 4.

9) Conversion right - the Company used the Monte Carlo method for a period of 3 years following the grant date, using the following principal assumptions: expected volatility 34.74%, risk-free interest 0.24%. For details, see Note 4.

10) Options to employees and advisors. For details, see Note 13(c).

NOTE 6 - CASH AND CASH EQUIVALENTS:

	As of December 31,	
	2019	2018
	USD in thousands	
Cash in banks	3,836	5,077
Short-term bank deposits	3,200	5,548
	7,036	10,625

The currencies in which the cash and cash equivalents are denominated or to which they are linked are as follows:

	December 31	
	2019	2018
	USD in thousands	
USD	6,658	7,591
NIS	362	2,943
Other currencies	16	91
	7,036	10,625

The carrying amount of cash and cash equivalents approximates their fair value.

NOTE 7 - OTHER CURRENT ASSETS:

	December 31	
	2019	2018
	USD in thousands	
Institutions	109	163
Prepaid expenses	76	85
Advances to suppliers	51	72
Other	85	84
	321	404

NOTE 8 - INVENTORY:

Composed as follows:

	December 31	
	2019	2018
	USD in thousands	
Current assets:		
Raw materials and supplies	24	38
Work in progress	316	43
Finished goods	584	24
Provision for impairment	(24)	(24)
	900	81
Non-current assets:		
Raw materials and supplies	589	589
Finished goods	12	12
Provision for impairment of raw materials and supplies	(601)	(601)
	-	-

NOTE 9 - PROPERTY AND EQUIPMENT:

a. Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications and changes therein, and their movements during 2019:

	Cost			Accumulated Depreciation				
	Balance at the beginning of the year	Additions during the year	Balance at the end of the year	Balance at the beginning of the year	Additions during the year	Balance at the end of the year	Depreciated balance as of December 31,	
							2019	2018
Property and equipment:	USD in thousands			USD in thousands			USD in thousands	
Machinery and equipment	736	13	749	659	16	675	74	77
Leasehold improvements	47	25	72	47	-	47	25	-
Office furniture and equipment (including computers)	397	13	410	384	7	391	19	13
Computer programs	158	11	169	143	7	150	19	15
	1,338	62	1,400	1,233	30	1,263	137	105

NOTE 9 - PROPERTY AND EQUIPMENT (continued)**:**

b. Composition of property and equipment and accumulated depreciation thereon, grouped by major classifications and changes therein, and their movements during 2018:

	Cost			Accumulated Depreciation			Depreciated balance as of December 31,	
Property and equipment:	**Balance at the beginning of the year**	**Additions during the year**	**Balance at the end of year**	**Balance at beginning of the year**	**Additions during the year**	**Balance at the end of the year**	**2018**	**2017**
	USD in thousands			**USD in thousands**			**USD in thousands**	
Machinery and equipment	736	-	736	639	20	659	77	97
Leasehold improvements	47	-	47	47	-	47	-	-
Office furniture and equipment (including computers)	393	4	397	370	14	384	13	23
Computer programs	151	7	158	135	8	143	15	16
	1,327	11	1,338	1,191	42	1,233	105	136

NOTE 10 - LEASES:

a. Right-of-use assets

	Cost				Accumulated Depreciation				Depreciated balance as of December 31,	
	Balance at the beginning of the year	**Additions during the year**	**Deletions during the year**	**Balance at the end of the year**	**Balance at the beginning of the year**	**Additions during the year**	**Deletions during the year**	**Balance at the end of the year**	**2019**	**2018**
	USD in thousands				**USD in thousands**				**USD in thousands**	
Property	-	121	-	121	-	22	-	22	99	-
Motor vehicles	39	53	(16)	76	-	23	(1)	22	54	-
	39	174	(16)	197	-	45	(1)	44	153	-

As of December 31, 2019, the weighted average remaining lease term for the Company's leases was 1.46 years, and weighted-average discount rate was 10%.

NOTE 10 - LEASES (continued):

b. Lease liabilities

	Balance at the beginning of the year	Additions during the year	Deletions during the year	Interest expense during the year	Payments during the year	Balance at the end of the year
	USD in thousands					
Property	-	121	-	2	(22)	101
Motor vehicles	39	53	(15)	3	(29)	51
	39	174	(15)	5	(51)	152

Composition of lease liabilities:

	December 31, 2019 USD in thousands
Current lease liabilities:	
Property	97
Motor vehicles	22
	119
Non-current lease liabilities:	
Property	4
Motor vehicles	29
	33

c. Additional disclosure:

1) The Group leases it's headquarter facilities in Omer, Israel, with a total of approximately 807 gross square meters. In January 2019 the company signed the agreement until the end of 2019. In November 2019 the company extended the agreement until the end of 2020. The rental payments are linked to the Israeli CPI.

2) The Company also leases a CEO's office. Payments under the lease commenced on June 2019, and the initial term of the lease will expire in June 2020. The Company has options to extend the lease contract periods for up to two years (including the original lease periods). The extension option includes an increase of the lease payment of 5%. The monthly lease fee is NIS 4 thousand (approximately USD 1.1 thousands).

3) The Company has entered into operating lease agreements in connection with a number of vehicles. The lease periods are generally for three years.

4) In 2018 and 2017 rent expenses in amounts of USD 128 thousands and USD 157 thousands respectively were recorded according to the previous accounting policy under IAS 17.

NOTE 10 - LEASES (continued):

d) As of December 31, 2019, minimum future rental payments under the leases were:

Year	Property	Motor vehicles	Total
2020	101	28	129
2021	6	20	26
2022	-	14	14
	107	62	169

As of December 31, 2018, minimum future rental payments under the leases were:

Year	Property	Motor vehicles	Total
2019	80	30	110
2020		9	9
	80	39	119

NOTE 11 - TAXES ON INCOME:

a. Corporate taxation in Israel:

The income of Medigus is taxed at the standard Israeli corporate tax rate, which was 24% for 2017 and 23% for 2018, 2019 and thereafter.

As the Company has not created any deferred tax assets or liabilities, these changes have no effect on the Company's financial statements.

b. Taxation of these subsidiaries:

1. The USA subsidiaries was incorporated in the United States and is subject to the Federal and State tax laws established in the United States.

   On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. The Act reduces the corporate tax rate to 21 percent from 35 percent, among other things. The Act did not have a material effect on the Group's consolidated financial statements.

2. ScoutCam Inc. did not timely file its tax return for 2013-2014 and therefore the IRS imposed penalties in the amount of USD 60 thousand (approximately USD 73 thousand including interest).

   ScoutCam Inc. has not yet filed tax returns for 2015-2018.

NOTE 11 - TAXES ON INCOME (continued):

c. Encouragement laws in Israel:

Tax benefits under the Law for the Encouragement of Capital Investments-1959 (hereinafter- the "Law for the Encouragement of Capital Investments"):

1) General

Under the Law for the Encouragement of Capital Investments, companies are entitled to various tax benefits by virtue of their "approved enterprise" or "benefited enterprise" status subject to the fulfillment of certain conditions. In addition, companies may be entitled to additional tax benefits as "foreign investors' companies," as defined by the Law for the Encouragement of Capital Investments.

According to the Economic Policy Law for 2011 and 2012 (Legislative Amendments), 2011, which was published in December 2010 also amended the Capital Investment Encouragement Law (hereinafter – the amendment).

The amendment sets alternative benefit tracks to the ones that were in place under the provisions of the Law for the Encouragement of Capital Investments, as follows: investment grants track designed for enterprises located in national development zone A and two new tax benefits tracks (preferred enterprise and a special preferred enterprise), which provide for application of a unified tax rate to all preferred income of the company, as defined in the law.

Under the amended law, a company which qualifies for benefits under the encouragement law prior to the amendment thereof may opt for application of the amendment on each year, commencing with the first year in which the amendment became effective (2011) thereby making available to itself the tax benefits in accordance with the tracks set in the amendment subject to the fulfillment of certain conditions. A company's election for application of the amendment is irrevocable and once it opts for application thereof, it will no longer be entitled to the tax benefits available to it under the pre-amendment regime of the Law for the Encouragement of Capital Investments. A company will be allowed to continue and enjoy the tax benefits available under the law prior to its amendment until the end of the period of benefits, as defined in the law.

In December 2016, the Economic Efficiency Law (Legislative Amendments to Achieving the Budget Goals for 2017 and -2018), 2016 was published. Under this law, two new benefit programs for high-tech industries" benefited technology enterprise "and "special benefited technology enterprise" were added.

NOTE 11 - TAXES ON INCOME (continued):

2) Tax benefits

The Company has not decided at this stage whether and when to elect the application of the amendment of the law. Once the Company generates taxable income, it is currently scheduled to be eligible for tax benefits available under the Law for the Encouragement of Capital Investments before it was amended in accordance with the provisions of the benefited enterprise regime, as follows:

Reduced tax rates

During the period of benefits - 10 years commencing in the first year in which the Company earns taxable income from the benefited enterprises (provided the maximum period to which it is restricted by law has not elapsed) - the income from the benefited enterprises owned by the Company is tax exempt so long as it is not distributed or deemed to be distributed. The portion of income which qualifies for tax exemption as above is based on the ratio between the turnover relating to the "benefited enterprise" and the total turnover of the Company.

In the event of a dividend distribution or deemed dividend distribution from income which was previously exempt, the Company will be subject to tax on the grossed-up amount of the (deemed) dividend, according to the tax rate which would have applied to the income were it not eligible for the exemption.

The Company has not yet utilized the tax benefits for the main plant, nor for the expansion of the plant.

3) Conditions to receive the benefits

The entitlement to the above benefits is conditional upon the Company's fulfillment of the conditions stipulated by the Law for the Encouragement of Capital Investments, and the regulations promulgated thereunder. In the event of failure to comply with these conditions, the benefits may be cancelled, and the Company may be required to refund the amount of the benefits, in whole or in part, with the addition of interest. As of the date of approval of these financial statements, the Company has met the aforementioned conditions.

d. Carry forward tax losses

Carry forward tax losses of Medigus aggregate NIS 270 million (approximately USD 78 million) and NIS 252 million (approximately USD 67 million) as of December 31, 2019 and 2018, respectively. The Company did not record deferred taxes asset in respect of these losses, as the utilization thereof is not expected to occur in the foreseeable future.

Carry forward tax losses of ScoutCam Ltd. aggregate NIS 5 million (approximately USD 1.5 million) as of December 31, 2019. ScoutCam Ltd. did not record deferred taxes asset in respect of these losses, as the utilization thereof is not expected to occur in the foreseeable future.

NOTE 11 - TAXES ON INCOME (continued):

e. Taxes on income included in the Statements of Loss and Other Comprehensive Loss for the periods presented:

The following is reconciliation between the "theoretical" tax, which would apply to the Group if all of its income were taxed at the regular rate applicable to the Company in Israel (see a2 above) and the amount of tax reflected in the Statements of Loss for the reported year:

	2019	2018	2017
	USD in thousands		
Loss before taxes on income	(14,179)	(6,578)	(2,552)
Theoretical tax benefit	(3,261)	(1,513)	(587)
Disallowed deductions (tax exempt income):			
Gain on adjustment of warrants to fair value	(33)		
Share-based compensation	60		
Listing expenses	2,323		
Other	7		
Increase in taxes for tax losses and timing differences incurred in the reporting year for which deferred taxes were not created	903	1,533	580
Actual taxes on income	(1)	20	(7)

NOTE 12 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES:

a. Trade payables are denominated in the following currencies:

	December 31,	
	2019	2018
	USD in thousands	
NIS unlinked	75	137
USD	-	43
Euro	-	10
	75	190

b. Other:

	December 31,	
	2019	2018
	USD in thousands	
Institutions	73	-
Accrued expenses	522	299
Provisions	-	54
Other	8	-
	603	353

Other payable balances are denominated in the following currencies:

	As of December 31,	
	2019	2018
	USD in thousands	
NIS unlinked	63	48
USD	461	280
Euro	71	25
	595	353

The balances of the financial instruments included within the trade payables and other payables approximate their fair value as the effect of the discounting is immaterial.

NOTE 13 - EQUITY:

a. Share capital:

1) Composed as follows:

	Number of shares				Amount			
	Authorized		Issued and paid		Authorized		Issued and paid	
	December 31,		December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
	In thousands				NIS in thousands		USD in thousands	
Ordinary shares of NIS 1.00 par value	250,000	160,000	82,599	75,932	250,000	160,000	22,802	20,924

2) The ordinary shares confer upon their holders voting rights and the right to participate in shareholders' meetings, the right to receive dividends and the right to participate in surplus assets in the event of liquidation of the Company.

3) On January 9, 2019 an extraordinary general meeting of the Company's shareholders approved an increase of the authorized share capital of the Company by an additional NIS 7,000,000, consisting of 7,000,000 ordinary shares par value NIS 1.00 per share, such that the authorized share capital of the Company following such increase shall be NIS 167,000,000, consisting of 167,000,000 ordinary shares.

4) On July 25, 2019 the Company's shareholders approved an increase of the authorized share capital of the Company by an additional NIS 83,000,000, such that the authorized share capital increased to NIS 250,000,000 ordinary shares par value NIS 1.00 each.

b. Share offering to the public and existing shareholders:

1) On March 29, 2017, the Company allotted in a public issue, a total of 4,898,570 ordinary shares of the Company, warrants A for the purchase up to a total 535,730 ADSs representing 10,714,600 shares, with an exercise price of USD 14 per ADS during the 5 years following the allotment and warrants B for the purchase up to a total 290,786 ADSs representing 5,815,720 shares, with an exercise price of USD 0.05 per ADS.

Warrants A and warrants B may, under certain circumstances, also be exercised via a cashless exercise mechanism as defined in the agreement, whereby the number of shares the value of which equals the exercise premium in cash will be deducted from the number of shares to be issued upon exercise of the warrant. In addition, the number of warrants outstanding will be adjusted for certain events specified in the warrant agreement.

In addition, the Company issued to the placement agent on this offering warrants to purchase up to a total 37,501 ADSs representing 750,020 ordinary shares, with an exercise price of USD 17.5 per ADS during the 5 years following the allotment. The warrants may, under certain circumstances, also be exercised via a cashless exercise mechanism as defined in the agreement. The fair value of such warrants as calculated by the Company as of the date of grant amounted to USD 221 thousand.

NOTE 13 - EQUITY (continued)**:**

As the warrants may be net share settled these warrants, other than the warrants issued to the placement, are classified as financial liabilities measured at fair value through profit or loss at each reporting period. The warrants are initially recognized at fair value adjusted to defer the difference between the fair value at initial recognition and the transaction price ("Day 1 loss"), as the Company uses valuation techniques that incorporate data not obtained from observable markets. Transaction costs allocated to the warrants are recognized immediately in profit or loss. As to the fair value of the said warrants as of December 31, 2019 and December 31, 2018 see note 5.

Unrecognized Day 1 loss is amortized over the expected life of the instrument. Any unrecognized Day 1 loss is immediately recognized in income statement if fair value of the financial instrument in question can be determined either by using only market observable model inputs or by reference to a quoted price for the same product in an active market.

Upon exercise, the carrying amount of the warrants (which is presented net of the related unrecognized Day loss, if any) is reclassified to equity with no impact on profit or loss.

Net proceeds from the issuance, net of cash issuance expenses, aggregated to approximately USD 6.5 million. Issuance expenses were attributed to equity and liability in proportion with the allocation of the proceeds.

During 2017 all warrants B were exercised. Accordingly, 5,815,720 ordinary shares of the Company were allotted.

Warrants A are presented within current liabilities.

2) On November 28, 2017, the Company closed a registered direct offering, pursuant to which the Company issued a total of 202,500 ADSs representing a total of 4,050,000 ordinary shares, at a purchase price of USD 8 per ADS, and warrants to purchase up to a total of 101,251 ADSs representing 2,025,020 ordinary shares, with an exercise price of USD 9 per ADS during the 5.5 years following the allotment

   The immediate gross and net of issuance expenses proceeds from such securities issuance aggregated to approximately USD 1.6 million and USD 1.4 million, respectively.

   As the warrants may be net share settled these warrants are classified as financial liabilities measured at fair value through profit or loss at each reporting period.

   As to the fair value of the said warrants as of December 31, 2019 and December 31, 2018 see note 5.

   To the placement agent on this offering the Company issued warrants to purchase up to an aggregate 14,177 ADSs representing 283,540 ordinary shares, with an exercise price of USD 10 per ADS during the 5 years following the allotment. The warrants may, under certain circumstances, also be exercised via a cashless exercise mechanism as defined in the agreement. The fair value of such warrants as was calculated by the Company as of the date of grant amounted to USD 46 thousand.

NOTE 13 - EQUITY (continued)**:**

3) On July 23, 2018, the Company completed a public offering with approximately USD 9.9.million gross proceeds, or USD 8.6 million net of issuance costs by issuing (a) 577,529 units at a price of USD 3.50 per unit, each unit consisting of (i) one ADS and (ii) one Warrant C to purchase one ADS for an exercise price of USD 3.50 per ADS for a period of five years (hereinafter - "Warrants C"), and (b) 2,260,145 pre-funded units at a price of USD 3.49 per unit, each unit consisting of (i) one pre-funded warrant to purchase one ADS for an exercise price of USD 0.01 per ADS with no time limitation, and (ii) one Warrant C.

   As part of such public offering, the Company provided the underwriters an option exercisable within 30 days to purchase: (a) up to 425,651 additional ADSs for USD 3.50 per ADS and (b) up to 425,651 Warrants C for USD 0.01 per warrant. The underwriters exercised only the latter option.

   The Company was also obligated to issue the underwriters 198,637 warrants to purchase 198,637 ADSs for an exercise price of USD 4.375 per ADS for a period of five years once the Company increases its authorized share capital. The fair value of such warrants as calculated by the Company as of the grant date amounted to USD 375 thousand.

   During 2018 all pre-funded warrants were exercised. Accordingly, 45,202,900 ordinary shares of the Company were allotted.

   Warrants C may, under certain circumstances, be exercised via a cashless exercise mechanism as defined in the warrant agreement. In addition, the number of warrants outstanding will be adjusted for certain events specified in the warrant agreement. As such warrants C are classified as financial liabilities measured at fair value through profit or loss at each reporting period.

   Accordingly, warrants C were initially recognized at fair value. The difference between the fair value of warrants at initial recognition and the transaction price ("Day 1 Loss") at the sum of $149 thousand was immediately recognized in the income statement.

   The pre funded warrants are initially recognized at fair value adjusted to defer Day 1 Loss. Unrecognized Day 1 Loss was amortized on a straight line basis over of a period of approximately 30 days. Upon exercise, the carrying amount of the pre funded warrants (which is presented net of the related unrecognized Day 1 Loss, if any) is reclassified to equity. As a result, during the third quarter of 2018 the Company recognized Day 1 Loss related to the pre funded warrants in an amount of $441 thousand. Furthermore, during the third quarter of 2018, all pre funded warrants were exercised.

   Issuance cost were attributed to equity and liability components in proportion with the allocation of the proceeds, amounting to USD 319 thousand and USD 1,565 thousand, respectively. Issuance cost attributed to the equity component were charged directly as a reduction to equity while those attributed to liability components were charged directly to profit or loss.

   In the event of a fundamental transaction as defined in the warrant C agreement (other than a fundamental transaction not approved by the Company's board of directors), the Company or any successor entity shall at the option of the holder of warrants C, exercisable at any time concurrently with, or within 30 days after, the consummation of the fundamental transaction, purchase such warrants from their holder by paying an amount of cash equal to the Black Scholes value of the remaining unexercised portion of the warrant Cs on the date of the consummation of such fundamental transaction. The Black Scholes value of the said warrants as of December 31, 2019, amounted to USD 2.3 million. As of December 31, 2018, the Company believes that no event that constitutes a fundamental transaction has occurred.

NOTE 13 - EQUITY (continued)**:**

4) As part of agreement with Algomizer (see Note 4), on September 3, 2019 Company issued to Algomizer 333,334 ADSs representing 6,666,680 ordinary shares and 333,334 warrants to purchase 333,334 ADSs representing 6,666,680 ordinary shares, with an exercise price of USD 4 per ADS during the 3 years following the allotment. As a result, the ordinary shares and warrants were recorded based on their fair value amounting to $630 thousand and $197 thousand, respectively.

5) In December 2019, ScoutCam Inc. allotted in a private issuance, a total of 3,413,312 units at a purchase price of USD $0.968 per unit. Each unit was comprised of two shares of common stock par value US$0.001 per share, one Warrant A and two Warrants B. The immediate proceeds (gross) from the issuance of the units amounted to approximately USD 3.3 million.5) See note 4.

c. Share based payments (not include warrants as described above):

1) In August 2013, our board of directors approved and adopted our 2013 Share Option and Incentive Plan, or the 2013 Plan, which expires in August 2023. The 2013 Plan provides for the issuance of shares and the granting of options, restricted shares, restricted share units and other share-based awards to employees, directors, officers, consultants, advisors, and service providers of us and our U.S. Subsidiary. The Plan provides for awards to be issued at the determination of our board of directors in accordance with applicable law.

2) The following are the grants of options to employees and other service providers:

Date of grant	Number of options granted	exercise price per option (NIS)	Fair value on grant date- NIS in thousands	Number of options outstanding- December 31, 2019	Number of options exercisable at 31, December 2019	Expiration date
July 2014 (***)	3,070,000	(**)0.537	554	880,000	880,000	July 17, 2020
December 2015 (****)	664,800	2.05	491	170,800	170,800	December 29, 2021
October 2017 (****)	7,630,000	0.162	942	4,380,000	2,190,000	October 17, 2023
January 2019 (*****)	(*)3,000,000	0.59	947	2,562,500	1,250,000	January 9, 2025
July 2019 (*****)	(*)1,250,000	0.59	325	1,250,000	-	July 25, 2025
Total	15,614,800			9,243,300	4,490,800	

(*) Granted to related parties.
(**) Linked to the CPI as set out in the option allotment plan.
(***) Each 100 options are exercisable into 1 ordinary share.
(****) Each 10 options are exercisable into 1 ordinary share.
(*****)Each 1 option is exercisable into 1 ordinary share.

NOTE 13 - EQUITY (continued)**:**

On January 10, 2019, the Company entered into a separation agreement with former CEO. According to the agreement all options granted to the former CEO will be deemed vested on February 28, 2019. On May 31, 2019 all options were expired.

The fair value of all of the options was calculated using the Black and Scholes options pricing model, and based on the following assumptions:

Date of grant	Fair value on grant date-NIS in thousands	Share price on date of grant (NIS)	Expected dividend	Expected volatility	Risk free interest	Vesting conditions	Expected term
October 2017	1,109	1.62	None	64%	1.16%	four equal batches, following one, two, three and four years from their grant date	6 years
January 2019	947	0.506	None	74%	1.45%	will vest in 12 equals quarterly instalments over a three-year period commencing October 1, 2018	6 years
July 2019	325	0.436	None	75%	1.12%	25% will vest on the first anniversary of the grant date and 75% will vest on a quarterly basis over a period of three years thereafter	6 years

3) The changes in the number of share options and the weighted averages of their exercise prices are as follows:

	For the year ended December 31,					
	2019		2018		2017	
	Number of options	Weighted average of exercise price per 1 ordinary share-(NIS)	Number of options	Weighted average of exercise price per 1 ordinary share-(NIS)	Number of options	Weighted average of exercise price per 1 ordinary share-(NIS)
Outstanding at the beginning of year	14,428,800	1.25	18,308,800	5.80	8,722,500	46.92
Granted	1,250,000	0.59	3,000,000	0.59	11,630,000	1.62
Forfeited	(5,151,000)	3.37		-	(801,064)	35.16
Expired	(1,284,500)	0.88	(6,880,000)	15.16	(1,242,636)	37.44
Outstanding at year end	9,243,300	0.88	14,428,800	1.25	18,308,800	5.80
Exercisable at year end	4,490,800	1.28	4,541,600	3.83	6,064,400	61.09

NOTE 13 - EQUITY (continued)**:**

4) The amounts of expenses that were recorded for options to employees and other service providers in the reported years are USD 259 thousand, USD 157 thousand and USD 64 thousand for the years ended December 31, 2019, 2018 and 2017, respectively.

5) The plans are intended to be governed by the terms stipulated by Section 102 to the Israeli Income Tax Ordinance (except for the options to controlling shareholders and directors).

   In accordance with these general rules and the track chosen by the Company pursuant to the terms thereof, in respect of options granted to employees under the option allotment plan, the Company is not allowed to claim as an expense for tax purposes the amounts credited to employees as a benefit, including amounts recorded as salary benefits in the Company's books, with the exception of the salary-benefit component, if exists, determined on the grant date.

NOTE 14 - EXPENSES BY NATURE:

	Year ended December 31,		
	2019	**2018**	**2017**
	USD in thousands		
Payroll and related expenses	1,347	2,556	2,666
Professional fees	1,945	2,313	1,609
Materials used and subcontracted work	322	760	903
Preparation of patents	249	139	118
Rent and office maintenance	144	176	206
Depreciation and amortization	75	42	77
Vehicle maintenance	61	110	140
Travel	47	223	189
Advertising and participation in exhibitions	18	268	170
Other	263	193	200
Inventory impairment	-	328	297
TOTAL COST OF REVENUES, INVENTORY IMPAIRMENT, RESEARCH AND DEVELOPMENT, SELLING AND MARKETING AND GENERAL AND ADMINISTRATIVE EXPENSES	4,471	7,108	6,575

NOTE 15 - LOSS PER SHARE:

Basic net loss per share is computed by dividing net loss attributable to ordinary shareholders of Medigus Ltd. By the weighted average number of shares outstanding for the reporting periods.

Diluted net loss per share is computed by dividing the basic net loss per share including adjustment of the dilutive effect of the Company's revaluation of warrants, by the weighted-average number of ordinary shares and the potential dilutive ordinary shares outstanding during the period. Diluted shares outstanding include the dilutive effect of in-the-money options using the treasury stock method and presumed share settlement of the Company's deferred payments liability.

The following table presents the numerator and denominator of the basic and diluted net loss per share computations:

	Year ended December 31,		
	2019	**2018**	**2017**
Numerator (USD in thousands):			
Net loss attributable to Medigus Ltd. For basic loss per share	(14,178)	(6,598)	(2,545)
Adjustment of revaluation of warrants issued to investors	-	-	(476)
Net loss attributable to Medigus Ltd. for diluted loss	(14,178)	(6,598)	(3,021)
Denominator (in thousands):			
Weighted average shares – denominator for basic net loss per share	78,124	41,988	12,569
Shares settlement presumed for warrants issued to investors	-	-	400
Denominator for diluted loss per share	78,124	41,988	12,969
Net loss per share attributable to Medigus Ltd. (USD)			
Basic	(0.18)	(0.16)	(0.20)
Diluted	(0.18)	(0.16)	(0.23)

To compute diluted loss per share for the year ended December 31, 2019, the total number of 94,204,620 shares subject to outstanding options and warrants have not been taken into account since they have anti-dilutive effect.

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

"Related Parties" – As defined in IAS 24 – 'Related Party Disclosures" (hereinafter- "IAS 24")

Key management personnel of the Company - included together with other entities, in the said definition of "Related Parties" mentioned in IAS 24, include some members of senior management.

a. Transactions with related parties:

1):

	Year ended on December 31,		
	2019	**2018**	**2017**
	USD in thousands		
Benefits to related parties:			
Payroll and related expenses to related parties employed by the Company* (2019: 2 recipients; 2018 and 2017: 1 recipients)	389	621	478
Compensation to directors (2019:5 recipients, 2018:8 recipients, 2017: 3 recipients) **	326	131	71
Directors' and Officers' insurance	158	91	71
Consultant services (see 4g and 4e below)	404	-	-

* Includes granted options benefit aggregated to USD 61 thousand, USD 24 thousand and USD 11 thousand for the years ended December 31, 2019, 2018 and 2017, respectively. As for the method used to determine the said value and the assumptions used in calculation thereof, see Note 13c.

** Includes granted options benefit aggregated to USD 126 thousand, USD 47 thousand and USD 11 thousand for the years ended December 31, 2019, 2018 and 2017, respectively. As for the method used to determine the said value and the assumptions used in calculation thereof, see Note 13c.

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued):

2) Compensation to key management personnel

The compensation to key management personnel for employment services they provide to the Company is as follows:

	Year ended on December 31,		
	2019	**2018**	**2017**
	USD in thousands		
For employment services:			
Payroll and other short-term benefits	*328	**597	***467
Share based payments	61	24	11
	389	621	478

* Including provision for bonus of approximately USD 46 thousand.

** Including provision for bonus of approximately USD 88 thousand and provision for termination of employment of approximately USD 158 thousand.

*** Including provision for bonus of approximately USD 56 thousand.

3) Indemnification, exemption and insurance for directors and officers of the Company

a. The Company provides its directors and officers with an obligation for indemnification and exemption.

b. The Company has a directors and officers' liability insurance policy covering all Company's directors and officers. The Company currently has directors' and officers' liability insurance providing total coverage of $8 million for the benefit of all of our directors and officers, in respect of which the Company is charged a twelve-month premium of $410 thousand, and which includes a deductible of up to $250,000 per claim, other than securities related claims filed in the U.S. or Canada, for which the deductible shall not exceed $1,500,000. The policy should be approved by the Company's shareholders.

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued):

4) Transactions

a. On May 30, 2019, ScoutCam Ltd. entered into an intercompany agreement with Medigus (the "Intercompany Agreement") according to which ScoutCam Ltd. agreed to hire and retain certain services from Medigus. The agreed upon services provided under the Intercompany Agreement included: (1) lease of office space and clean room based on actual space utilized by ScoutCam Ltd. and in shared spaces according to employee ratio; (2) utilities such as electricity water, IT and communication services based on employee ratio; (3) car services, including car rental, gas usage, payment for toll roads based on 100% of expense incurred from a ScoutCam Ltd. employee car; (4) external accountant services at a price of USD 6,000 per annum; (5) directors and officers insurance at a sum of 1/3 of Parent company cost; (6) CFO services at a sum of 50% of Parent company CFO employer cost; (7) every direct expense of ScoutCam Ltd. that is paid by the Parent company in its entirety subject to approval of such direct expenses in advance; and (8) any other mutual expense that is borne by the parties according to the Respective portion of the Mutual Expense.

   In addition, ScoutCam Ltd.'s employees provide support services to Medigus.

b. On June 3, 2019, the Company executed a capital contribution on account of additional paid in capital into ScoutCam Ltd. of an aggregate amount of USD 720 thousand.

c. On August 27, 2019, the Company provided ScoutCam Ltd. with a line of credit in the aggregate amount of USD 500 thousand and, in exchange, ScoutCam Ltd. agreed to grant the Company a capital note that will bear an annual interest rate of 4%. The repayment of the credit line amount shall be spread over one year in monthly payments beginning January 2020.

d. On July 31, 2019, ScoutCam Ltd. and Prof. Benad Goldwasser entered into a consulting agreement, whereby Prof. Goldwasser agreed to serve as chairman of the board of directors of ScoutCam Ltd., effective retroactively to March 1, 2019, in consideration for, inter alia, a monthly fee of $10,000 and options representing 5% of our fully-diluted share capital as of the Closing Date (see note 16(a)(4)(f)).

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued):

e. During December 2019, ScoutCam entered into a consulting agreement with Shrem Zilberman Group Ltd. (the "Consultant") in the amount of USD 165 thousand. A director of ScoutCam is related to one of the Consultant's shareholders.

In addition, the Consultant will be entitled to receive the amount representing 3% of any exercise price of each Warrant A or Warrant B that may be exercised in the future (see note 4). In the event the total proceeds received as a result of exercise of Warrants will be less than $2 million at the time of their expiration, the Consultant will be required to invest $250,000 in ScoutCam Inc.

f. On February 12, 2020, ScoutCam's Inc. Board of Directors authorized the allotment of options to purchase 2,235,691 shares of Common Stock to Professor Benad Goldwasser, ScoutCam's Inc. Chairman of the Board, and options to purchase 1,865,346 shares of Common Stock to certain officers of ScoutCam Inc. Each option is convertible into one share of common stock of ScoutCam Inc. of $0.001 par value at an exercise price of $0.29. See note 19c.

g. On May 1, 2019, we entered into a consulting agreement with L.I.A Pure Capital Ltd. or Pure Capital, a company owned by Kfir Zilberman for the provision of business development and strategic consulting services, including ongoing consulting to the company, its management and its chief executive officer in the fields of M&A and investment activities. In consideration for its services, Pure Capital is entitled to a monthly fee of NIS 40,000 (approximately $11,500), a finder's fee of 5% of any investment of equity or debt introduced by him to the company and reimbursement of expenses of up to $1,000 per month. As part of Algomizer investment Pure capital received a finder fee in the amount of USD 125 thousand.

b. Balances with related parties:

	December 31,	
	2019	**2018**
	USD in thousands	
Current liabilities, presented in the balance sheets among "accrued compensation expenses":		
Directors fee	36	25
Consultant services	204	-
Payroll, provision for bonus and for termination of employment	52	246
	292	271

c. As to options granted to related parties, see Note 13c.

NOTE 17 - REVENUES:

a. Disaggregation of Revenues:

The following table present the Group's revenues disaggregated by revenue type for the years ended December 31, 2019, 2018 and 2017:

	Year ended on December 31,		
	2019	2018	2017
	USD in thousands		
Miniature camera and related equipment	188	175	306
Development services	85	217	-
MUSE and related equipment	-	44	161
	273	436	467

Revenues from products are recognized at a point of time and revenues from services are recognized over time.

b. Contract liabilities:

The Company's contract liabilities as of December 31, 2019 and 2018 were as follows:

	December 31,	
	2019	2018
	USD in thousands	
The change in deferred revenues:		
Balance at beginning of year	349	179
Deferred revenue relating to new sales	2,069	200
Revenue recognition during the period	(116)	(30)
Balance at end of year	2,302	349

NOTE 17 - REVENUES (continued)**:**

Composition of contract liabilities:

	December 31,	
	2019	**2018**
	USD in thousands	
Current contract liabilities	502	231
Non-current contract liabilities	(*)1,800	118
	2,302	349

(*) On June 3, 2019, the Company entered into a Licensing and Sale Agreement with Shanghai Golden Grand-Medical Instruments Ltd. (hereinafter "Golden Grand") for the know-how licensing and sale of goods relating to MUSE system in China, Hong Kong, Taiwan and Macao. Under the agreement, the Company committed to provide a license, training services and goods to Golden Grand in consideration for USD 3 million to be paid to the Company in four milestones based installments. The final milestone and the final installment shall be completed and paid upon the completion of a MUSE assembly line in China. The payment of a substantial amount of the consideration is contingent on achievement of certain milestones such as establishing a MUSE™ assembly line in China. In the event that Company is not able to meet such milestones, due to various factors including natural disasters, public health crises, political crises and trade wars which are not under Company control, Company entitlement to the aggregate consideration under the agreement may be impaired.

Remaining Performance Obligations

Remaining Performance Obligations ("RPO") represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of December 31, 2019, the total RPO amounted to $3,906 thousand. The Company expects to recognize $906 thousand of this RPO during the next 12 months and $3,000 thousand more than 12 months after the end of the reporting period (out of which the receipt of the remaining consideration amounting to $1,200 thousand is subject to meeting future milestones pursuant to the Licensing and Sale Agreement with Golden Grand as described above).

NOTE 18 - ENTITY LEVEL DISCLOSURES:

a. Revenues by product:

	Year ended on December 31,		
	2019	**2018**	**2017**
	USD in thousands		
Miniature camera and related equipment	188	175	306
Development services	85	217	-
MUSE and related equipment	-	44	161
	273	436	467

b. Revenues by geographical area (based on the location of customers):

	Year ended on December 31,		
	2019	**2018**	**2017**
	USD in thousands		
USA	138	315	115
United Kingdom	36	24	14
Germany	28	44	12
Switzerland	-	3	74
South Korea	-	7	52
Italy	-	9	49
Israel	31	12	22
Other	40	22	129
	273	436	467

c. All of the Group's long-lived assets are located in Israel.

d. Major customers

Set forth below is a breakdown of Company's revenue by major customers (major customer –revenues from these customers constitute at least 10% of total revenues in a certain year):

	Year ended on December 31,		
	2019	**2018**	**2017**
	USD in thousands		
Customer A	85	134	
Customer B	30	92	
Customer C	40	21	14
Customer D	27		
Customer E		9	49

NOTE 19 - EVENT SUBSEQUENT TO DECEMBER 31, 2019:

Effect of coronavirus

In December 2019, a strain of coronavirus was reported to have surfaced in Wuhan, China, and in 2020 has reached most countries, resulting in government-imposed quarantines, travel restrictions and other public health safety measures in China, the USA, Israel, and other affected countries. The various precautionary measures taken by many governmental authorities around the world in order to limit the spread of the Coronavirus, which has affected and could have an adverse effect on the global markets and its economy, including the demand for consumables, products and services, as well as on the availability and pricing of employees, resources, materials, manufacturing and delivery efforts and other aspects of the global economy.

Also, organizations of all sizes and types have closed their offices, instructing employees to remain at home and work remotely. Many organizations are not equipped to provide their entire work force with remote access to corporate resources, for both on premise and cloud environments. Some organizations do not have remote access technologies, while others have solutions that were built for the organization's remote workers and travelers, but not for the entire work force.

At this point, the extent to which the coronavirus may impact our results is uncertain

The global effects of the coronavirus are difficult to assess or predict with meaningful precision since actual effects will depend on many factors beyond our control and knowledge at this stage, however, it may have an impact on our growth rate in the second quarter of 2020, or later.

Medigus

a. On January 13, 2020, together with Company's advisor Mr. Kfir Zilberman (a related party as described at note 16), the Company established a subsidiary in Delaware, in which the Company holds 90% of the share capital, under the name GERD IP, Inc., or GERD IP. In connection thereto, the Company entered into a founders agreement as of January 12, 2020, with Kfir Zilberman. The founders agreement subjects the transfer of GERD IP membership interests held by Kfir Zilberman to a right of first offer, and provides that owners of 51% of GERD IP membership interest may enforce a sale of GERD IP on the minority membership interest. The Company is obligated under the founders agreement to indemnify Kfir Zilberman for litigations expenses imposed on him or incurred by him in connection with his capacity as owner of a membership interest in GERD IP.

b. On February 18, 2020 the Company purchased 2,284,865 ordinary shares of Matomy, representing 2.32% of the issued and outstanding share capital of Matomy for a total consideration of approximately $ 153 thousands. On March 24, 2020 the Company purchased additional 22,326,246 ordinary shares of Matomy, representing 22.67% of the issued and outstanding share capital of Matomy for a total consideration of US$ 1,464 thousands.

c. On April 19, 2020, the Company entered an Asset Transfer Agreement, effective January 20, 2020 with Company's majority owned subsidiary GERD IP, Inc. Pursuant to the Asset Transfer Agreement, the Company transferred certain of its patents in consideration for seven (7) capital notes issued to the Company by GERD IP, Inc., of $2,000,000 each.

ScoutCam Inc.

a. On March 3, 2020, ScoutCam allotted in a private issuance a total of 979,754 units at a purchase price of USD $0.968 per unit.

   Each unit was comprised of two shares of common stock par value US$0.001 per share, one Warrant A (defined below) and two Warrants B (defined below).

   Each Warrant A is exercisable into one share of common stock of ScoutCam's at an exercise price of USD 0.595 per share during the 12 month period following the allotment.

   Each Warrant B is exercisable into one share of common stock of ScoutCam's at an exercise price of USD 0.893 per share during the 18 month period following the allotment.

NOTE 19 - EVENT SUBSEQUENT TO DECEMBER 31, 2019 (continued)**:**

The immediate proceeds (gross) from the issuance of all securities offered amounted to approximately USD 948 thousands.

No shares were allocated to the Company, therefore the Company's holding of ScoutCam decreased from 60% to 55.9%

b. On February 2020, ScoutCam's Board of Directors approved the 2020 Share Incentive Plan (the "Plan"). The Plan initially included a pool of 5,228,007 shares of common stock for grant to ScoutCam's employees, consultants, directors and other service providers.

The Plan is designed to enable to grant options to purchase ordinary shares and RSUs under various and different tax regimes including, without limitation: (i) pursuant and subject to Section 102 of the Israeli Tax Ordinance or any provision which may amend or replace it and any regulations, rules, orders or procedures promulgated thereunder and to designate them as either grants made through a trustee or not through a trustee; and (ii) pursuant and subject to Section 3(i) of the Israeli Tax Ordinance.

On March 19, 2020 ScoutCam granted 4,367,515 options pursuant to the Plan. Each option is convertible into one share of common stock of ScoutCam of $0.001 par value at the exercise price of $0.29.

c. On March 15, 2020, ScoutCam's Board of Directors approved, among other things: (i) an increase option pool pursuant to the Plan by an additional 576,888 shares of Common Stock for future grants to employees, consultants, directors and other service providers of ScoutCam; (ii) a quarterly fee of $4,000 payable to each director, excluding Professor Benad Goldwasser; and (iii) the allotment of options to purchase 576,888 shares of Common Stock of ScoutCam to each of ScoutCam's directors, excluding Professor Benad Goldwasser. Each option granted to the ScoutCam's directors is convertible into one share of Common Stock at an exercise price of $0.29.

ITEM 19. EXHIBITS

Exhibit Number	Exhibit Description
1.1	Articles of Association of Medigus Ltd., as amended[(1)]
2.1	Form of Deposit Agreement between Medigus Ltd., The Bank of New York Mellon as Depositary, and owners and holders from time to time of ADSs issued thereunder, including the Form of American Depositary Shares[(2)]
2.2	Form of Series A Warrant to purchase Ordinary Shares Represented by American Depositary Shares issued in connection with the March 2017 Securities Purchase Agreements[(3)]
2.3	Form of Placement Agent Warrant to purchase Ordinary Shares Represented by American Depositary Shares issued in connection with the March 2017 Securities Purchase Agreements[(3)]
2.4	Form of Series C Warrant Agent Agreement between the Registrant and Computershare Inc., as warrant agent, including Form of Series C Warrant [(6)]
2.5	Description of Securities[(1)]
4.1	2013 Share Option and Incentive Plan[(2)]
4.2	Compensation Policy of Medigus Ltd.[(1)]
4.3	Amended and Restated Inter Company Services Agreement by and between Medigus Ltd. and ScoutCam Ltd. dated April 20, 2020[(1)]
4.4	Form of Indemnification and Exculpation Undertaking[(2)]
4.5	Form of Warrant to purchase Ordinary Shares Represented by American Depositary Shares issued in n with the November 30, 2016 Securities Purchase Agreements[(4)]
4.6	Form of Warrant to purchase Ordinary Shares Represented by American Depositary Shares issued in connection with the November 24, 2017, Securities Purchase Agreements[(5)]
8.1	List of Subsidiaries[(1)]
10.1	Asset Transfer Agreement by and between the Registrant and GERD, IP, Inc. dated April 19, 2020[(1)*]
10.2	Founders Agreement by and between Medigus Ltd. and Kfir Zilberman dated January 12, 2020[(1)]
10.3	Amended and Restated Asset Transfer Agreement by and between the Registrant and ScoutCam Ltd. dated December 1, 2019[(1)*]
10.4	Patent License Agreement by and between the Registrant and ScoutCam Ltd. dated December 1, 2019[(1)*]
10.5	Securities Purchase Agreement by and between the Registrant, Algomizer Ltd. and Linkury Ltd. dated June 19, 2019[(1)*]
10.6	Know-How License and Sale of Goods Agreement By and between the Registrant and Shanghai MUSE Medical Science and Technology Co., Ltd. dated June 2, 2019[(1)*]
10.7	Amended and Restated Consulting Agreement by and between Medigus Ltd. and L.I.A Pure Capital Ltd. dated May 1, 2019[(1)]
12.1	Certification of Chief Executive Officer as required by rule 13a-14(a)[(1)]
12.2	Certification of Chief Financial Officer as required by rule 13a-14(a)[(1)]
13.1	Certification of Chief Executive Officer as required by rule 13a-14(a) and Section 1350 of Chapter 63 of Title 18 of the United States Code[(1)]
13.2	Certification of Chief Financial Officer as required by rule 13a-14(a) and Section 1350 of Chapter 63 of Title 18 of the United States Code[(1)]
15.1	Consent of Kesselman & Kesselman, Certified Public Accountant (Isr.), a member of PricewaterhouseCoopers International Limited, independent registered public accounting firm for the Medigus Ltd.[(1)]
15.2	Consent of Brightman Almagor Zohar & Co., Certified Public Accountant (Isr.), a firm in the Deloitte Global Netwrok, independent registered public accounting firm for Algomizer Ltd.[(1)]
101	Financial information from Medigus Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2019 formatted in XBRL (eXtensible Business Reporting Language)

(1) Furnished herewith.

(2) Previously filed with the Securities and Exchange Commission on May 7, 2015, as an exhibit to the Registrant's registration statement on Form 20-F (File No 001-37381) and incorporated by reference herein.

(3) Previously filed with the Securities and Exchange Commission on March 23, 2017, as an exhibit to the Registrant's registration statement on Form F-1 (File 333-216155) and incorporated by reference herein.

(4) Previously filed with the Securities and Exchange Commission on December 1, 2016, as an exhibit to the Registrant's report on Form 6-K (File No 001-37381) and incorporated by reference herein.

(5) Previously filed with the Securities and Exchange Commission on November 24, 2017, as an exhibit to the Registrant's report on Form 6-K (File No 001-37381) and incorporated by reference herein.

(6) Previously filed with the Securities and Exchange Commission on July 18, 2018, as an exhibit to the Registrant's registration statement on Form F-1 (File 333-2225610) and incorporated by reference herein.

∞ English translation of original Hebrew document.

* Certain confidential information contained in this exhibit, marked by brackets, was omitted because it is both (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed. "[***]" indicates where the information has been omitted from this exhibit.

SIGNATURE

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

Medigus Ltd.

Date: April 21, 2020

By: /s/ Liron Carmel
Liron Carmel
Chief Executive Officer

By: /s/ Tatiana Yosef
Tatiana Yosef
Chief Financial Officer

Exhibit 1.1

AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
MEDIGUS LTD., AS AMENDED

Interpretation

Article 1:

In these Articles the following terms shall bear the meaning ascribed to them below:

"**Person**"	shall include a corporation;
"**Shareholder**"	shall mean a Registered Shareholder or Unregistered Shareholder. Where an effective date, as defined in Section 182 of the Companies Law, is in effect, a Shareholder shall mean such Registered Shareholder or Unregistered Shareholder as of the Effective Date;
"**Registered Shareholder**"	shall mean a Person registered in the Register;
"**Unregistered Shareholder**"	shall mean a Person in whose favor a share is registered with a stock exchange member, and such share is also registered in the Register under a nominee company's name;
"**Stock Exchange**"	shall mean the Tel Aviv Stock Exchange Ltd.
The "**Board**"	shall mean the Company's Board of Directors as appointed in accordance with the Law and these Articles;
"**Director**"	shall mean a member of the Board, or any other person or entity serving, *de-facto*, as a Director, even if referred to otherwise;
The "**Companies Law**"	shall mean the Israeli Companies Law, 5759 – 1999, as amended from time to time, and all the rules and regulations promulgated thereunder;
The "**Law**"	shall mean the Companies Law, the Israeli Securities Law, 5728-1968, as amended from time to time and its regulations or regulation prescribed by Law, and any other companies-related law applicable to the company at the time;
The "**Company**"	shall mean the company referred to above;
"**Administrative Enforcement Proceeding**"	shall mean administrative enforcement proceeding under Chapter 8-C, 8-D or 9-1 to the Israeli Securities Law, 5728-1968, and proceeding under Article D, Chapter 4 of part 9 of the Companies Law, 5759-1999;
"**Register**"	shall mean a register of shareholders as required under Section 127 of the Companies Law, and any additional register of shareholders maintained by the Company outside of Israel;
The "**Office**"	shall mean the registered office of the Company, as shall be from time to time in accordance with the Board's discretion;
"**In Writing**"	shall mean print, lithography, photo, telegram, telex, facsimile, electronic mail, or any other visual expression or imprinting of words;
"**Securities**"	shall include shares, debentures, capital notes, certificates and other documents granting the right to sell or convert them as such;
The "**Companies Ordinance**"	shall mean the Israeli Companies Ordinance [New Version], 5743- 1983;
The "**Articles**"	shall mean the articles of association contained in the Articles, as originally registered and as may be amended from time to time.

Article 2:

Sections 2, 3, 4, 5, 6, 7, 8 and 10 of the Interpretation Law, 5741-1981, shall apply, *mutatis mutandis*, to the interpretation of these Articles herein, unless otherwise provided herein or unless the matter at hand, or its context, does not conform to such application.

Article 3:

Except for this Article 3 herein, all terms and expressions used in these Articles herein shall have the same meaning as provided in the Companies Law, unless such meaning is in contradiction to the relevant matter at hand or its context.

Article 4:

Provisions which may be conditioned shall apply the Company, unless otherwise provided in these Articles herein, and in any contradiction between the provisions of these Articles herein and those of the Companies Law, the provisions of these Articles herein shall prevail.

Article 5:

Where these Articles refer to provisions of the Companies Law which were amended or canceled, such provision shall apply as if already stipulated in these Articles herein, unless otherwise prohibited by law.

Article 6:

Unless otherwise stipulated in these Articles herein, resolutions shall be adopted by the Company's general meeting of its shareholders or by the Board by an ordinary majority. Notwithstanding anything in these Articles to the contrary, the provisions of Articles 6, 83, 84, 87, 88, 91, 92, 93 and 159 may only be amended by a resolution at the general meeting of the Company's shareholders, provided however, that such amendment was also approved by a resolution of at least 75% of the members of the Board then in office, at a session of the Board which has taken place prior to the general meeting.

The Company's Name

Article 7:

The name of the Company shall be as follows:

In Hebrew: מדיגוס בע"מ

In English: Medigus Ltd.

The Company's Objectives

Article 8:

The Company may undertake any lawful activity, subject to the provisions stipulated in its Memorandum of Association.

The Company's Purpose

Article 9:

The purpose of the Company is to operate in accordance with commercial considerations with the intention of generating profits. However, the Company may donate reasonable amounts for any suitable purpose even if such contributions do not fall within the business considerations of the Company, as the Board may determine in its discretion.

The Registered Share Capital

Article 10:

A) The Company's registered share capital is NIS 250,000,000 divided into 250,000,000 ordinary shares of the Company, par value NIS 1.00 each (hereinafter: the "**Shares**").

B) All ordinary Shares shall have equal rights for any matter or purpose, and holders of fully paid ordinary shares shall be entitled to the following rights with respect to each such ordinary share held by them:

1. A right to be invited to and participate in, all the general meetings of the Company's shareholders, and a right to one vote per each ordinary share he holds, in every voting, in every general meeting of the Company's shareholders he participates in.

2. A right to participate in dividends' distribution, if and when distributed, and a right to be granted with bonus shares, if and when granted.

3. A right to participate in the Company's liquidation distribution in the event of its liquidation.

Liability of Shareholders

Article 11:

The shareholders' liability is limited. Every shareholder's liability is limited to the payment of the par value of his Shares. Where the Company allocated Shares for less than their par value, the liability of every shareholder so allocated shall be limited to the lower par value of such Shares.

Public Company

Article 12:

Subject to the Companies Law, and for as long as the Shares are listed for trade in the Stock Exchange or have been offered to the public under a prospectus, as such term is defined in the Securities Law, 1968, or have been offered to the public outside of Israel under an applicable public offer instrument as required by applicable law outside of Israel, and are held by the public, the Company shall qualify as a Public Company. Prior to the date of becoming a Public Company and upon the date the date of ceasing to be a Public Company (if at all), the Company shall then be a Private Company. [1]

Shares

Article 13:

Without prejudice to any special rights previously granted to holders of existing Shares, the Company may issue or allot Shares or other Securities consisting preference or deferred rights, or to issue from its unissued share capital redeemable Securities, or to issue shares consisting other special limited rights or limitations regarding dividend distribution rights, voting rights, or other matters, as shall be resolved from time to time by a special majority resolution of the general meeting of the Company's shareholders.

Article 14:

If at any time, the Company's share capital shall be divided into different classes, the general meeting of the Company's shareholders may resolve by an ordinary majority, unless otherwise stipulated by the issuance terms of the relevant class of shares, to convert, extend, add or to otherwise amend the rights, privileges, benefits, limitations and provisions related or unrelated at that time to the relevant class of shares, or as shall otherwise be resolved by an ordinary majority of the Company's shareholders holding the relevant class of shares, at the general meeting of the Company's shareholders.

[1] For the avoidance of doubt, it is hereby clarified that any Articles specifically referring to a Private Company shall not apply for as long as the Company is as a Public Company.

Article 15:

The special rights attached to issued shares or classes of shares, including preference rights shares or other special rights shares, shall not be considered to be amended by creating or issuing additional shares of an equal rank, unless otherwise stipulated by the issuing terms of such shares. The provisions regarding general meetings of the Company's shareholders stipulated in these Articles herein shall apply, *mutatis mutandis*, on any class meetings.

Article 16:

The Company's unissued share capital shall be subject to the Board's supervision, which may allocate it to those Persons for cash or such other consideration, under the same terms and conditions, at a higher par value, equal par value or lower par value (in accordance with the provisions of the Companies Law), and at those dates determined by the Board, and the Board shall be authorized to demand payment for any such shares from any Person, equal, higher or lower than their par value, during such period and for such consideration, terms and conditions as the Board may determine.

Article 17:

Upon allocation of shares, the Board may distinguish between shareholders regarding payment amounts and payment dates.

Article 18:

If any allocation terms stipulate that the consideration for the shares so allocated shall be, in whole or in part, in installments, each such installment shall be paid by the Person registered as the shareholder at the time of payment, or by his legal guardians.

Article 19:

The Company may pay at any time any Person, for providing underwriting services or for his consent to provide underwriting services, either conditionally or unconditionally, for any of the Company's Securities, including debentures and debentures stock, or for his consent to obtain signatures, either conditionally or unconditionally, for any of the Company's securities, debentures or debentures stock. Any commission may be paid or removed in cash, Securities, debentures or debentures stock.

Share Certificate; Share Deed

Article 20:

Subject to and in accordance with the provisions of the Companies Law, each share certificate evidencing proprietary right in the Shares shall carry the Company's seal or its printed name, along with one of the signatures of one of the company's members of the Board and Company secretary, or as otherwise shall be determined by the Board.

Article 21:

Every registered shareholder (including a nominee company), is entitled to receive from the Company, as requested, one share certificate evidencing all of the Shares registered under his name, or, if so approved by the Board (upon payment of the amounts determined by the Board from time to time), several share certificates, each for one or more such Shares; each share certificate shall denote the number of Shares represented by such certificate, the serial number of such Shares and their par value, all subject to the Companies Law.

Article 22:

Share certificate registered jointly under the names of two Persons or more shall be delivered to the Person whose name is listed first among other such Persons in the Register, unless otherwise instructed in writing by such joint registered Persons.

Article 23:

A) Where the consideration for Shares is fully paid, the Company may provide a share deed entitling its holder with rights to the Shares denoted in the share deed and the right to transfer it by transferring the Share, and the provisions regarding Share transfers stipulated in these Articles herein shall not apply.

B) Shareholder lawfully holding a share deed is entitled to return such share deed to the Company to be cancelled and converted to a registered Share; Such shareholder is further entitled, upon payment of a fee determined by the Board, to be registered in the Register as the holder of the Shares so represented by the share deed returned to the Company, and to receive a share certificate representing such Shares.

C) Holder of a share deed may deposit his share deed in the Office, and for as long as it is so deposited, such depositor shall have the right to request for the general meeting of the Company's shareholders to convene, in accordance with and subject to the Companies Law and these Articles herein, to attend it, to vote in it and to uphold all further rights granted to a shareholder in a general meeting of the Company's shareholders convened pursuant to his request 48 hours pursuant to such deposit, as though his name was registered in the Register as the holder of those Shares represented by the deed. Only one Person shall be acknowledged as the share deed depositor, and the Company must return the share deed to its depositor if so requested by him, in writing, at least two days in advance.

Where a share deed was not deposited in accordance with the above, its holder shall not have the rights stated in subsection C above, and shall have, subject to these Articles herein, all other rights granted to the Company's shareholders.

Article 24:

If a share certificate or share deed are lost, damaged or defected, the Board may issue a new share certificate or share deed to replace them, provided that such share certificate or share deed were not canceled by the Company, or upon proving to the Board's satisfaction such loss or destruction, and the Company was provided with guarantees against any possible damage to the Board's satisfaction, all for the consideration determined by the Board. Articles 20-23 above shall apply, *mutatis mutandis*, in connection with the issuance of a new share certificate.

Calls on Shares

Article 25:

The Board may, from time to time, in its discretion, make calls upon to perform payment of any amount of the consideration of their Shares not yet paid, and which, according to the allocation terms of such Shares are not to be paid in definite dates, and all such shareholder shall pay the calls so made upon him at the time(s) and place(s) designated in such call. A call may contain a demand for payment in installments. The date of the Board's resolution approving such call shall be deemed as the date of such call.

Article 26:

A call shall be delivered to the relevant shareholder not less than fourteen (14) days prior to the date of payment stipulated therein, and shall specify the installments and the designated place of payment. Notwithstanding the above, prior to the due date stipulated in the call the Board may, by delivering a written notice to the relevant shareholder, revoke such call or extend the payment period, subject to such revoking being approved prior to the payment of the call.

Article 27:

The joint holders of a Share shall be bound jointly and severally to pay all calls in respect thereof.

Article 28:

If, according to the terms of issuance of any Share, any amount is due at a definite date or in installments in definite dates, such amount(s) shall be paid on same date(s) as though due call had been delivered to the shareholder by the Board, and provisions regarding calls provided in these Articles herein shall apply such call.

Article 29:

Any amount not paid by the shareholder of the respective Share, when due or prior to that, shall bear an interest from its due date until its actual payment at a rate determined by the Board from time to time, or as prescribed by law at the date of call,, unless otherwise prescribed by the Board.

Article 30:

The Board may agree to accept prepayment by any shareholder of any amount yet due with respect to his Shares or any part thereof. The Board may direct the payment of interest for such prepayment or any part thereof, until the date of such prepayment at a rate as may be agreed upon between the Board and the shareholder so prepaying.

Forfeiture and Lien of Shares

Article 31:

The Board may require any shareholder failing to pay any due amount on account of his Shares or any part thereof, to pay the unpaid due amount, including accrued interest and all expenses incurred by the Company with respect to the collection of such payment, on the date and in the terms so prescribed, by delivering a notice to such shareholder.

Article 32:

The notice shall specify a date, which date shall be not less than 14 days following the delivery date of such notice, and a place(s) where such payment, including the accrued interest and expenses thereon, is to be paid. Same notice shall specify that, in the event of failure to pay the entire amount due within the period stipulated in the notice, same failure may cause, ipso facto, the forfeiture of such Shares.

Article 33:

By Shareholder's failure to meet the demands included in the abovementioned, the Board may, at any time thereafter and prior to the payment of all due amounts specified in the notice or payment of all expenses and accrued interest to which the company is entitled with respect to such shareholder's Shares, resolve to forfeit such Shares. Such forfeiture shall include all dividends declared with respect thereof and not actually paid to the date of forfeiture thereof.

Article 34:

Any Share so forfeited shall be deemed as the Company's property, and the Board may resolve, subject to the provisions of these Articles herein, to resell it, reissue it or otherwise transfer it as it deems fit, all subject to the provisions of the Companies Law.
Article 35:

Shares so forfeited and yet to be resold shall be deemed dormant Shares, and shall not have any rights attached to them for as long as they are held by the Company.

Article 36:

The Board may, at any time prior to the resell, reissuance or otherwise disposal of an aforesaid forfeited Share, nullify the forfeiture on such conditions as it deems fit.

A) Any shareholder whose Shares have been so forfeited shall cease to be a holder of such forfeited Shares, but shall nevertheless continue to be obligated to pay the Company all amounts at the time of forfeiture due to the Company with respect thereof, including accrued interest and expenses as aforesaid until actual repayment, and including the interest to be paid for the aforesaid amounts from the time of forfeiture until the actual repayment, at the maximal interest rate prescribed by law, unless such Shares have been resold and the Company received the full amount owed by the shareholder, including all expenses incurred by the Company with respect to the sale of such Shares thereof.

B) If the consideration received by the Company for the sale of the forfeited Shares shall exceed the amounts owed by the shareholder of whose Shares have been forfeited, such shareholder shall be entitled to receive the partial consideration paid by him to the Company with respect to such Shares, if so paid, subject to the allocation agreement, provided that the total remaining consideration shall not be less than the total obligations of such shareholder, including any sell-related expenses.

Article 37:

Provisions of these Articles herein regarding forfeiture of Shares shall also apply to failure to pay due known amounts in accordance with the allocation agreement, as if such amount was due to be repaid in accordance with a duly delivered payment notice.

Article 38:

The Company shall have a first and paramount lien upon all the Shares registered in the name of each shareholder on the Register, excluding fully paid Shares, and upon proceeds from their sale for repayment of such shareholder's debts and obligations to the Company, whether joint or several, matured or un-matured, regardless of the origins of such debts and obligations, and no equitable rights for any such Shares shall be constituted. The abovementioned lien shall apply upon all the declared dividends from time to time with respect to such Shares.

Article 39:

The Board may sell any of the Shares subject to the abovementioned lien, in any manner it deems fit in accordance with its discretion, for the purpose of enforcing the abovementioned lien; however, such sale may be executed only where the period specified in Article 32 thereof has passed and a written notice specifying the Company's intention to sell such Shares have been delivered to the shareholder in question (or to the one entitled to such notice following his departure or his bankruptcy, liquidation or receivership), and the shareholder or any other Person so entitled to the Share has failed to fully pay his abovementioned debts or obligations within fourteen (14) days following the delivery of such notice.

Article 40:

The net proceeds of any such sale, after payment of the sale expenses, shall be used for the full payment of the respective shareholder's debts and obligations (including the debts, obligations and engagements yet to be due), and the provisions of Article 36(b) herein shall apply, *mutatis mutandis*.

Article 41:

Upon the sale of forfeited Shares or enforcement of a lien, the Board may appoint any Person to execute a Share transfer deed of the sold Shares and register the purchaser of such Shares in the Register as the holder of such Shares, and after such registration in the Register, the validity of such sale shall not be rebutted, and any Person damaged by such sale shall be entitled to claim monetary damages solely from the Company.

Transfer of Shares

Article 42:

Any transfers of Shares registered in the Register by a registered shareholder, including transfer by or to the nominee company, shall be executed in writing, provided that the Share transfer deed shall be signed by or on behalf of the transferor and the transferee, or by their respective representatives, and by witnesses to their signatures, and the transferor shall be deemed the holder of such Shares until the registration of the transferee in the Register with respect to the Shares so transferred. Subject to the provisions of the Companies Law, transfer of Shares shall not be registered unless the Company was provided with the Share transfer deed, as described above.

The Share transfer deed shall be drawn-up and filled as below or in a manner as similar as possible or in an ordinary and accepted manner so approved by the chairman of the Board

"**I, the undersigned , of (the "Transferor"), for consideration of NIS paid to me by of (the "Transferee") do hereby transfer to the Transferee Shares par value NIS _____ each, numbered through (inclusive) of _____ Ltd., to be held by the Transferee, the administrators of his estate, his guardians and his representatives, in accordance with the terms and conditions by which they were held by me on the date of signing this Share transfer deed herein, and I, the Transferee, do hereby accept the transfer of these Shares in accordance with those terms and conditions."**

In witness whereof we have we have signed this Share transfer deed in this ___ day of _____.

The Transferor	**The Transferee**
Witness to the Transferor's Signature	**Witness to the Transferee's Signature**

Article 43:

The Company may close the Register for a period as the Board deems fit, provided that such period shall not exceed thirty (30) days per year. The Company shall notify the shareholders of the closing of the Register as stipulated in these Articles herein in connection the delivery of notices to shareholders.

Article 44:

A) Every Share transfer deed shall be submitted to the Office for registration along with the Share certificates to be transferred, if such Share certificates have been issued, and all such other evidencing instruments as the Board may deem required. Such registered Share transfer deeds shall remain in the Company's possession. However, Share transfer deeds which the Board refused to register shall be returned, on demand, to their respective submitter, along with the Share certificates (if submitted). Where the Board refuses to approve Share transfers, it shall notify the transferor no later than thirty (30) days following the date in which it received the Share transfer deed.

B) The Company may require payment of a fee for the registration of the transfer of Share, as shall be determined by the Board from time to time.

Article 45:

Upon the departure of a registered shareholder, the Company shall recognize the guardians, administrators of the estate, executors of the will, and in the absence of such persons, the inheritors of the deceased shareholder, as the only holders of rights in the deceased shareholder's registered Shares.

Article 46:

In the event of the deceased shareholder being a registered shareholder of a Share held jointly with others, the surviving shareholder(s) shall be deemed the sole holder(s) of rights in such Shares, but such rights will not dismiss the deceased shareholder's estate from any liability relating to such Shares held jointly. Each joint holder or registered Shares may transfer his rights in such Shares.

Article 47:

Any Person acquiring rights in Shares by virtue of a shareholder's departure, shall be entitled, upon provision of a due will or appointment of legal guardian or issuance of order of probate, evidencing his rights in such Shares, to be registered as a shareholder of the respective Shares, or to transfer such Shares in accordance with the provisions of these Articles herein.

Article 48:

The Company may recognize an official receiver or liquidator of a shareholder which is a corporate in dissolution proceedings, or trustee in liquidation proceedings, or any receiver of a bankrupt shareholder, as the acquirer of the rights in the registered Shares of such shareholder.

Article 49:

Subject to the Board's approval (which may refuse to provide such approval without providing any reason), a Person acquiring a right to a Share by virtue of being an official receiver, liquidator or trustee in liquidation proceedings regarding a corporate shareholder, or any official receiver of a bankrupt shareholder, may be registered as the shareholder of the respective Share or transfer such Share in accordance with the provisions of these Articles herein, subject to the provision of such proof of entitlement as the Board may deem necessary.

Article 50:

All the abovementioned provisions regarding transfer of Shares shall apply to transfer of any other of the Company's Securities, *mutatis mutandis*.

Redeemable Securities

Article 51:

Subject to the provisions of these Articles herein regarding issuance of Securities, the Company may issue or allot redeemable Securities.

Article 52:

Where the Company had issued redeemable Securities, it may redeem them without being subject to such limitations as prescribed under Chapter Two of Part Seven of the Companies Law.

Article 53:

Where the Company had issues redeemable Securities, it may attach them with similar rights to those attached to Shares, including voting rights and rights to participate in the distribution of dividends.

Alteration of Share Capital

Article 54:

The Company may, from time to time, by an ordinary majority resolution of the general meeting of the Company's shareholders, increase the registered share capital of the Company in classes of shares, as it may determine.

Article 55:

Unless otherwise resolved in the abovementioned resolution approving the increase of registered share capital, all newly issued Shares shall be subject to these Articles herein.

Article 56:

The Company may, by ordinary majority resolution of the general meeting of the Company's shareholders:

A) Consolidate and redistribute its Share capital, or any part thereof, into Shares par higher value than the par value of its already issued Shares, and if the already issued Shares have no par value - into a Share capital comprised of a smaller number of Shares, provided that the proportional holdings of the existing shareholders shall not be retained.

For the purpose of executing any such resolution, the Board may settle any difficulty arising as it deems fit, including issuance of Share certificates for fractional Shares or issuance of several Share certificates for several shareholders which shall include fractional Shares.

Without derogating from the above generality of the Board's authority, if the consolidation of the Shares results in fractional Shares, the Board may, subject to an ordinary majority approval of the general meeting of the Company's shareholders:

1) sell all the fractional Shares, and for that purpose, assign to a trustee on whose name Share certificates including the fractional Shares shall be issued, who will sell them, and the net proceeds of any such sale, after deducting commissions and other sale related expenses, shall be distributed to those eligible; or

2) issue each shareholder holding fractional Shares due to the consolidation, fully paid Shares of the same class of Shares which existed prior to the consolidation, in such number that would constitute one whole Share, and such issuance shall be deemed to take effect immediately prior to the consolidation; or

3) resolve that shareholders shall not be entitled to receive a consolidated Share due to fractional consolidated Shares, resulting from consolidation of half or less of the number of Shares which consolidation results one whole consolidated Share, and shall be entitled to receive one consolidated Share due to fractional consolidated Shares resulting from of more than half of the number of Shares which consolidation constitutes one whole Share;

Where actions under paragraphs (2) and (3) above require the additional issuance of Shares, such Shares may be redeemed in the manner by which preferred Shares may be redeemed. The abovementioned consolidation and division shall not change the rights attached to the Shares so consolidated or divided.

B) Redistribute all or any of its Share capital through the redistribution of all or any of its existing Shares into shares of a lower par value, and where its Shares have no par value, into issued Share capital comprised of a larger number of Shares, provided, however, that the proportional holdings of the existing shareholders is retained.

C) Cancel registered Share capital yet to be issued, provided that the Company did not undertake (conditionally or otherwise), to issue such Share capital.

D) Reduce the Shares in its issued Share capital in such manner that the reduced Shares shall be cancelled and any payment made with respect to their par value shall be registered in the Company's financial statements as a capital fund which shall be treated as a premium paid for the Shares remaining in the Company's issued Share capital.

E) Consolidate any or all of its Share capital into one class of Shares, and the Company may resolve to reimburse any or all of its shareholders for such consolidation, by means of issuing preferred Shares to such shareholders.

General Meetings of the Company's Shareholders

Article 57:

An annual meeting of the Company's shareholders shall be held once in every calendar year, within a period of not more than fifteen (15) months after the previous annual meeting of the Company's shareholders. All general meetings of the Company's shareholders other than those annual meetings shall be referred to as "Extraordinary Meetings".

Article 58:

The agenda at the annual meeting of the Company's shareholders shall include the following matters:

A) a discussion on the Company's audited financial statements and the Board's report on the state of the Company's affairs, which shall be submitted to the general meeting of the Company's shareholders;

B) appointment of directors;

C) appointment of an auditor and receiving the Board's report on the auditor's remuneration;

D) other matters brought for discussion and resolution by the Board.

Article 59:

For as long as the Company is a Private Company, the Board may convene an Extraordinary Meeting at its discretion and following the request of each of the following:

A) a member of the Board;

B) One or more shareholders, holding at least 10 percent (10%) of the Company's issued Share capital and at least one percent (1%) of the Company's voting rights, or one or more shareholders holding at least ten percent (10%) of the Company's voting rights.

Article 60:

Notwithstanding the above, if the Company becomes a Public Company, the Board may convene an Extraordinary Meeting pursuant to a Board resolution, and must convene such meeting if request is received from two members of the Board or one-fourth of the then serving members of the Board or one or more shareholders holding at least five percent (5%) of the Company's issued Share capital and at least one percent (1%) of the Company's voting rights or one or more shareholders holding at least five percent (5%) of the Company's voting rights.

If the Board is requested to convene an Extraordinary Meeting, it shall so convene it within twenty one (21) days pursuant to such request being submitted to it, at such date resolved in the notice of the Extraordinary Meeting, as provided in Article 63(B) therein, provided that if the Company is a Public Company, such meeting shall not be held later than thirty five (35) days from the date such notice was published, all subject to the provisions of the Law.[2]

Article 61:

If the Board does not convene a duly requested Extraordinary Meeting as stipulated in Articles 59 and 60 thereof, the Person so requesting such meeting to be convened, and in the case of shareholders – any of them holding more than one half of their voting rights, may convene the meeting himself, provided that it shall not be held more than three (3) months after the date upon which such was submitted, and it shall be convened, insofar as possible, in the same manner by which meetings are convened by the Board.

Article 62:

A) A general meeting's agenda shall be determined by the Board and will include the matters for which an Extraordinary Meeting is requested to be convened pursuant to Articles 59 and 60 of these Articles herein, as well as matters requested in accordance with sub-Article (b) below.

B) One or more shareholders holding at least one percent (1%) of the Company's voting rights may request matters to be included on the agenda by the Board, provided that such matters are suitable for discussion at a general meeting of the Company's shareholders.

[2] Provisions of this Article herein shall not be in effect for as long as the Company is a Private Company, as such term is defined in the Companies Law.

C) A request as mentioned in article b) above shall be submitted to the Company in writing no less than seven (7) days prior to the date on which a notice of the convening of the general meeting of the Company's shareholders is given, and shall include the language of the proposed resolution.

Article 63:

A) If the Company is to become a Public Company, notice of a general meeting of the Company's shareholders shall be published in no less than two (2) daily Hebrew-language newspapers with a wide circulation at the date prescribed by Law, and the Company shall not be obligated to provide any other notice of such general meeting of its shareholders to any registered shareholders.

B) Notice of a general meeting of the Company's shareholders shall include the type of meeting and the place, date and time at which such meeting shall convene and shall further include the agenda, a summary of the proposed resolutions, the majority required for the approval of the proposed resolutions and the determining date for the purpose of eligibility to vote in the such general meeting. If a differed general meeting is adjourned at a different day, time or place in the following week, the notice must specify the details of such adjourned meeting.

Article 64:

Notwithstanding the above, for as long as the Company is a Private Company: (a) a notice of a general meeting of the Company's shareholders shall be delivered to all those eligible to participate in the meeting no later than seventy two (72) hours prior to the date of the meeting, provided that such notice shall not be delivered earlier than 45 days prior to the date of meeting; (b) the general meeting of the Company's shareholders may be convened on a shorter notice, if so approved by all those eligible to receive such notice. Waiver may be retroactively submitted in writing even after such general meeting was convened.

Article 65:

The general meeting of the Company's shareholders may assume powers conferred on another organ. Where the general meeting assumed powers conferred by law on the Board, the shareholders shall be liable and bound by the liability and duties of Directors regarding the exercise of such powers, *mutatis mutandis*, including, among other things and taking into consideration their holdings in the Company, their participation in the general meeting and the manner in which they vote, the provisions of Chapters 3, 4 and 5 of Part Six of the Companies Law.

Article 66:

A bona fide flaw in convening the general meeting of the Company's shareholders or in the conduct thereof, including a flaw deriving from non-compliance with a provision or condition stipulated by the Law or these Articles herein, including in connection with the manner by which the meeting is to convene or to be conducted, shall not cause any resolutions adopted by such general meeting to be invalid and shall not impair discussions held thereat, subject to the provisions of any law.

Voting Rights

Article 67:

A shareholder wishing to vote at a general meeting of the Company's shareholders shall provide evidence of his ownership in his Shares, as required by any applicable law.

Article 68:

If, and when, the Company becomes a Public Company, it may set an effective date for the purpose of eligibility to participate and vote at the general meeting of its shareholders, provided that such date will not be less than twenty one (21) days or will exceed four (4) days prior to the date such general meeting is to convene.

Article 69:

A Shareholder who is a minor or shareholder who is legally incapacitated by a court of competent jurisdiction may exercise his right to vote by his custodian, and such custodian may vote by proxy.

Article 70:

Subject to the provisions of any applicable law, where Shares are held jointly, each shareholder so holding the Shares may vote at any meeting, in person or by proxy, in relation to such Shares, as though he were the sole owner of such Shares. If more than one such shareholders attend a meeting, in person or by proxy, the vote shall be made by the joint shareholder whose name appears first in the Register in relation to such Shares, or in an applicable deed or certificate evidencing the ownership of such Shares as determined by the Board for such purpose. Several guardians or administrators of the estate of a deceased registered shareholder shall be deemed as joint shareholders of such Shares for the purposes of this Article herein.

Article 71:

A Shareholder may vote in the general meeting of the Company's shareholders in person or by proxy, subject to the conditions stipulated hereunder.

Article 72:

A corporate body being a shareholder of the Company and entitled to attend and vote at a general meeting of the Company's shareholders may exercise such rights by authorizing any Person, whether in general or for such specific general meeting, to be present and/or vote on its behalf. Such representative may exercise, on behalf of such corporate body, the rights of the corporate body, as if the corporate body was a single shareholder. Upon the request of the chairman of such general meeting, a reasonable evidence of such authorization and its validity shall be furnished thereto as a requirement for the participation of such representative in such general meeting.

It is hereby clarifies that Articles 73 through 77 hereunder with respect to a letter of appointment shall not apply an authorized representative of the corporate body, but shall only apply to its proxy.

Article 73:

A proxy's letter of appointment (hereinafter: "**Letter of Appointment**") shall be in writing and shall be signed by the appointer or by such other duly authorized Person. If the appointer is a corporate body, the Letter of Appointment shall be in writing and signed by the corporate body's approved signatory, accompanied by the corporate seal or signed by its authorized representative.

Article 74:

The Letter of Appointment, or a suitable copy thereof to the Board's satisfaction, shall be deposited in the Office or in any other place in which the general meeting of the Company's shareholders is to convene, not less than forty eight (48) hours prior to the commencement of the meeting at which the Person appointed by the Letter of Appointed is to vote. Notwithstanding the aforesaid, the chairman of such meeting may waive such requirement with respect to all the participants in a general meeting and accept a Letter of Appointment upon the commencement of such meeting.

Article 75:

A Shareholder holding more than one Share may appoint more than one proxy, subject to the following provisions:

A) The Letter of Appointment shall specify the class and number of Shares for which it is issued;

B) If the Letter of Appointment specifies a number of Shares higher than the number of Shares held by the relevant shareholder, all Letters of Appointment issued by such shareholder with respect to the excess Shares shall be void, without derogating from the validity of the Letters of Appointment issued with respect to the Shares duly held by such shareholder;

C) If the Letter of Appointment does not specify the number and class of Shares in respect of which it is being issued, such Letter of Appointment shall be deemed to have been given in respect of all the shareholder's registered Shares as of the date he submitted the Letter of Appointment to the Company or submitted it to the chairman of the general meeting of the Company's shareholders, as the case may be. If the Letter of Appointment is issued in respect of fewer Shares than the ones held by the shareholder, then the shareholder shall be deemed to have abstained from voting in respect of the remaining Shares held by him and the Letter of Appointment shall be valid only in respect of the number of Shares specified therein.

Article 76:

The Letter of Appointment shall be drawn up in the following form of wording or in a form of wording as similar thereto as possible:

"**I _____, of _____, as a shareholder of _____ Ltd. (the "Company"), hereby appoint _____ of _____ whose identity number is _____ or in his absence _____ of _____ whose identity number is _____ as my proxy, to vote in my name and stead in respect of _____number of shares of _____ class which are held by me, at the annual/Extraordinary Meeting of the Company's shareholders to be held on the _____ day of _____ year_____ and at any deferred meeting thereof.**

In witness whereof I have signed this Letter of Appointment in this ___ day of _____.

_____

Signature"

Article 77:

Voting by virtue of a Letter of Appointment shall be valid even if prior to such voting the appointer had died or the Letter of Appointment had been cancelled or the Share in respect of which it was given was transferred, unless a written notice regarding such death, cancellation or transfer was received in the Office prior to the respective meeting.

Discussions and Adoption of Resolutions in the General Meetings

Article 78:

Discussions are no to be held unless a quorum is present within half an hour of the time scheduled for the respective meeting. Unless otherwise stipulated by the Companies Law or these Articles herein, a legal quorum is the presence, in person or by proxy, of at least two (2) shareholders holding at least ten percent (10%) of the voting rights in the Company.

Article 79:

If a quorum is not present within half an hour from the time set for the respective meeting's commencement, the meeting shall be adjourned for the following week, at the same day, time and place, without it being necessary to notify the shareholders of such adjournment, or to another date if such is stated in the notice of the meeting, at which the agenda shall be of the first meeting. If a quorum is not present at the adjourned meeting within half an hour of the time set for its commencement, the adjourned meeting shall then commence at the presence of any number of shareholders (it is hereby clarified that the provisions of this Article 79 are also applicable to meetings convened upon a Shareholder's request).

Article 80:

A general meeting chairman shall be appointed at every general meeting of the Company's shareholders. Such chairman shall be appointed at the commencement of every such general meeting, subject to the presence of the required quorum, by the Company Secretary or by a Shareholder authorized by him for that purpose.

Article 81:

The chairman of a general meeting of the Company's shareholders may, with the consent of the respective meeting in which a quorum is present, adjourn the meeting or adjourn the discussion or the adoption of a resolution on a particular matter on the agenda to that time place as resolved by the meeting, and is obliged to so adjourn such meeting, discussion or resolutions at the general meeting's demand. No matter shall be discussed at an adjourned meeting save for a matter that was on the agenda and which were not discussed or which discussion did not end in the meeting so decided to be adjourned.

Article 82:

Subject to the provisions of any applicable law, any resolution shall be adopted by a vote in which every Share shall entitle its respective holder to one vote. In case of equal votes, the resolution shall be deemed to have been rejected.

Article 83:

Resolution in the general meeting of the Company's shareholders shall be adopted by an ordinary majority, unless otherwise required by Law or these Articles herein. Notwithstanding anything in these Articles to the contrary, the provisions of Articles 6, 83, 84, 87, 88, 91, 92, 93 and 159 may only be amended by a resolution at the general meeting of the Company's shareholders, provided however, that such amendment was also approved by a resolution of at least 75% of the members of the Board then in office, at a session of the Board which has taken place prior to the general meeting.

Article 84:

In addition to any matters to be resolved by the general meeting of the Company's shareholders in accordance with the Law and these Articles herein, the following matters shall be resolved by ordinary majority in general meeting of the Company's shareholders:

A) amending these Articles (provided that the provisions of Articles 6, 83, 84, 87, 88, 91, 92, 93 and 159 may only be amended by a resolution at the general meeting of the Company's shareholders, provided however, that such amendment was also approved by a resolution of at least 75% of the members of the Board then in office, at a session of the Board which has taken place prior to the general meeting);

B) exercising the Board's powers by the general meeting of the Company's shareholders, if the Board is unable to exercise such powers and the exercise of any of its powers is essential for the Company's adequate management as stipulated in Section 52(a) of the Companies Law;

C) appointment of the Company's auditor and the termination of his service;

D) appointment and dismissal of the Company's directors;

E) appointment of the chairman of the Company's Board;

F) appointment of the Company's general manager;

G) approval of actions and transactions requiring the general meeting of the Company's shareholders' approval;

H) increase or reduction of the Companies authorized share capital; and

I) merger.

Article 85:

Declaration of the chairman of the general meeting of the Company's shareholder's that a resolution by the general meeting has been adopted unanimously or in a certain majority or denied, shall constitute evidence prima facie of the minutes of such meeting.

Article 86:

The Board may, from time to time, determine which of the resolutions of the general meeting of the Company's shareholders may be adopted by means of voting paper. Unless otherwise determined by the Board and subject to the provisions of the Companies Law and the regulations thereunder, the general meeting of the Company's shareholders may vote by means of voting paper on the following matters:

A) appointment and removal of Directors;

B) approval of transactions requiring the approval of the general meeting of the Company's shareholders in accordance with the provisions of Sections 255 and 268 through 275 of the Companies Law;

C) approval of a merger in accordance with Section 320 of the Companies Law;

D) such other matters prescribed by the Minister in accordance with Section 89 of the Companies Law.

Article 86A:

For as long as the Company is a Private Company, a resolution in writing, signed by all of the Company's Shareholders, shall be, subject to the provisions of the Law, valid and binding, as any resolution of a duly convened general meeting of the Company's shareholders in accordance with these Articles herein.

Article 86B:

For as long as the Company is a Private Company, the Company may hold a general meeting of its shareholders by using any means of communication, provided that all shareholders so participating in the meeting are able hear each other simultaneously.

The Board of Directors

Article 87:

The number of Directors shall be prescribed in accordance with the provisions of these Articles, from time to time, by an ordinary majority resolution of the general meeting of the Company's shareholders, or by an ordinary majority resolution of the Board, provided such number shall not be less than three (3) nor more than twelve (12) Directors (not including external Directors appointed as required under applicable law).

Article 88:

A) The Directors (excluding the External Directors, if any were elected), shall be classified, with respect to the term for which they each severally hold office, into three classes, as nearly equal in number as practicable, hereby designated as Class I, Class II and Class III. The Board may assign members of the Board already in office to such classes at the time such classification becomes effective.

   i. The term of office of the Class I directors shall expire at the first annual general meeting of the Company's shareholders to be held in 2020 and when their successors are elected and qualified,

   ii. The term of office of the initial Class II directors shall expire at the first annual general meeting of the Company's shareholders following the Annual General Meeting referred to in clause (i) above and when their successors are elected and qualified, and

   iii. The term of office of the initial Class III directors shall expire at the first annual general meeting of the Company's shareholders following the annual general meeting of the Company's shareholders referred to in clause (ii) above and when their successors are elected and qualified.

B) At each annual general meeting of the Company's shareholders, commencing with the annual general meeting of the Company's shareholders to be held in 2020, each of the successors elected to replace the Directors of a class whose term shall have expired at such annual general meeting of the Company's shareholders shall be elected to hold office until the third annual general meeting of the Company's shareholders next succeeding his or her election and until his or her respective successor shall have been elected and qualified. Notwithstanding anything to the contrary, each Director shall serve until his or her successor is elected and qualified or until such earlier time as such Director's office is vacated.

C) If the number of Directors (excluding External Directors, if any were elected) that consists the Board is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of Directors constituting the Board shall shorten the term of any incumbent Director.

D) Director's term of service shall commence on the date of appointment, but the general meeting of the Company's shareholders may determine a different date for such commencement of service.

E) Prior to every annual general meeting of the Company' shareholders, and subject to clause (A) of this Article, the Board (or a Committee thereof) shall select, by a resolution adopted by a majority of the Board (or such Committee), a number of Persons to be proposed to the Shareholders for election as Directors at such annual general meeting of the Company' shareholders (the "**Nominees**").

F) Any Proposing Shareholder requesting to include on the agenda of an annual general meeting of the Company' shareholders a nomination of a Person to be proposed to the Shareholders for election as Director (such person, an "**Alternate Nominee**"), may so request provided that it complies with this Article 88(F) and Article 62 and applicable law. In addition to any information required to be included in accordance with applicable law, such a proposal request shall include information required pursuant to Article 62 and applicable law, and shall also set forth: (i) the name, address, telephone number, fax number and email address of the Alternate Nominee and all citizenships and residencies of the Alternate Nominee; (ii) a description of all arrangements, relations or understandings between the proposing shareholder(s) or any of its affiliates and each Alternate Nominee; (iii) a declaration signed by the Alternate Nominee that he or she consents to be named in the Company's notices and proxy materials relating to the general meeting of the Company's shareholders, if provided or published, and, if elected, to serve on the Board and to be named in the Company's disclosures and filings, (iv) a declaration signed by each Alternate Nominee as required under the Companies Law and any other applicable law and stock exchange rules and regulations for the appointment of such an Alternate Nominee and an undertaking that all of the information that is required under law and stock exchange rules and regulations to be provided to the Company in connection with such an appointment has been provided (including, information in respect of the Alternate Nominee as would be provided in response to the applicable disclosure requirements under Form 20-F or any other applicable form prescribed by the U.S. Securities and Exchange Commission); (v) a declaration made by the Alternate Nominee of whether he meets the criteria for an independent director and/or External Director of the Company under the Companies Law and/or under any applicable law, regulation or stock exchange rules, and if not, then an explanation of why not; and (vi) any other information required at the time of submission of the proposal request by applicable law, regulations or stock exchange rules. In addition, the proposing shareholder shall promptly provide any other information reasonably requested by the Company. The Board may refuse to acknowledge the nomination of any person not made in compliance with the foregoing. The Company shall be entitled to publish any information provided by a proposing shareholder pursuant to this Article 88(F) and Article 62, and the proposing shareholder shall be responsible for the accuracy and completeness thereof.

G) The Nominees or Alternate Nominees shall be elected by a resolution adopted at the general meeting of the Company's shareholders at which they are subject to election.

Article 89:

A) Director may, at any time, appoint an alternate director on his behalf (hereinafter: "**Alternate Director**"). Person who is not qualified to be appointed as a Director or who is serving as a Director or Alternate Director shall not be appointed to serve as an Alternate Director, unless otherwise permitted by any applicable law. An Alternate Director may be appointed to serve on a committee of the Board, provided that such Alternate Director does not serve as a member of another committee of the Board.

B) For as long as the appointment of the Alternate Director is in effect, the Alternate Director is entitled to receive notices to all of the Board meetings (without such right derogating from the Director's right to receive such notices) and to participate and vote in every such Board meeting in which the appointing Director is absent.

C) Subject to the provisions of the letter of appointment by which he was appointed, an Alternate Director shall be vested with all of the rights of the appointing Director and shall be deemed a Director for all purposes.

D) Appointing Director may terminate his appointment of an Alternate Director at any time thereafter. The appointment of an Alternate Director shall terminate by delivery of notice regarding the termination of such appointment by the appointing Director to the Company, or by the appointing Director's resignation, or by termination of service of the appointing Director in any other way.

E) Notice of the appointment or termination of appointment of an Alternate Director must be submitted in writing to the Company.

Article 90:

Director whose service was terminated may be reappointed to serve as Director.

Article 91:

Director's office shall be vacated on the occurrence of any of the following:

A) he resigns or is removed from office, as stipulated in Sections 229 through 231 (inclusive) of the Companies Law, provided that any resolution of the general meeting of the Company's shareholders in this respect shall be adopted by a majority of at least 50% of the voting power in the Company.

B) he is convicted in a felony specified in Section 232 of the Companies Law.

C) a competent court orders his termination of service, as stipulated in Section 233 of the Companies Law.

D) he is declared bankrupt, and in the case of a corporation – has declared its voluntary dissolution or was given a dissolution order.

E) upon death.

F) he is declared legally incapacitated.

Article 92:

If a Director's office becomes vacant, the remaining serving Directors may continue to act in any manner, provided that their number is of the minimal number specified above. If the number of serving Directors is lower than their minimal one, the Board shall not be permitted to act, other than for the purpose of convening a general meeting of the Company's shareholders for the purpose of appointing additional Directors.

Article 93:

The Directors may appoint, immediately or of a future date, additional Director(s), provided that the number of Directors shall not exceed twelve (12) Directors (not including external Directors). The Directors shall determine at the time of appointment the class pursuant to Article 88 to which the additional Director shall be assigned.

Article 94:

Subject to the approvals required by any applicable law, the Directors shall be entitled to remuneration by the Company for their services as Directors. In addition, every Director shall be entitled to reimbursement of his reasonable travel expenses and other expenses related to his participation at the Board's meetings and the service as a Director.

Article 95:

If and when so required by any applicable law, not less than 2 external Directors shall serve on the Board, and the provisions stipulated in the Companies Law regarding their qualifications, service and remuneration shall apply.

The Board of Directors' Powers and Duties

Article 96:

The Board shall set the policy and guidelines for the Company's operations and shall supervise the performance of the general manager's position, and shall be vested with residual authority not vested or granted to any other organ.

Article 97:

Subject to the provisions of the Companies Law, the Board may delegate any of its powers to the general manager or to one of the Board's committees.

Article 98:

A) The Board may resolve by an ordinary majority that powers vested with the general manager shall be transferred to it, for a particular matter or for a particular period of time.

B) Without derogating from the above, the Board may instruct the general manager how to act in a particular matter. Should the general manager fail to follow such instruction, the Board may exercise the power required to execute such instruction in his stead.

C) Should the general manager be unable to exercise his powers, the Board may exercise them in his stead.

Board Meetings

Article 99:

The Board shall convene in accordance with the Company's needs and not less than once every three (3) months.

Article 100:

The chairman of the Board may convene a meeting of the Board at any time. In addition, any Director may request the Board to convene for the purpose of any matter to be specified.

Article 101:

A) Notice of a Board meeting may be delivered orally, by telephone, in writing (including via e-mail or facsimile) or by telegram, at least twenty four (24) hours prior to the scheduled time of the meeting, or with a shorter prior notice or without notice, if so agreed by all Directors or Alternate Directors (if appointed).

B) Director exiting the borders of Israel (hereinafter: "**Absent Director**") who wishes to receive notices during the time of his absence, shall provide the Company corporate secretary with sufficient contact details for such purpose (an Absent Director who provided such contact details as well as any Directors who are present in Israel shall be collectively referred to hereinafter as: "**Directors Entitled to Receive Notices**").

C) An Absent Director who did not provide the above contact details, shall not be entitled to receive notices during his absence, unless he requested to deliver the notices to an Alternate Director representing him, who was duly appointed in accordance with these Articles herein.

D) A written memorandum signed by the Company Secretary shall be deemed conclusive evidence of providing notice to the Absent Director which is a Director Entitled to Receive Notices.

Article 102:

Notice of a Board meeting shall state the time and place of the meeting and reasonable details of the matters to be discussed thereat, pursuant to the agenda.

The agenda shall be determined by the chairman of the Board, and shall include such matters so determined by him, as well as any other matter requested from the chairman of the Board to be included, by a Director or the general manager reasonable time prior to the Board meeting.

Article 103:

The quorum for opening a Board meeting shall be a majority of the Directors Entitled to Receive Notices who are not prohibited from participating and voting in such meeting under any applicable law. The quorum shall be verified at the opening of such meeting.

Notwithstanding the above, should the Board convene to resolve termination of the Company's internal auditor's service, the quorum shall be the majority of the Board.

Article 104:

The general meeting of the Company's Board shall appoint one of the Directors to serve as chairman of the Board. The chairman of the Board shall conduct and administer the Board meetings. Should the chairman of the Board be absent from a Board meeting or should he not wish to conduct and administer such meeting, the Directors present at the meeting shall elect one of them to serve as chairman for such meeting, to conduct and administer it, and to sign the its minutes.

Article 105:

Board Resolutions shall be adopted by an ordinary majority. Each Director shall have one vote. The chairman of the Board shall not have an additional or casting vote.

Article 106:

Subject to the presence of a due quorum, the Board may exercise all powers and discretion vested in it at the date of meeting, or usually exercised by it, in accordance with these Articles herein.

Article 107:

The Board may hold meetings using any means of communication, provided that all the participating Directors are able to hear one another at all times.

Article 108:

The Board may adopt resolutions without actually convening, provided that all Directors Entitled to Receive Notices and those entitled to participate in the discussion and vote have provided their consent for such non–convening for the matter thereof. Should any such meeting not convene, minutes of the resolutions, including the resolution not to convene, shall be prepared, and signed by the chairman of the Board, or shall be drafted by the chairman of the Board and signed by all of the Directors.

For the purpose of this Article 108, a "Director's signature" may be accompanied by his consent, objection or abstention. Instead of a Director's signature, the chairman of the Board or the Company's corporate secretary may attach a transcript signed by either of them, specifying such Director's vote.

Article 108A:

A resolution adopted without the Board actually convening and signed by the chairman of the Board, provided that all Directors Entitled to Receive Notices and entitled to participate in the discussion and vote on the matter thereof have provided their consent to the above, or a written resolution signed by all Directors Entitled to Receive Notices and entitled to participate in the discussion and vote on the matter thereof, shall be, subject to the provisions of the Law, valid and legally binding as a resolution of a duly convened meeting of the Board in accordance with these Articles herein.

Article 109:

Subject to the provisions of any applicable law, all acts performed by the Board or pursuant to a Board resolution or by a Board committee or by any Person serving as Director or as a member of a Board committee, shall be valid even if a later defect in the appointment of the Board, the Board committee, the Director, or the committee member is discovered, or if any or all of them were disqualified from service in their respective positions, as though they were duly nominated for service and have the required skills to serve as Directors or members of the relevant Board committee.

Board Committees

Article 110:

The Board may establish Board committees. Person who is not a member of the Board shall not serve as member of a Board committee to which the Board has delegated any of its powers. Persons who are not Directors may be appointed to serve on a Board Committee designated solely for the purpose of advising and consulting. Subject to the provision of the Companies Law and these Articles herein, the Board may delegate all or any of its powers to a Board committee. Any Board committee shall consist of not less than two (2) Directors.

Article 111:

Each Board committee must exercise its powers in compliance with all terms and regulations prescribed by the Board. Board committees' meetings and actions shall comply with the provisions stipulated in these Articled herein relating Board meeting and actions, to the fullest applicable extent, unless otherwise prescribed by the Board.

Article 112:

Board committees shall routinely report to the Board regarding their respective resolutions or recommendations, as prescribed by the Board.

Article 113:

The Board may cancel any resolution adopted by a Board committee appointed by it. Nevertheless, such cancellation shall not invalidate such resolution by which the Company acted in relation to other Person, who was unaware of the cancellation thereof.

All acts made in good faith at a Board meeting or by a Board committee or by any Person acting as a Director shall be valid even if a later defect in the appointment of the Director or such Person serving or acting as such, or if any or all of them were disqualified from service in their respective positions, as though they were duly nominated for service and have the required skills to serve as Directors.

The General Manager

Article 114:

The general manager shall be appointed and dismissed by the general meeting of the Company's shareholders, which may appoint more than one general manager.

Article 115:

The general manager shall be responsible for the day-to-day management of the Company's business within the framework of the policy determined by the Board and subject to its guidelines. The general manager shall have all the management and executive powers of not vested in other organ in accordance with the Law or these Articles herein, and shall be subject to the Board's supervision.

Article 116:

A) The general manager shall notify the chairman of the Board, without delay, of any extraordinary issues material to the Company, and shall provide the Board with reports on such matters, at such times and of such scope as the Board may determine. Should the Company not have an acting chairman of the Board, or should he be unable to exercise his powers, the general manager shall notify or report the aforesaid matters to all members of the Board.

B) The chairman of the Board may, in his own initiative or pursuant to a Board resolution, request the general manager to provide a report on the Company's businesses.

C) Where a notice or report requires an action by the Board, the chairman of the Board shall convene, without delay, a Board meeting to discuss the notice or the resolution to act as required.

The Company's Office Holders

Article 117:

The general manager may appoint office holders from time to time (except for Directors and a general manager) for either permanent, temporary or special positions, as he finds appropriate, and he may terminate the appointment of any of the above officer holder from time to time in his sole discretion.

Article 118:

The general manager may establish the powers and positions of the officer holders so appointed by him, as well as their respective employment terms, all subject to the provisions of the Companies Law.

Internal Auditor

Article 119:

To the extent required by any applicable law, the Board shall appoint an internal auditor in accordance with the recommendation of the audit committee.

Article 120:

The internal auditor shall examine, among other things, the compliance of the Company's actions with the provisions of the Law and proper business procedures.

Article 121:

The internal auditor shall be subject to the chairman of the Board's supervision.

Article 122:

The internal auditor shall submit to the Board a proposal for an annual or periodic work program for approval. The Board shall approve such proposal or any modifications it considers necessary.

The Accounting Auditor

Article 123:

One or more accounting auditors shall be appointed by every annual general meeting of the Company's shareholders, and shall hold office until the end of the following annual general meeting. Notwithstanding the above, accounting auditor may be appointed for a longer period, which shall exceed the end of the third annual general meeting following the annual general meeting in which the auditor was appointed, by an ordinary majority resolution of the general meeting.

Article 124:

The general meeting of the Company's shareholders may terminate the accounting auditor's service, subject to, and in accordance with, the provisions of the Companies Law.

Article 125:

The accounting auditor's compensation for performing the audit shall be determined by the Board, which shall report such compensation to the annual general meeting of the Company's shareholders.

Article 126:

The accounting auditor's compensation for additional services which are not related to auditing shall be determined by the Board, which shall report such compensation, including payments and other of the Company's obligations to the auditor, to every annual general meeting of the Company's shareholders; the term "auditor" shall include, for the purposes of this Article 126 herein, a partner, an employee related to the accounting auditor and a corporate body under his control.

Validity of Acts and Approval of Non-Extraordinary Transactions

Article 127:

Subject to the provisions of any applicable law, all acts done by the Board or by a Board committee or by any Person acting as a Director or as a member of a Board committee or by the general manager, as the case may be – shall be valid even if later discovered that there was a defect in the appointment of the Board, the Board committee, the Director, the committee member or the general manager, as the case may be, or that any such officer holders does not qualify to serve in his position.

Article 128:

Should an office holder have a personal interest in any of the Company's transactions, such office holder shall disclose to the Company, reasonable time prior to the discussion on the approval of such transaction, information regarding the nature of his personal interest, including any relevant fact or document.

Article 129:

A Company's transaction with an office holder or a Company's transaction with another Person in which an office holder has personal interest, which is not an extraordinary transaction, shall be approved by the Board. The Board may approve such transaction either by providing a general approval for a particular type of transactions or by approving a particular transaction.

Article 130:

The Company's extraordinary transaction with an office holder, the Company's engagement with a Director of the Company regarding the terms and conditions of his service and/or employment in other positions, the Company's extraordinary transaction with one of its controlling shareholders, the Company's extraordinary transaction with another Person in which one of the Company's office holders or controlling shareholders have personal interest and the Company's engagement with one of its controlling shareholders or any of his relatives (if he also serves as one of the Company's office holders – regarding his terms and conditions of services and if he is an employee of the Company who does not serve as an office holder – regarding his terms and conditions of employment), shall be approved in accordance with any applicable law.

Distribution of Dividends

Article 131:

Subject to the provisions of the Companies Law, the Board may resolve to distribute dividends.

Dividends and Bonus Shares

Article 132:

Subject to any special or limited rights attached to any classes of Shares, dividend or bonus shares shall be distributed relatively to the paid par value of the Shares, without consideration to any premium paid on such Shares.

Article 133:

The Company may set determining date for determining the right to receive dividends, provided that such date shall be later than the date on which the dividend distribution was approved.

Article 134:

The Board may delay the distribution of any dividend, bonus, benefit, rights or other amounts to be paid on account of Shares which are subject to the Company's lien, and to use any such amount or exercise any such bonus, benefit or right and to use the consideration received upon such exercise for payment of any debts owed by the holder of such Shares on which the has lien.

Article 135:

The transfer of Shares shall not provide the transferee with the right to participate in the distribution of dividends or any other distribution declared after such transfer and prior to the registration of the transfer with the Register. Notwithstanding the above, where the transfer of Shares is subject to the Board's approval, the date of registration of the transfer with the Register shall be replaced by the date of such approval.

Article 136:

Dividends unclaimed within seven (7) years from the date of approving their distribution shall be forfeited and shall be reverted to the Company.

Article 137:

Unless other instructions were provided, any dividend may be paid by check or payment order which shall be sent via mail to the registered address of the Person entitled to receive such dividend, and if there are two or more joint registered owners, to the registered shareholder whose name appears first in the Register. Any such check shall be in favor of the shareholder entitled to receive it, and its payment shall be used as release of any payments paid in connection with such Share.

Article 138:

The Board may withhold from any dividend or other distribution in connection with a shareholder's Shares, whether such shareholder is the sole holder of such Shares or holds them jointly with others, any amounts due from the shareholder, on account of payment demand or other similar demands.

Article 139:

The Board may, in accordance with its discretion, set aside to special funds any amounts from its profits or from the revaluation of its assets, or from the proportional share in the revaluation of its affiliated companies' assets, and to determine the purpose of such funds.

Merger

Article 140:

A merger shall be approved by an ordinary majority of the general meeting of the Company's shareholders, unless otherwise stipulated by the Law.

Minutes

Article 141:

The Company shall maintain a register of the minutes of the general meetings of its shareholders, class meetings, Board meetings and Board committees meetings. All minutes shall be archived at the Office or at such other address in Israel, of which the Company has notified the Registrar of Companies, for the period of seven (7) years following the date of any such meetings.

Article 142:

The abovementioned minutes shall include the following:

A) the date and location in which the meeting was held;

B) the names of participants, and if they are representatives of an Alternate Directors, the names of their respective appointers, and in meetings of the Company's shareholders – the number and class of the Shares held by the voters;

C) the summary of the discussions held and the resolutions adopted;

D) directives and instructions provided by the Board to its committees or general manager; and

E) documents, reports, approvals, opinions and other information presented, discussed or attached.

Article 143:

Minutes of the general meeting of the Company's shareholders signed by the chairman of the general meeting shall constitute a prima facie evidence of its content. Minutes of the meetings of the Board or Board committees, approved and signed by the Director chairing such meeting shall constitute a prima facie evidence of its content.

Register of Shareholders

Article 144:

The company shall maintain a Register which shall include the following:

A) With respect to Shares registered under a Person's name –

1) the name, identity number and address of the each shareholder, as provided to the Company;

2) the number of Shares and their respective classes held by each shareholder, their par value and if any consideration was yet to be paid – such unpaid consideration;

3) the issuing date of the Shares or the transfer dates to shareholders, as the case may be; and

4) where the Shares include serial numbers, the Company shall note next to the name of each shareholder the numbers of such Shares registered under such shareholder's name.

B) With respect to bearer shares –

1) note indicating issuance of bearer Shares, their issuance date and the number of bearer Shares issued;

2) the numbering of the bearer Share and of the Share certificates;

If a share deed was cancelled following the Shareholder's request, such Shareholder's name and number of Shares registered under his name shall be registered in the Register.

C) With respect to Dormant Shares - also their numbers and the date on which they became dormant, all to the Company's knowledge.

D) With respect to Shares which do not confer any voting rights in accordance with Section 309(b) or 333(b) of the Companies Law - also include their numbers and the date on which they became Shares which do not confer any voting rights, all to the Company's knowledge.

E) All such other details which required or permitted under the Companies Law or these Articles herein.

Article 145:

The Company may maintain an additional Register outside of Israel.

Article 146:

The Register shall be deemed as a prima facie evidence of its contents. In the event of contradiction between the information provided in the Register and the one provided in a Share certificate, the evidentiary weight of the Register shall prevail over that of the Share certificate.

Notices

Article 147:

Notice of a general meeting of the Company's shareholders shall be provided in accordance with Article 63 above.

Article 148:

A) Notices which the Company is required to deliver to its registered shareholders in accordance with any applicable law, subject to Article 63 above, shall be delivered to such shareholders by personal delivery shall be delivered to the last addresses they provided the Company. Delivery by mail shall be deemed duly delivered – If delivered to addresses in Israel within seventy two (72) hours from delivery, and to an address outside of Israel, within ten (10) days from delivery.

B) The Company may deliver notices to the registered shareholders, whether they hold Shares registered under their names or bearer Shares, by publishing the notice in two Hebrew-language daily newspapers with wide circulation as stipulated in Article 63 above, and the publication date of the 2 newspapers publications shall be deemed as the receipt date of such notice by the shareholders.

Sub-section (a) above shall not apply in such cases where the Company shall send notices in accordance with this subsection (b), unless otherwise required by any applicable law.

C) Nothing in sub-Sections (a) and (b) above shall impose upon the Company any obligation to provide notices to shareholders who did not provide it with their addresses in Israel.

Article 149:

The following Shareholders shall be deemed to have not provided the Company with a mail delivery address in Israel:

A) Shareholder who failed to confirm the receipt of a registered mail sent to the address he provided the Company with requesting such confirmation or an update of a new address, within thirty (30) days from the date the mail was sent.

B) Shareholder whose been sent a registered mail by the Company which was returned to the Company by the postal services or where the postal services sent the Company a notice that such shareholder no longer resides in that address, or any similar notice.

Article 150:

Where Shares are jointly held, the Company may duly send a notice by sending it to the shareholder whose name is registered first in the Register.

Article 151:

Any document or notice sent to a shareholder in accordance with the provisions of these Articles herein shall be deemed to have been duly sent despite the departure, bankruptcy or winding up of such shareholder (whether the Company was aware of or not), so long as no other Person was registered as the holder of his Shares, and such delivery shall be deemed for all purposes as adequate with respect to any Person interested in such Shares.

Winding Up and Liquidation

Article 152:

Should the Company be wound up and liquidated, either voluntarily or otherwise, the following shall apply, unless otherwise provided in these Articles herein or in the terms and conditions of any Share issued:

A) The liquidator shall first use all of the Company's assets to discharge its obligations (the Company's remaining assets following such discharge of all its obligations shall be referred to hereinafter as the "**Remaining Assets**").

B) Subject to special rights attached to Shares, the liquidator shall distribute all Remaining Assets amongst the shareholders on a pro rata basis to the par value of their respective Shares.

C) Pursuant to an ordinary majority resolution of the general meeting of the Company's shareholders, the liquidator may distribute the Remaining Assets or any part thereof amongst the shareholders in specie or transfer any part of them to a trustee who shall hold them for the benefit of the shareholders, as the liquidator deems appropriate.

Exemption of Liability

Article 153:

A) The Company may exempt an office holder in advance from all or any of his liabilities for damage resulting from breach of his duty of care to it.

B) Notwithstanding the above, the Company may not exempt a Director in advance for his liability for a breach of the duty of care in distribution, as such term is defined in the Companies Law.

Insurance

Article 154:

The Company may enter into an insurance agreement for the insurance of office holders' liability, in whole or in part, for an obligation imposed upon him in resulting from an act performed in his capacity as an office holder, in any of the following cases:

A) a breach of the duty of care to the Company or to another Person;

B) a breach of the fiduciary duty to the Company, provided that the office holder acted in good faith and had reasonable basis to believe that the act would benefit the Company;

C) a monetary obligation imposed on the office holder in favor of another Person;

D) a payment imposed on the office holder in connection with an Administrative Enforcement Procedure, including reasonable litigation expenses and attorney's fees; or

E) any other insurable act in accordance with the provisions of the Companies Law.

Indemnity

Article 155:

Subject to the provisions of the Companies Law, the Company may indemnify an office holder for any of the following liabilities and expenses he incurred resulting from an act performed in his capacity as an office holder:

A) a monetary obligation imposed on him in favor of another Person pursuant to a judgment, including a settlement or arbitrator's award approved by court;

B) reasonable litigation expenses, including attorney's fees, incurred by the office holder pursuant to an investigation or proceeding conducted against him by an competent authority, and which concluded without a criminal indictment being filed against him and without a monetary fine being imposed on him as an alternative to a criminal proceeding, and which does not require proof of criminal thought; in this sub-Article:

conclusion of a proceeding without a criminal indictment being filed in a matter in which a criminal investigation has been commenced – shall mean the closing of a file in accordance with Section 62 of the Criminal Procedure Law (Consolidated Version) 5742-1982 (hereinafter in this sub-Article: the "**Criminal Procedure Law**"), or the stay of proceedings by the Attorney–General in accordance with Section 231 of the Criminal Procedure Law;

"Monetary liability as a substitute for legal proceedings" – a monetary liability that has been imposed by any applicable law as a substitute for a legal proceeding, including an administrative fine pursuant to the Administrative Offences Law, 5746-1985, a fine for an offence that has been determined as a finable offence pursuant to the provisions of the Criminal Procedure Law, a financial sanction or penalty;

C) reasonable litigation expenses, including attorney's fees, incurred by the office holder or which he is ordered to pay by a court in proceedings filed against him by the Company or on its behalf or by another Person, or in a criminal indictment of which he is acquitted, or in a criminal indictment in which he is convicted of an offence not requiring proof of criminal thought or in an Administrative Enforcement Procedure conducted against him;

D) a payment imposed on the office holder in favor of an injured party in connection with an Administrative Enforcement Procedure;

E) any other liability or expense for which it is or shall be permitted to indemnify an office holder in accordance with the Companies Law.

Article 156:

The Company may indemnify an office holder retroactively, and it may undertake in advance to indemnify an office holder, or to indemnify him retroactively, as stipulated in Article 155(A) above, for a liability or expense imposed on him in resulting from an act performed in his capacity as an office holder, provided that the undertaking shall be limited to events which in the Board's opinion are to be expected given the Company's activities at the time the indemnity undertaking is given, as well as the reasonable amounts or criteria as the Board so determined to be expected given the Company's activities when the indemnity is given as well as the amount and the criteria that the board of directors determined as reasonable in the circumstances of the case, and it may undertake o indemnify him in advance as stipulated in Article 155 (B)-(E) above.

Article 157:

In no case shall the total accumulated sum of indemnity to be paid by the Company (in addition to such sums received from the insurance company, if received, for Directors and officer holders' insurance purchased by the Company) to all office holders, in accordance with all letters of indemnity provided to them by the Company, exceed 25% of the Company's equity in accordance with the Company's most recent financial reports as of the indemnity payment date.

Signatory Rights

Article 158:

A) The signature of any Person duly authorized by the Board from time to time, alone or together with others, in general or for a particular matter, accompanied by the Company's seal or printed name, shall bind the Company.

B) The Board may determine separate signatory rights with regards to the Company's different operations and with regards to sums for which such Persons are authorized to sign.

Amendment to these Articles of Association

Article 159:

The Company may amend these Articles herein by an ordinary majority resolution adopted by the general meeting of the Company's shareholders (provided that the provisions of Articles 6, 83, 84, 87, 88, 91, 92, 93 and 159 may only be amended by a resolution at the general meeting of the Company's shareholders, provided however, that such amendment was also approved by a resolution of at least 75% of the members of the Board then in office, at a session of the Board which has taken place prior to the general meeting).

* * *

Description of Securities

Registration number and purposes of the Company

Our registration number with the Israeli Registrar of Companies is 51-286697-1. Our purpose as set forth in our articles of association is to engage in any lawful activity.

Transfer of shares

Our fully paid ordinary shares are issued in registered form and may be freely transferred under our articles of association, unless the transfer is restricted or prohibited by another instrument, applicable law or the rules of a stock exchange on which the shares are listed for trade. The ownership or voting of our ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except for ownership by nationals of certain countries that are, or have been, in a state of war with Israel.

Liability to further capital calls

Our board of directors may make, from time to time, such calls as it may deem fit upon shareholders with respect to any sum unpaid with respect to shares held by such shareholders which is not payable at a fixed time. Such shareholder has to pay the amount of every call so made upon him or her.

Election of directors

Under our articles of association, our board of directors must consist of at least three and not more than 12 directors, not including two external directors appointed as required under the Companies Law. According to our Amended Articles, which were approved in our annual meeting on July 25, 2019, our board is divided into three classes with staggered three-year terms. At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors shall be for a term of office that expires on the third annual general meeting following such election or re-election, such that from the annual general meeting of 2020 and after, each year the term of office of only one class of directors will expire. Because our ordinary shares do not have cumulative voting rights in the election of directors, the holders of a majority of the voting power represented at a shareholders meeting have the power to elect all of the directors whose positions are being filled at that meeting, to the exclusion of the remaining shareholders.

Further, our shareholders approved an approval mechanism similar to a mechanism that exists in the Delaware Generate Corporate Law, which requires an affirmative vote of the board of directors (by 75% of the members) in addition to the approval of our shareholders in order to amend such provisions.

In addition, if a director's office becomes vacant, the remaining serving directors may continue to act in any manner, provided that the number of the serving directors shall not be less than three (3). If the number of serving Directors is lower than their minimal one, the Board shall not be permitted to act, other than for the purpose of convening a general meeting of the Company's shareholders for the purpose of appointing additional Directors. For further information on the election and removal of directors see "Item 6. Directors, Senior Management and Employees—C. Board Practices."

Dividend and liquidation rights

We may declare a dividend to be paid to the holders of our ordinary shares in proportion to their respective shareholdings. Under the Companies Law, dividend distributions are determined by the board of directors and do not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our articles of association do not require shareholder approval of a dividend distribution and provide that dividend distributions may be determined by our board of directors.

Pursuant to the Companies Law, the distribution amount is limited to the greater of retained earnings or earnings generated over the previous two years, according to our then last reviewed or audited consolidated financial statements, provided that the date of the financial statements is not more than six months prior to the date of the distribution, or we may distribute dividends that do not meet such criteria only with court approval. In each case, we are only permitted to distribute a dividend if our board of directors and the court, if applicable, determines that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to their shareholdings. This right, as well as the right to receive dividends, may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Exchange controls

There are currently no Israeli currency control restrictions on remittances of dividends on our ordinary shares, proceeds from the sale of the shares or interest or other payments to non-residents of Israel, except for shareholders who are subjects of certain countries that are, or have been, in a state of war with Israel.

Shareholder meetings

Under the Companies Law, we are required to hold an annual general meeting of our shareholders once every calendar year that must be held no later than 15 months after the date of the previous annual general meeting. All general meetings other than the annual meeting of shareholders are referred to in our articles of association as extraordinary meetings. Our board of directors may call extraordinary meetings whenever it sees fit, at such time and place, within or outside of Israel, as it may determine. In addition, the Companies Law provides that our board of directors is required to convene a special meeting upon the written request of (i) any two of our directors or one-quarter of the members of our board of directors or (ii) one or more shareholders holding, in the aggregate, either (a) 5% or more of our outstanding issued shares and 1% or more of our outstanding voting power or (b) 5% or more of our outstanding voting power.

Under the Companies Law, one or more shareholders holding at least 1% of the voting rights at the general meeting may request that the board of directors include a matter in the agenda of a general meeting to be convened in the future, provided that it is appropriate to discuss such a matter at the general meeting.

Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting. Furthermore, the Companies Law requires that resolutions regarding the following matters must be passed at a general meeting of our shareholders:

- amendments to our articles of association;
- appointment or termination of our auditors;
- appointment of external directors;
- approval of certain related party transactions;
- increases or reductions of our authorized share capital;
- mergers; and
- the exercise of our board of directors' powers by a general meeting, if our board of directors is unable to exercise its powers and the exercise of any of its powers is required for our proper management.

Under our articles of association, we are not required to give notice to our registered shareholders pursuant to the Companies Law, unless otherwise required by law. The Companies Law requires that a notice of any annual general meeting or extraordinary general meeting be provided to shareholders at least 21 days prior to the meeting and if the agenda of the meeting includes the appointment or removal of directors, the approval of transactions with office holders or interested or related parties, or an approval of a merger, or as otherwise required under applicable law, notice must be provided at least 35 days prior to the meeting.

Voting rights

Voting rights

All our ordinary shares have identical voting and other rights in all respects.

Quorum requirements

Pursuant to our articles of association, holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote before the shareholders at a general meeting. The quorum required for our general meetings of shareholders consists of at least two shareholders, present in person or by proxy, holding at least ten percent (10%) of the voting rights of the Company. A meeting adjourned for lack of a quorum will be adjourned to the same day of the following week at the same time and place, or to such other day, time or place if such is stated in the notice of the meeting. At the reconvened meeting, if a quorum is not present within an half an hour, any number of shareholders present in person or by proxy will constitute a lawful quorum.

Vote requirements

Our articles of association provide that all resolutions of our shareholders require a simple majority vote, unless otherwise required by the Companies Law or by our articles of association. Under the Companies Law, each of (i) the approval of an extraordinary transaction with a controlling shareholder and (ii) the terms of employment or other engagement of the controlling shareholder of the company or such controlling shareholder's relative (even if not extraordinary) requires the approval described under "Item 6. Directors, Senior Management and Employees—C. Board Practices—Fiduciary duties and approval of specified related party transactions and compensation under Israeli law—Disclosure of personal interests of a controlling shareholder and approval of transactions." Certain transactions with respect to remuneration of our office holders and directors require further approvals described under "Item 6. Directors, Senior Management and Employees—C. Board Practices—Fiduciary duties and approval of specified related party transactions and compensation under Israeli law—Approval of compensation of directors and executive officers." Another exception to the simple majority vote requirement is a resolution for the voluntary winding up, or an approval of a scheme of arrangement or reorganization, of the company pursuant to Section 350 of the Companies Law, which requires the approval of the majority of the shareholders voting their shares, other than abstainees, holding at least 75% of the voting rights represented at the meeting, in person, by proxy or by voting deed and voting on the resolution.

Access to corporate records

Under the Companies Law, shareholders are provided access to minutes of our general meetings, our shareholders register and principal shareholders register, our articles of association, our financial statements and any document that we are required by law to file publicly with the Israeli Companies Registrar or the Israel Securities Authority. In addition, shareholders may request to be provided with any document related to an action or transaction requiring shareholder approval under the related party transaction provisions of the Companies Law. We may deny this request if we believe it has not been made in good faith or if such denial is necessary to protect our interest or protect a trade secret or patent.

Modification of class rights

Under the Companies Law and our articles of association, the rights attached to any class of shares, such as voting, liquidation and dividend rights, may be amended by adoption of a resolution by the holders of a majority of the shares of that class present at a separate class meeting, or otherwise in accordance with the rights attached to such class of shares, as set forth in our articles of association.

Acquisitions under Israeli law

Full tender offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the relevant class for the purchase of all of the issued and outstanding shares of that class. If the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will also be accepted if the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition an Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may include in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If a tender offer is not accepted in accordance with the requirements set forth above, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special tender offer

The Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of 25% or more of the voting rights in the company. This requirement does not apply if there is already another holder of at least 25% of the voting rights in the company. Alternatively, such an acquisition may be approved pursuant to a private placement approved by the company's shareholders with the purpose of approving the acquisition of 25% or more, or 45% or more of the company's voting rights. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company, subject to certain exceptions.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. In addition, the board of directors must disclose any personal interest each member of the board of directors has in the offer or stems therefrom.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5% of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer (excluding the purchaser and its controlling shareholder, holders of 25% or more of the voting rights in the company or any person having a personal interest in the acceptance of the tender offer or any other person acting on their behalf, including relatives and entities under such person's control). If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, by a majority vote of each party's shares, and, in the case of the target company, a majority vote of each class of its shares voted on the proposed merger at a shareholders meeting. The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, such determination taking into account the financial status of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the votes of the shares represented at the shareholders meeting that are held by parties other than the other party to the merger, or by any person (or group of persons acting in concert) who holds (or hold, as the case may be) 25% or more of the voting rights or the right to appoint 25% or more of the directors of the other party, vote against the merger. If, however, the merger involves a merger with a company's own controlling shareholder or if the controlling shareholder has a personal interest in the merger, then the merger is instead subject to the same special majority approval that governs all extraordinary transactions with controlling shareholders (as described under "Item 6. Directors, Senior Management and Employees—C. Board Practices—Fiduciary duties and approval of specified related party transactions and compensation under Israeli law—Disclosure of personal interests of a controlling shareholder and approval of transactions").

If the transaction would have been approved by the shareholders of a merging company but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value to the parties to the merger and the consideration offered to the shareholders of the company.

Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the merging entities, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be consummated unless at least 50 days have passed from the date on which a proposal for approval of the merger was filed by each party with the Israeli Registrar of Companies and at least 30 days have passed from the date on which the merger was approved by the shareholders of each party.

Borrowing powers

Pursuant to the Companies Law and our articles of association, our board of directors may exercise all powers and take all actions that are not required under law or under our articles of association to be exercised or taken by a certain organ of the Company, including the power to borrow money for company purposes.

Changes in capital

Our articles of association enable us to increase or reduce our share capital. Any such changes are subject to the provisions of the Companies Law and must be approved by a resolution duly adopted by our shareholders at a general meeting. In addition, transactions that have the effect of reducing capital, such as the declaration and payment of dividends in the absence of sufficient retained earnings or profits, require the approval of both our board of directors and an Israeli court.

Transfer agent and registrar

Our transfer agent and registrar is the Depositary for the ADSs, Bank of New York Mellon, and its address is 101 Barclay Street, 22W New York, NY 10286.

Exhibit 4.2

COMPENSATION POLICY FOR EXECUTIVES AND DIRECTORS

Executives and Directors

Compensation Policy of Medigus Ltd.

(the "Company")

1. Objectives of the Company's Compensation Policy

The purpose of the Company's compensation policy is to establish sustainable guidelines for the Company's applicable organs in determining the Company's compensation to its Office Holders (as such term is defined below) in light of the following objectives of such compensation:

A. To establish a correlation between the interests of the Company's Office Holders and those of the Company and its shareholders.

B. To recruit and maintain qualified Office Holders, who may contribute to the Company's financial and commercial success, given the unique challenges it faces and its business environment.

C. To provide incentives for the Company's Office Holders, in order to ensure high-level operations without encouraging the taking of unreasonable risks.

D. To establish an appropriate balance between fixed compensation, compensation which incentivizes short-term results and compensation which reflects the Company's long-term operation.

2. Compensation Policy; Background

Objectives

Through this document, the Company will determine and publish its policy with regards to the compensation of its Office Holders, including all components of compensation, while establishing principles, considerations, parameters and rules for the determination of Office Holders' terms of tenure by the Company's organs during the application period of this compensation policy. The policy is presented to the Company's general meeting of the shareholders (the "**General Meeting**") and subject to their approval, thereby providing an opportunity for shareholders to influence the method used to determine the compensation of Office Holders, and to express their opinion on the matter. The publication of the compensation policy increases and improves the effectiveness of the Company's disclosure to its investors and to the capital market. In addition to the foregoing, the compensation policy is intended to comply with the obligation set forth in the Israeli Companies Law, 5759-1999 (hereinafter: the "**Companies Law**").

Application of the Compensation Policy

In accordance with the provisions of the Companies Law, the compensation policy will apply with respect to the terms and conditions of the tenure and employment of the Office Holders in the Company. The definition of **Office Holders** in the Companies Law includes "*a general manager, chief business manager, deputy general manager, vice general manager, any person filling any of these positions in a company even if he holds a different title, as well as a director, or a manager directly subordinate to the general manager*." For the purpose of this policy, each Office Holder other than a director shall be referred to as an "**Executive**".

The compensation policy is not intended to establish personal terms and conditions for specific Office Holders, but rather to set forth objective principles and parameters which will apply to all Company's Office Holders. This policy sets forth maximum amounts only, and nothing in this policy shall obligate the Company to grant any particular type or amount of compensation to any Office Holder, unless expressly stated otherwise, nor shall it derogate from approval procedures mandated by law.

In accordance with the provisions of the Companies Law, the compensation policy is subject to approval every three years. Therefore, the current compensation policy shall be valid for a period of three years from the date of its approval by the General Meeting or as otherwise required by the Companies Law. The Company may, pursuant to the Companies Law, amend or renew the compensation policy within that period of implementation, subject to an approval at the General Meeting or as otherwise required by the Companies Law.

It should be noted that, by law, contractual agreements with Office Holders regarding the terms and conditions of their tenure and employment which were approved prior to the approval of this compensation policy shall continue to apply, and do not require additional approval in accordance with the provisions of this policy.

Establishment and Approval of the Compensation Policy

In accordance with the Companies Law, the responsibility for approving the compensation policy applies with the board of directors, after the foregoing has considered the recommendation issued by the Company's compensation committee. The compensation policy is subject to the approval of the General Meeting (including by a majority of those participants who are not controlling shareholders or interested parties, as provided in the Companies Law). In accordance with the provisions of the Companies Law, in the event that the General Meeting does not approve the policy, the board of directors will be entitled to approve the policy based on grounds provided by the board of directors and the compensation committee, according to which the foregoing action is taken in the Company's best interest.

Maintenance of the Compensation Policy

The holder of the most senior position in the Company in the field of human resources (as of the adoption of this policy - the Chief Financial Officer) under the supervision of the Company's compensation committee, is responsible for monitoring any changes in the Company, in its business environment, in the capital market, in the labor markets, and in other relevant factors, which may impact the Company's considerations regarding the determination of compensation for Office Holders. When applicable, the compensation committee shall convene to discuss the foregoing, and where necessary, present its recommendations for necessary updates to the policy to the Company's board of directors.

3. Characteristics of the Company and of Its Office Holders

Business Environment and Its Effect on Office Holders' Compensation

As a public company engaged in the research, development and marketing of medical devices, the Company has two objectives: providing its clients efficient and safe systems, and maximizing its revenues for the benefit of its shareholders. Further information regarding the Company's business activity may be found in the Company's filings with the Securities and Exchange Commission ("**SEC**").

For fulfilling the Company's objectives, the Company has established, and may be required to establish further operation centers outside of Israel and has appointed, and may be required to appoint Office Holders to serve in such centers. In light of the disparities between acceptable compensation levels and competitive market in Israel and other countries, the quantitative parameters for the determination of executive compensation are separately addressed regarding Israel and other countries.

In light of this, the Company's commercial success depends, to a large extent, both on its ability to recruit skilled Office Holders and employees with unique background and experience in the field of medical devices, and on its ability to provide its Office Holders and employees with incentives designated for the investment of outstanding personal efforts on their behalf and for achievement of goals established by the Company's board of directors. The need to achieve defined regulation and commercialization milestones emphasizes the necessity in conditioning parts of certain Office Holders' compensation upon personal achievements.

Description of Office Holders' Positions

A description of the positions and responsibilities of the Company's Office Holders to whom this policy may apply may be found in the Company's annual reports filed with the SEC.

4. Compensation Components and the Balance between them

General

An adequate balance between the components of compensation exists when a linkage is maintained between compensation and the creation of value for the Company's shareholders, while maintaining the Company's ability to recruit and maintain talented Office Holders and incentivizing them to pursue the Company's objectives. In particular, an appropriate balance between the fixed component and the variable components avoids excessively emphasizing one component, since excessively emphasizing the fixed component may result lack of initiative, whereas excessively emphasizing the variable component may encourage the taking of uncontrolled, unreasonable risks by Office Holders in a manner which is not for the Company's benefit or which does not conform with the Company's objectives.

Compensation Components

Fixed Compensation

Fix compensation is based on a base salary and benefits. The base salary is a fixed amount paid to an Executive on a monthly basis, regardless of the Executive's performance. This component constitutes the basis for payment of the additional benefits (as further elaborated below). Payment of the base salary enables the implementation of flexible and effective incentive plans, while minimizing risk-taking caused by over-compensation on variable components' basis. Both the base salary and the additional benefits must also take into account the prevailing conditions in the Company's market ("benchmarking"); however, the Company does not believe this consideration to be dominant, *inter alia* in the interest of avoiding a "salary race" between companies in its market. It should be noted that additional benefits are unique and depend upon the prevailing customs in different countries, and that when the Company engages employment agreements with Executives for positions outside of Israel, such Executives may be entitled to receive additional benefits according to the prevailing customs in the countries in which they serve, in order to ensure the competitiveness of the employment terms and conditions offered by the Company relative to its competitors in the relevant country.

Variable Compensation

Cash variable compensation is one of the components used for achieving the objectives of this compensation policy herein, and particularly for creating a correlation between the interests of the Company's Executives and those of the Company and its shareholders. In order to promote the objectives of this policy herein, the conditions for the payment of bonuses shall reflect the Company's short-term and long-term objectives, insofar as possible, and shall constitute a proportionate part of the total compensation in a manner that constitutes a dominant component in the entire compensation package, and primarily with respect to the fixed salary component, while not constitute an excessively large portion of such compensation package, in order not to create incentives for taking uncontrolled or unreasonable personal and organizational risks. In order to create incentives for Executives to achieve their goals, the variable compensation shall be determined in a manner that links the payment of compensation to short-term and long-term performance objectives. Although it is common practice to pay bonuses upon achievement of financial goals, the Company's objectives for the payment of bonuses may be dependent upon other measurable achievements, such as achieving regulatory milestones, receiving various authorizations, executing agreements, etc. as well as non-measurable "qualitative" achievements. Dependency of bonuses upon achievement of non-financial achievement is relevant to a large extent given the Company's transitional stage between being a research and development company and a commercial one.

Equity-Based Compensation

Equity-based compensation is used to link between the Company's value for its shareholders (which is reflected by the increase of the Company's price per share) and the compensation of its Office Holders. This component is implemented by one of, or a mix of, equity compensation such as options, restricted stock units (RSUs), restricted shares and other equity-based compensation. Equity-based compensation constitutes an incentive over time, as well as an incentive to be employed by the Company over long periods of time, by setting vesting dates for the granted equity awards, by their expiration pursuant to the termination of the relevant office holder's tenure, or by conditioning the grant or vesting of equity awards (or portions thereof) on the achievement of objectives. Furthermore, accelerated vesting mechanisms may create incentives for Office Holders to remain employed by the Company and to achieve its objectives even if an extraordinary event, such as the merger or sale of the Company, change of control, or termination of employment in certain circumstances, is expected. Equity-based compensation is an important component in this compensation policy herein, since it is common practice in comparative companies and is important to the Company's ability to recruit and retain Office Holders, it is an efficient substitute for cash compensation, and is especially appropriate since some of the operations which are crucial for the Company's success are long-term ones, and some of the Company's Office Holders' efforts may only bear fruit over long periods of time.

Termination-Based Compensation

Compensation paid upon the termination of tenure is used both as an incentive to recruit talented Executives by reducing their exposure upon terminations of their service due to various circumstances, as well as an incentive for Executives to serve in the Company for long periods of time, should the compensation be dependent upon seniority.

5. Considerations and Parameters for the Determination of Compensation

General Considerations for the Determination of Executive's Compensation

When determining the compensation of an Executive, the Company's board of directors, compensation committee and management shall comply with the guidelines stipulated by this policy herein, including regarding the cap on the compensation components and the quantitative parameters which have been determined in this section below, and will also consider the following factors (in addition to any other relevant factor):

(i) The Executive's personal data, including his education, skills, expertise, and professional experience and achievements, whether in the Company or in other companies, as well as his uniqueness in the market; for this purpose, it should be noted that the medical devices market requires employment of Executives who hold unique experience and expertise, including experience working with regulatory entities such as the FDA, experience in conducting clinical experiments, experience in marketing medical devices to customers such as hospitals, and managing engagements for the purpose of medical reimbursement outside of Israel;

(ii) The Executive's position, characteristics, responsibilities, efforts required for success in the position, the extent to which such Executive is essential for the Company's success, the possibility to recruit a replacer for his position, the potential damage to the Company in the event the Executive is dismissed or resigns, his seniority and previous compensation arrangements with the Company;

(iii) The Executive's residential address and address of service – if the Executive resides in a country in which the prevailing compensation in the relevant market for his position is higher than its equivalent in Israel or in which the living conditions are more difficult or easy than the ones in Israel, the compensation, including any benefits, shall be adjusted to take into account all such differences;

(iv) Prevailing salary levels for similar positions in the market – in order to ensure the Company is competitive and recruits appropriate and high-quality personnel, it must offer a salary at a level which corresponds with the prevailing salary in its market. The foregoing is particularly relevant to the medical devices market, which requires unique experience and skills, available by a limited number of office holders. The Company's market includes medical device companies, and particularly such companies which received material regulatory approvals and are focusing their efforts in commercializing their respective products worldwide; public companies whose market value, the nature of their operations or their revenue, is similar to those of the Company; and companies which primarily operate in the United States and in Europe, and which employ Executives serving and operating in these areas; and

(v) The ratio between Executive's compensation cost and the Salary Cost of other Company's employees (including the Company's Contract Employees[1]), and particularly the ratio between the compensation cost of the foregoing Executives and the average and the median Salary Costs of employees and the effect such ratios have on the working relations in the Company; the Company acknowledges it has to pay different levels of compensation to its various employees and Executives, *inter alia* for the purpose of recruiting talented and experienced Executives and employees who constitute key personnel for the achievement of the Company's objectives. It should be noted that where Executives reside and serve in such countries in which higher compensation than the one available in Israel is paid in accordance with customary market terms, the Company shall consider such higher compensation levels in its evaluation of the above ratios.

Establishment of Fix Compensation

The base salary shall be negotiated by the Company and the relevant Executive prior to his or her appointment for office, and upon the Company's periodic evaluation of his or her base salary during his or her tenure. The base salary shall be based upon the parameters specified above, provided that the base salary shall not deviate from the pre-determined cap for such Executive, as further elaborated below.

In addition to the base salary, the Company may include the following benefits, provided that such benefits, including the following will be in accordance with applicable law and common practice in the market from time to time: (i) vacations days (or redemptions thereof); (ii) allocations to pension and/or insurance funds, including loss of working capacity insurance; (iii) education funds (Keren Hishtalmut); (iv) directors' and officers' insurance; (v) reimbursement for employment of service related expenses; (vi) company vehicle (type of vehicle will be determined according to the Executive's position), including reimbursement of all related expenses, and tax payments incurred in connection with the vehicle as shall be in effect from time to time (or, alternatively, reimbursement of expenses in private vehicle, which shall not exceed the cost of company vehicle and all related costs; (vii) internet, laptop computer, cellular telephone for personal use, home phone expenses and daily newspaper; (viii) accommodation during employment or service related travels; (ix) mandatory allocations such as recuperation pay (*Dmei Havra'a*); and (x) office holders' indemnification and exemption of liability in accordance with the Companies Law, the Company's Articles of Association and the Company's policy from time to time.

Executives who serve outside of Israel (including such Executives who serve in the Company's U.S. subsidiary or in such other subsidiaries which may exist from time to time) may be entitled to benefits in accordance with applicable custom and practice in their country of service and for Executives of similar rank; Accordingly, Executives serving in the United States will be entitled to medical and dental insurance coverage for the Executive and his immediate family, which shall be paid by the Company, as well as employer's allocations for 401(k) funds, as well as similar or parallel benefits as customary in other global locations.

Establishment of Performance-Related Cash Variable Compensation

The Company shall establish parameters and conditions for the payment of an annual cash bonus, including maximum bonus amounts and the maximum percentage of the annual fixed compensation such bonuses may include, on an annual, or multi annual, basis and threshold conditions for payment.

Eligibility for the annual cash bonus shall be based upon measurable criteria, which may include financial results (such as revenue, profit or fund raising targets) and milestones such as regulatory approvals, agreement executions (such as licenses or distribution or collaboration agreements), performance of medical procedures and other business millstones (such as number of procedures or MD training). Additionally, the Company may determine that, with respect to the chief executive officer (the "**CEO**") or an officer who is a director, that a non-material portion of his or her annual cash bonus will be based on the evaluation of the board of directors in an amount that will not exceed, with respect to any calendar year, 25% of the annual fixed compensation, and, with respect to any officer subordinated to the CEO, which does not serve as a director, a portion or all of his or her annual cash bonus will be based on the evaluation of the CEO.

[1] "**Contract Employees**" shall mean employees of a Manpower Contractor of whom the Company is, in practice, the employer, and employees of a Service Contractor who are hired by the Company for the provision of services; for this purpose, the meaning of "**Manpower Contractor**" and "**Service Contractor**" are as defined in the Engagement of Employees by Manpower Contractors Law, 5756-1996. For the purposes of this Section herein, "**Salary Cost**" shall mean any payment paid for employment including employer contributions, retirement payments, vehicle and related expenses, and any other benefit or payment.

In the event of a new hired Executive or of an Executive who's engagement ends during the year, his entitlement to an annual cash bonus may be determined on a pro rata basis. The Company may also determine threshold conditions which, unless met, will not result in payment of any bonuses.

At the end of each year, the Company shall evaluate the rate of objectives met during the preceding year. In the event that an Executive met all of his pre-determined objectives, such Executive shall be entitled to receive 100% of his performance-related compensation component, and in the case of a partial achievement of such objectives, or of some of the objectives, the Company shall pay a proportional part of such maximum component, provided that the applicable threshold conditions for payment were also met.

In addition to the annual cash bonus specified above, the compensation committee and the board of directors may, from time to time and to the extent they deem it is required, approve payment of a signing bonus or a special bonus for an office holder either under special circumstances, for special contributions, achievements or assignments or in the event of a change in control of the Company. The Company considers payment of such signing and special bonuses as an important tool for providing incentives for its Executives, especially in light of the inability to foresee all the specific grounds for payment of bonuses pursuant to the principles set forth in this compensation policy herein.

The payment of variable compensation shall be subject to the provision of a written undertaking by the Executive receiving such variable compensation to repay any amount of such variable compensation paid to him based on data which has later been found to be incorrect, and which has been restated in the Company's financial statements within a period of three years following the grant of such performance related compensation. The compensation committee and the board of directors shall be authorized not seek recovery to the extent that (i) to do so would be unreasonable or impracticable or (ii) there is low likelihood of success under governing law versus the cost and effort involved; the aforementioned undertaking shall be in accordance with any general claw-back policy as may be adopted by the Company.

Establishment of Equity-Based Compensation

Equity-based compensation is an effective tool, designated for the creation of incentives for Office Holders, which correspond with the long-term objectives of the Company and its shareholders. Stock options are currently appropriate key equity based compensation vehicle. In the future, the Company may offer various types of equity based compensation vehicles (e.g. restricted shares, restricted share units, phantom shares, performance shares, performance share units, etc.) as well as a mix between such vehicles. When determining the types of equity- based vehicles and the mix between them, if any, the Company will consider among other things, the types of equity awards then available to the Company and the balance between aligning officer's and shareholder's interests and the Company's risk management policy at the time.

To the extent legally available and applicable, the Company will grant options to its Israeli residents Officer Holders in accordance with Section 102 of the Israeli Income Tax Ordinance [New Version], 5721-1961 and/or means of other equity-based compensation, which may promote the Company's objectives, as determined by the board of directors. Office holder receiving such equity-based compensation shall bear any applicable tax. Reference to "**options**" in this compensation policy shall also include other means of equity-based compensation which may be provided in the future.

Grant of options shall be in accordance with and subject to the terms of the Company's current or future applicable equity-based compensation plans, and when granting options to office holders, the Company shall set the following conditions:

(i) Maximum Grant Date Value of Options Granted to Each Office Holder – such value will be subject to the cap on equity grants, as further elaborated below.

(ii) Maximum Dilution Rate of the Company's Share Capital – the maximum dilution rate may not exceed 10% of the Company's share capital on a fully diluted basis.

(iii) Vesting / Minimum Holding Period – options granted will vest over periods ranging from once a month to once a year, and will become fully vested over several years (e.g., two (2) to four (4) years) but no less than two (2) years from the date of grant. The company may set accelerated vesting terms and conditional vesting terms for the options granted.

(iv) Conditional Vesting / Objective Dependent Exercise – the Company will consider adoption of conditional vesting and/or objective dependent exercise of options, in consideration of the Office Holder's position. Notwithstanding the aforementioned, the Company is not obligated under this compensation policy to condition the grant or exercise of options granted upon the achievement of personal or Company objectives. Such objectives may be identical to, or different from, the objectives set by the Company for the payment of annual or special cash bonuses and may be adjusted, when applicable, following major acquisitions, divesture, organizational changes or material changes in the Company's business environment. To the extent that options' vesting is conditioned upon the achievement of objectives, the Company may determine that such options will become fully vested upon the achievement of the relevant objective, rather than by the lapse of vesting periods.

(v) Exercise Price for stock options – will be set as an incentive to maximize the Company's value, and will be equal to, or higher than, the price per share in the stock exchange determined by the board of directors on the date of grant, or will be equal to the average price per share during a pre-determined period prior to the grant approval date as determined by the board of directors.

The board of directors shall have the discretion to reduce, cancel or suspend payment of any variable compensation components, in cases where such reduction, cancellation or suspension of payment is deemed necessary. In addition, the board of directors may set a maximal exercise value of variable components which are not exercised in cash.

Establishment of Relocation Compensation

Relocation compensation may be granted to an Executive under relocation circumstances. Such compensation may include reimbursement for out of pocket one time payments and other ongoing expenses, such as travel, housing allowance, car or transportation allowance, home leave visit, healthcare, participation in children tuition fees etc., all as reasonable and customary for the relocated country.

6. Compensation Components Caps

General

The fixed and variable compensation components will be subject to the following:

(i) The fixed compensation maximum rates stated in this policy refer to provision of services on a 100% basis and consist of base salary and any benefits available under this compensation policy.

(ii) The annual bonus cap stated in this policy refers to the target annual bonus to be granted upon achievement of 100% of the objectives for payment of such annual bonus.

(iii) In the case of equity-based compensation, the cap stated in this policy refers to the value of the options granted (or of other means of such compensation) as of the date of grant based on acceptable valuation practices at the time of grant utilizing the straight line approach per year of vesting (taking into account the cost of previous vesting grant for that year).

Non-Executive Directors

The Company's non-executive directors may be compensated by means of (i) an annual payment of up to NIS 111,345, and by means of payment for participation in Board (or committees) meetings up to an amount of NIS 4,285 per meeting, or (ii) an annual payment of up to NIS 175,620, which will include payment for participation in Board (or committees) meetings. Such directors may also be entitled to receive equity-based compensation in accordance with any applicable law, but will not be entitled to receive performance-based compensation, such as bonuses. The Company may repay director's expenses in accordance with any applicable law.

The caps on each of the non-executive directors' compensation components per year are as follows:

Variable Equity-based Compensation	Annual Bonus	Signing and Special Bonus
up to 100% of the annual payment described in clause (ii) above	Not Applicable	Not Applicable

Chief Executive Officer

The CEO's fixed compensation shall range between the following amounts: (i) a CEO whose position is primarily in Israel: up to NIS 170,000, per month, and (ii) a CEO whose position is primarily in the United States or Europe[2]: up to NIS 250,000, per month.

The caps on the CEO's variable compensation components per year are as follows:

Variable Equity-based Compensation	Annual Bonus	Signing and Special Bonus
Up to 100% of the annual fixed compensation	Up to 50% of the annual fixed compensation	Up to 50% of the annual fixed compensation

Special and signing bonuses will not be included in the calculation of the maximum annual bonus.

[2] For the purposes of this compensation policy herein, the NIS-USD and NIS-EUR exchange rates shall be as follows: USD 1 = NIS 3.7; EUR 1= NIS 4.2.

Other Executives

Other Executive's fixed compensation shall range between the following amounts: (i) an Executive whose position is primarily in Israel: up to NIS 120,000, per month, and (ii) an Executive whose position is primarily in the United States or Europe: up to NIS 170,000, per month.

The caps on other Executive's variable compensation components per year are as follows:

Variable Equity-based Compensation	Annual Bonus	Signing and Special Bonus
Up to 100% of the annual fixed compensation	Up to 50% of the annual fixed compensation	Up to 50% of the annual fixed compensation

Special and signing bonuses will not be included in the calculation of the maximum annual bonus.

Termination of Services

Executives shall be entitled to an advance notice period in accordance with existing agreements, and, in the absence of provisions in the agreements, as determined by the law. In any event, the advance notice period shall not exceed six (6) months. During said notice period, Executives will be required to continue to fulfill their duties, unless the Company decides to release them from this obligation.

In addition to any payments required under any applicable law upon termination of service, vesting of outstanding options and payment of an additional severance bonus may be included in office holder's employment agreement, or may be paid upon Executive's severance, subject to receipt of all required approvals. The Company will consider payment of a severance bonus in consideration of the objectives of this compensation policy herein, as well as: (i) the service period of the Executive in question; (ii) the Executive's terms and conditions of service; (iii) the Company's operations during Executive's service; (iv) the Executive's contribution to the achievement of the Company's objectives and to its profitability; and (v) the circumstances of the severance.

The maximum severance bonus that may be paid by the Company is as follows: (i) non-executive directors will not be eligible for severance bonus, (ii) the CEO may be entitled to a severance bonus of up to 50% of the annual fixed compensation, and (iii) other Executives may be entitled to a severance bonus of up to 25% of the annual fixed compensation. An Executive's severance bonus will be based on his last monthly salary as of the termination date of his service and his or her termination of service must not be in circumstances which, in the Company's opinion, justify severance pay to be revoked.

7. Directors' and Officers' Liability Insurance, Indemnification and Exemption

The Company may provide its directors and officers, including those serving in any of its subsidiaries from time or time, with a liability insurance policy (the "**Insurance Policy**") provided that the engagement is in the ordinary course of business, in market terms and is not expected to materially influence the Company's profits, properties and undertakings. The coverage limit of the Insurance Policy shall be of up to US$30 million per occurrence and for the insurance period (additional coverage for legal expenses not included), provided that the annual premium shall not exceed US$500,000 and that the deductible (except for extraordinary matters as prescribed in the Insurance Policy, such as lawsuits against the Company pursuant to securities laws and/or lawsuits to be filed in the US/Canada) shall not exceed US$1,000,000 per occurrence.

The Company may extend the Insurance Policy in place to include cover for liability pursuant to a future public offering of securities. The additional premium for such extension of liability coverage shall not exceed 400% of the last paid annual premium. The Insurance Policy, as well as the additional premium shall be approved by the compensation committee (and if required by law, by the board of directors) which shall determine that the sums are reasonable considering the exposures pursuant to such public offering of securities, the scope of cover and the market conditions and that the Insurance Policy reflects the current market conditions, and it does not materially affect the Company's profitability, assets or liabilities.

Upon circumstances to be approved by the compensation committee (and, if required by law, by the board of directors), the Company shall be entitled to enter into a "run off" Insurance Policy of up to seven (7) years, with the same insurer or any other insurance (the "**Run Off Coverage**"). The limit of liability of the insurer shall not exceed US$30 million per claim and in the aggregate for the term of the policy, the premium for the insurance period shall not exceed 400% of the last paid annual premium and the deductible (except for extraordinary matters as prescribed in the Insurance Policy, such as lawsuits against the Company pursuant to securities laws and/or lawsuits to be filed in the US/Canada) shall not exceed US$1,000,000 per claim. The Run Off Coverage, as well as the limit of liability and the premium for each extension or renewal, shall be approved by the compensation committee which shall determine whether the sums are reasonable considering the Company's exposures, the scope of coverage and market conditions and if the Run Off Coverage reflects then prevailing market conditions, and, provided, further, that the Run Off Coverage shall not materially affect the Company's profitability, assets or liabilities.

In addition, the Company may exempt all directors and officers, as may be appointed from time to time in the future, from liability for a breach of their duty of care to the Company and provide them with indemnification to the fullest extent permitted by law and the Company's articles of association.

8. Miscellaneous

The Company's compensation committee and board of directors shall be authorized to approve a deviation of up to 10% from any limits, caps or standards detailed in this policy, and such deviation shall be deemed to be in alignment with this policy.

An Immaterial Change in the Terms of Employment of an Executive, which is not a director or the CEO may be approved by the CEO, provided that the amended terms of employment are in accordance with this policy. An "Immaterial Change in the Terms of Employment" means a change in the terms of employment of an officer with an annual total cost to the Company not exceeding an amount equal to 20% of the annual fixed compensation of such Executive.

ADOPTED: _____

Exhibit 4.3

AMENDED & RESTATED INTERCOMPANY SERVICES AGREEMENT

This Intercompany Services Agreement (this "**Agreement**") is made effective as of April 20, 2020 (the "**Effective Date**"), by and between Medigus Ltd., a company incorporated under the laws of the State of Israel ("**Parent**") and ScoutCam Ltd., a subsidiary of Parent, incorporated under the laws of the State of Israel ("**Company**").

R E C I T A L S

WHEREAS, the Company is a subsidiary of Parent;

WHEREAS, Parent desires to hire and retain Company to perform certain services as described in this Agreement and Company desires to perform such services for the consideration set forth herein; and

WHEREAS, Company and Parent have previously entered into an Intercompany Services Agreement, and both parties wish to amend and restate such agreement in accordance with the terms contained herein.

NOW, THEREFORE, in consideration of the terms and conditions and mutual agreements contained herein, it is agreed as follows;

1. The Services

1.1. During the term of this Agreement, Company shall provide Parent with such services as set forth in **Exhibit A** and such other services as may be requested by the Parent and agreed upon by the Company from time to time (all such services shall be referred to herein as the "**Services**"). **Exhibit A** shall be updated from time to time by a mutual consent of the parties.

1.2. Company shall provide the Services through its employees and/or independent contractors who have contracted with the Company (at Company's discretion).

1.3. In connection with the Services, neither the Parent nor the Company shall be authorized to negotiate or enter into any agreement on behalf of the other party hereto, nor shall it be authorized to undertake any obligations, commitments or liabilities on behalf of any other party hereto. Without limiting the foregoing, neither the Parent nor the Company shall have, or hold itself out or otherwise transact business in such as a way as to create the impression to unrelated third parties that it has, the authority to enter into contracts with or on behalf of any other Party hereto.

1.4. During the term of this Agreement, Company shall use commercially reasonable efforts to perform the Services as Parent may reasonably request. Notwithstanding the foregoing, Company does not warrant or guarantee that any Services will be successful or accomplished in a timely manner or that any Service will be commercially viable. Company shall hot be liable to Parent for the failure to perform any Service in accordance with this Agreement.

1.5. All intangibles rights resulting from or in connection with the Services, shall be the sole property of the Company, including without limitation: (i) patents and patent applications, including without limitation any extensions, divisions, continuations, continuations-inpart thereof and any applications or patents that claim priority from such patents and applications, and any foreign counterparts of any of the foregoing; (ii) trade secrets, ideas, processes, inventions (whether patentable or not), discoveries, concepts, methods, formulas, other proprietary information and associated intellectual and industrial property rights; and (iii) copyrights, software, designs, documentation, lab notes, and other works subject to protection under copyright law, whether or not registered; and (iv) trademarks, trade names, brand names, designs, packaging, service marks, logos, and any similar assets, rights or property, whether or not registered; and (v) marketing strategies, customer lists, surveys, studies, forecasts, estimates and other marketing information.

2. Relationship of the Parties

2.1. *Independent Contractors.* Nothing contained in this Agreement is intended or is to be construed to constitute Company and Parent as partners or joint ventures, or Parent as an employee or agent of Company, or the employees or agents of Parent as employees or agents of Company. Neither party hereto shall have any express or implied right or authority to assume or create any obligation on behalf of or in the name of the other party or to bind the other party to, any contract, agreement or undertaking with any third party.

2.2. *Indemnity*. Parent hereby agrees to indemnify and hold Company harmless from any and all claims demands, actions, suits, liabilities and losses, costs and expenses of any kind or character on account of direct damages or losses to persons or property from any cause arising out of or in connection with the performance of Services under this Agreement.

3. Consideration

3.1. *Compensation*. In consideration for the Company's performance of the Services, Company shall be entitled to arm's length service fees based on the most recent transfer pricing analysis as performed by an external expert, as may be adjusted from time to time and as initially set forth in Exhibit A (the "Consideration"). The Parent agrees to pay the amounts due under this Agreement in accordance with the terms set forth in this Section 3.

3.2. *Review of Services Fees*. The Consideration set out in Section 3.1 above shall be reviewed by the Company and Parent, and modified prospectively as required to conform to the "arm's length" requirements of applicable tax rules. If either the Company or Parent considers that the Consideration is not equate to arm's length pricing, either party may give notice for the pricing to be reviewed. If any change is agreed to, based on this review, such change may be made effective the date the notice to review was given.

3.3. *Manner of Payment*. Payment of the Consideration shall be made directly to Company or to such bank or in any other manner as is designated by Company. All payments made by the Parent to Company shall be in U.S. Dollars, unless otherwise agreed to by both parties. In addition the Parent may cause third parties investing or owing money to the Company to transfer such payments directly to the Company and such amounts shall be deemed as transferred from the Parent to the Company as payment of the Consideration.

3.4. *Billing*. Unless otherwise agreed upon by the parties, at the end of each calendar quarter, Company shall send an invoice to the Parent with respect to the payments due. The invoiced amount shall be due and payable within thirty (30) days following the receipt of such invoice.

3.5. *Taxes*. The Parent shall withhold from payments such taxes as required to be withheld under applicable law. If any tax is withheld by the Parent, it shall provide the Company with receipts or other evidence of such withholding and payment to the appropriate tax authorities. The Company agrees to not withhold any taxes, or to withhold at a reduced rate, to the extent that the Company is entitled to an exemption from, or reduction in the rate of, withholding under an applicable income tax treaty. VAT shall be added against tax invoice.

4. Reporting Requirements

4.1. *Books and Records*. Company shall keep and maintain adequate books, records and files of the transactions underlying the payments of the Consideration to be made hereunder, in order to enable it to furnish complete and accurate information to Parent regarding all aspects of the Services and expenditures fund Parent shall have the right, upon reasonable notice and at its expense to inspect, audit, or have an audit performed of, Company's books and records relating to the expenditure of funds under this Agreement.

4.2. *Reports*. Company shall from time to time, and as often as reasonably requested by Parent, provide written reports to Parent regarding its performance of the Services, describing a detailed report of costs incurred. Company shall promptly notify the Parent of any significant problems that may occur during the course of the Services.

5. Confidentiality

5.1. As a result of its performance of Services under this Agreement, Company and its employees, agents, and subcontractors will become uniquely knowledgeable with respect to the technology. Company hereby agrees not to disclose to others or to use for its own benefit, without Parent's prior written consent, any of Company confidential information to which it had access to during the course of providing the Services.

5.2. Company shall use its best efforts to assure that its employees, agents, and subcontractor do not make any such unauthorized disclosures. Company further agrees that its employees, agents, and subcontractors who are hired or retained by it to perform any of the Services shall have executed agreements, acceptable to Parent, whereby they agree to hold in confidence all proprietary, trade secret and any other confidential information to which they have access during the course of their duties as employees, agents, or subcontractors of Company and to assign to Parent any and all rights they may have or may acquire respecting the improvements in the course of performing the Services.

6. Term and Termination

6.1. *Term*. This Agreement shall continue in force for a fixed term of one (1) year' from the Effective Date unless terminated earlier under the provisions of this Section 6. At the end of the fixed term, this Agreement shall renew automatically for additional one (1) year terms (subject to earlier termination under the provisions of this Section 6), without notice, unless prior to that time one party provides a 60 days prior written notice of nonrenewal to the other party.

6.2. *Termination for Convenience*. This Agreement may be terminated by either party for any reason or no reason, whether or not extended beyond the first year by giving the other party 60 days prior written notice.

6.3. *Termination for Insolvency*. This Agreement shall terminate immediately without notice: (i) upon the institution by or against Company or Parent of insolvency, receivership by or bankruptcy proceedings for the settlement of Company's or Parent's debts; (ii) upon Company's or Parent's making an assignment for the benefit of creditors; or (iii) upon Company's or Parent's dissolution or liquidation,

6.4. *Transition*. Upon termination or expiration of this Agreement, each party shall diligently cooperate with the other to effect a smooth and orderly transition. From the time that a notice of termination is received by either party until the effective termination date, each party shall fully cooperate with any newly appointed party performing the duties contemplated hereunder.

6.5. *Limitation on Liability*. In the event of termination by either party in accordance with any of the provisions of this Agreement, neither party shall be liable to the other because of such termination for compensation, reimbursement or damages on account of the loss of prospective profits or anticipated sales or on account of expenditures investments, leases or commitments in connection with the business or goodwill of Parent or Company.

6.6. *Survival of Certain Terms*. The provisions of Sections 2, 5, 6.4, 6.5, and 7 shall survive the termination or expiration of this Agreement for any reason. All other rights and obligations of the parties shall cease upon termination or expiration of this Agreement.

7. Miscellaneous

7.1. *Governing Law and Jurisdiction*. All questions, concerning this Agreement, including but not limited to, the validity, operation, interpretation and construction thereof, shall be governed by and determined in accordance with the laws of the State of Israel. The parties hereto agree that all actions and proceedings arising out of or relating directly or indirectly to this Agreement shall be brought exclusively to the courts located in the District of Tel Aviv Yafo.

7.2. *Entire Agreement*. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement shall be effective unless in writing and signed by the party to be charged.

7.3. *Notices*. Any notice required or permitted by this Agreement shall be in writing and shall be deemed given if sent by prepaid registered or certified airmail, return receipt requested (if available), or sent by telex, facsimile or similar communication, and confirmed by such airmail, postage prepaid, addressed to each respective party at its principal address.

7.4. *Force Majeure.* Nonperformance of either party shall be excused to the extent that performance is rendered impossible by Strike, fire, flood, governmental acts, orders or restrictions, or any other reason where failure to perform is beyond the control and not caused by the negligence of the non-performing party, provided that the non-performing party uses its reasonable best efforts to promptly resume performance once it is possible to do so.

7.5. *Non-Assignability and Binding Effect*. This agreement may not be assigned by any party without the prior written consent of the other party.

7.6. *Counterparts*. This Agreement may be executed in two or more counterparts; each of which shall be deemed an original.

[Signature page to follow]

IN WITNESS HEREOF the parties hereto have executed this Amended and Restated Intercompany Services Agreement as of the day and year first written above.

ScoutCam Ltd.

By: /s/ Yaron Silberman /s/ Tanya Yosef
Name: Yaron Silberman / Tanya Yosef
Title: CEO / CFO

Medigus Ltd.

By: /s/ Liron Carmel /s/ Tanya Yosef
Name: Liron Carmel / Tanya Yosef
Title: CEO / CFO

Exhibit A

Services

Service	Consideration
Lease – lease of office space and clean room from Parent, located at Omer Industrial Park No. 7A, P.O. Box 3030, 8496500, Israel	Based on actual space utilized by Parent Shared space - According to Parent-Company space usage ratio.
Utilities - electricity water, IT and communication services (including internet and telephone), etc.	Based on Parent-Company employee ratio and actual costs incurred
Car Services - Car services, including car rental, gas usage, payment for toll roads, etc.	100% of expense incurred from a Company employee car
Insurance - directors and officers insurance	Parent shall pay $150,000 of the annual premium.
CFO Services – CFO service services	50% of Parent CFO employer cost
Direct Expense - every direct expense of the Company that is paid by Parent in its entirety	100% of the Direct Expense The Parent and the Company shall approve Direct Expenses in advance.
Mutual Expense - any other mutual expense that is borne by the parties	Respective portion of the Mutual Expense The Parent and the Company shall approve Mutual Expenses in advance.

***

Exhibit 8.1

LIST OF SUBSIDIARIES

Company Name	Jurisdiction of Incorporation
Medigus USA LLC	Delaware, United States
ScoutCam, Inc	Nevada, United States
GERD IP, Inc.	Delaware, United States

Exhibit 10.1

ASSET TRANSFER AGREEMENT

THIS ASSET TRANSFER AGREEMENT, dated as of April 19, 2020 (this "Agreement"), effective as of January 20, 2020 is entered into by and between Medigus Ltd., a company organized under the laws of the State of Israel (the "Transferor"), and GERD IP, Inc., a Delaware corporation ("Transferee"). The Transferor and Transferee are referred to hereunder as the "Parties", and each of them individually as a "Party".

W I T N E S S E T H :

WHEREAS the Transferor desires to transfer and assign to the Transferee, and the Transferee desires to assume from the Transferor, the Transferred Assets (as defined below), all as more, specifically provided herein and upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE in consideration of the premises and the mutual representations, warranties, covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. TRANSFER OF ASSETS: ASSUMPTION OF LIABILITIES

1.1. Transfer of Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Transferor shall transfer, assign, convey and deliver to the Transferee and the Transferee shall accept and assume from the Transferor, all of the Transferor's rights, titles and interests in, to and under the transferred assets listed on the Assignment of Patent Rights attached hereto as Schedule 1.1 (the "Transferred Assets"), free and clear of any Liens.

1.2. No Representations. The Transferred Assets are transferred by the Transferor on an "as is" basis, namely, their state or condition on the date hereof and on the Closing Date, whether or not any fact, act or circumstance of any nature whatsoever relating thereto is known, disclosed or discussed, and regardless of any investigation, inquiry or disclosure that was or could have been made, and whether or not any fact or circumstance is different than expected by the Transferee, and without receiving or relying on any representations or warranties with respect to such matters from the Transferor and its Representatives, except for the Transferor's title in the applicable Transferred Assets being on the Closing Date free and clear of Liens.

2. CONSIDERATION; TAXES.

2.1. In consideration for the Transferred Assets, the Transferee shall issue to the Transferor seven (7) capital notes, each in an amount equal to two million US dollars (US$2,000,000) (the "Capital Notes") in the form attached hereto as Schedule 2.1.

2.2. Any tax consequences arising from the sale and assignment or any other event or act hereunder, shall be borne solely by the Transferor.

3. CLOSING

3.1. Closing Date. The closing of the transfer of the Transferred Assets (the "Closing") shall take place on the date hereof unless another time or date are agreed by the Parties (the date on which the Closing occurs, the "Closing Date"). The actions and occurrences to occur prior to or at the Closing shall be deemed to have occurred simultaneously and no action shall be deemed to have been completed and no document or certificate shall be deemed to have been delivered, until all actions are completed and all documents and certificates are delivered.

3.2. Transferee's Closing Deliverables. The Transferee shall deliver or shall cause to be delivered to the Transferor, at or prior to the Closing:

(a) Capital Notes, duly executed by the Transferee;

3.3. Transferor Closing Deliverables: The Transferor shall deliver or shall cause to be delivered to the Transferor, at or prior to the Closing:

(a) Patent Assignment Form, duly executed by the Transferor;

4. MISCELLANEOUS.

4.1. Entire Agreement. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the Parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral (with no concession being made as to the existence of any such agreements and understandings), among the Parties hereto with respect to the subject matter hereof.

4.2. Amendments and Waivers. This Agreement may be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument signed by the parties hereto, or in case of a waiver by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

4.3. No Third Party Beneficiaries; Assignment. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement, but other than rights expressly granted to Representatives of a party hereunder. No assignment of this Agreement or of any rights or obligations hereunder may be made (by operation of law or otherwise) by the Transferor or the Transferee without the prior written consent of the other party hereto and any attempted assignment without the required consents shall be void; provided, however, that after Closing, either party may assign this Agreement and any or all rights or obligations hereunder to any Affiliate.

4.4. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without giving effect to the rules of conflict of laws thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any competent court located in Tel Aviv-Jaffa, Israel, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Israel for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

4.5. Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

4.6. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile transmission or by electronic delivery in .pdf format or the like shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

- Signature Pages Follow -

IN WITNESS WHEREOF, the parties hereto have caused this ASSET TRANSFER AGREEMENT to be executed by their respective officers thereunto duly authorized, as of the date first written above.

Medigus Ltd.

By: /s/ Liron Carmel
Name: Liron Carmel
Title: Chief Executive Officer

GERD IP, Inc.

By: /s/ Eli Yoresh
Name: Eli Yoresh
Title: President & Chief Executive Officer

(Signature page to Asset Transfer Agreement)

SCHEDULE 1.1

Assignment of Patent Rights

[***]

SCHEDULE 2.1

CAPITAL NOTE #__

As of

January 20, 2020 ("**Effective Date**")

By

GERD IP, Inc., a corporation duly organized and existing under the laws of the State of Delaware with a registered office at 251 Little Falls Drive, Wilmington, New Castle 19808 (the "**Corporation**")

For

Medigus Ltd. a corporation duly organized and existing under the laws of the State of Israel with its principal address at Omer Industrial Park, No. 7A, P.O. Box 3030 Omer 8496500 Israel (the "**Holder**")

1. This capital note (the "**Note**") is granted by the Corporation to the Holder in the principal amount of US$ 2,000,000 (two million US dollars) (the "**Principal Amount**").

2. Terms of the Note:

    a. Interest. The Principal Amount shall bear no interest or any linkage to any index.

    b. Repayment. The Principal Amount shall become due after the fifth anniversary of the Effective Date (the "**Maturity Date**"). Repayment shall be made in US dollars.

    c. Voting Rights. The Note shall not grant the Holder any rights in the share capital of the Corporation such as voting rights, other consensual rights, and similar rights attached to the shares issued by the Corporation, to the Holder.

    d. Subordinated Repayment. Until the Maturity Date, the repayment of the Principal Amount shall be subordinated to any amount, whether secured or unsecured, due by the Corporation to all creditors of the Corporation, and will only be senior to the distribution of the Corporation's assets to its shareholders upon the Corporation's insolvency or liquidation, dissolution or winding-up, voluntary or involuntary.

3. This Note shall be binding on the successors and permitted assigns of the Corporation and shall inure to the benefit of the Holder its successors and assigns; provided, however, that this note may not be, directly or indirectly, sold, assigned, transferred or disposed of in any way whatsoever to any person by any of the parties hereto, absent the prior written consent of the other party, which consent shall not be unreasonably withheld.

4. None of the terms of this Note may be amended or otherwise waived except by an instrument executed by both parties hereto

5. This note shall be governed by the laws of the State of Israel. The parties agree that the courts of the Tel-Aviv district shall have the exclusive jurisdiction in connection with this Note.

GERD IP, Inc.
By: Eli Yoresh, President & Chief Executive Officer

Accepted by: Medigus Ltd.

By: Liron Carmel, Chief Executive Officer

Exhibit 10.2

FOUNDERS AGREEMENT

This Founders Agreement (this "**Agreement**") is entered into as of January 12, 2020 (the "**Effective Date**"), by and among Medigus Ltd., a company incorporated under the laws of the State of Israel ("**Medigus**") and Kfir Zilberman, whose address is at 20 Raoul Wallenberg St., Tel Aviv 6971916, Israel ("**Zilberman**"), referred to together as the "**Founders**" and sometimes referred to individually as a "**Founder**".

WHEREAS, the Founders wish to form a private company named GERD IP, Inc. under the laws of the State of Delaware (the "**Company**"), with the purpose of monetizing certain patents to be transferred by Medigus to the Company (the "**Purpose**");

WHEREAS, in order to further the Purpose, Medigus shall transfer certain patents to the Company in consideration for US$14 million in capital notes issued by the Company;

WHEREAS, Zilberman serves as a consultant to Medigus and desires to assist Medigus in connection with the Purpose by acting as Founder of the Company for no consideration besides the right to receive dividend distributions by the Company, if and when applicable; and

WHEREAS, the Founders desire to set forth and regulate their respective rights and obligations with respect to the Company, its operations and the Purpose, in accordance with the terms and conditions provided for herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, and covenants contained herein, the Founders hereby agree as follows:

1. **INCORPORATION; ISSUANCE OF SHARES IN THE COMPANY.**

1.1 Incorporation. The Founders intend to form the Company as soon as practicable in the State of Delaware (the "**Incorporation**").

1.2 Share Capital. The Company's initial authorized and issued share capital shall consist of one class of ordinary shares (the "**Shares**"), all of which shall rank *pari passu* in all respects. Each issued and outstanding Share shall be entitled to one vote in any matter brought before the shareholders of the Company. The Shares shall not have any preferences in dividend, liquidation or any other matter.

1.3 Founder Share Allocation. Upon the Incorporation, the Company's issued share capital shall be allocated among the Founders such that Medigus shall own 90% and Zilberman shall own 10% of the Company's share capital on a fully diluted basis.

2. **UNDERTAKINGS OF THE FOUNDERS**.

2.1 Each of the Founders shall commit the time necessary to further the Purpose and undertake to serve the interests of the Company diligently and with maximum ethics and care, and to use his best efforts to promote the business of the Company.

2.2 Each of the Founders undertakes to notify the Board immediately in the event of the occurrence, or possibility, of any conflict of interests between him and the Company or between him and the other Founders.

2.3 The Founders hereby acknowledge and confirm that all proceeds arising from the Purpose shall be used primarily for repayment of any outstanding loans extended by Medigus to the Company, including, but not limited to, the repayment of seven (7) capital notes, each in an amount equal to two million US dollars to be issued in consideration for the transfer of certain patents by Medigus to the Company, with any residual proceeds to be distributed to the Founders subject to the Company's board of directors full discretion. For the avoidance of doubt, Zilberman hereby confirms that he shall not be entitled to any other consideration, besides the aforementioned dividend distributions if any, in connection with his capacity as Founder.

3. **TRANSFER OF SHARES**.

3.1 No Sale. For a period of five (5) years commencing on the date of Incorporation, the Founders shall not sell, transfer, assign, pledge or otherwise dispose of (each, a "**Transfer**"), any of the Shares held by them, other than in accordance with the terms of this Agreement. The Founders hereby acknowledges that any attempted Transfer in violation of this Agreement shall be void and of no force and effect and shall not be honored by the Company.

3.2 Notwithstanding the above and except for the Purpose, the Founders shall not under any circumstance Transfer their respective Shares to a person or entity engaged in a business similar to the Purpose, or engaged in a business similar to the business of Medigus ("**Competitor**").

3.3 Right of First Offer. Subject to this Section 3, if Zilberman (the "**Selling Party**") desires to Transfer any or all of its Shares in the Company, whether ordinary shares or not, he shall be required to first offer the shares that he wishes to transfer (the "**Offered Shares**") to Medigus (the "**First Offer Party**"), the First Offer Party being entitled to purchase the Offered Shares. The Selling Party shall send the First Offer Party a written offer in which the Selling Party shall specify the following information (the "**First Offer**"): (i) the number of shares that the Selling Party proposes to sell or transfer; (ii) a representation and warranty that the shares proposed to be sold or transferred are Free and Clear; and (iii) the price that the Selling Party intends to receive in respect of the Offered Shares, which price shall be stated in cash, and the requested terms of payment thereof.

3.3.1 The First Offer shall constitute an irrevocable offer made by the Selling Party to sell the Offered Shares to the First Offer Party, upon the terms specified in the First Offer and as described below.

3.3.2 If the First Offer Party shall wish to purchase the Offered Shares, it shall notify the Selling Party of its desire to purchase its respective Offered Shares within 14 calendar days of receipt of the First Offer, and following the purchase by the First Offer Party of the Offered Shares on the terms specified in the First Offer, the Offered Shares shall become the property of the First Offer Party.

3.3.3 If the First Offer Party declines the First Offer to purchase the Offered Shares upon the terms specified in the First Offer or does not respond to the First Offer within the 14 calendar day period, the Selling Party may sell the Offered Shares to a third party, provided that (i) such sale is consummated at a price that is not lower than that specified in the First Offer; and (ii) such sale is subject to payment terms that are no more favorable to the purchaser than those specified in the First Offer, all within 90 calendar days of the expiration of the period specified in Section 3.3.2 above; and (iii) the third party, with respect to such sale, is not, and is not related, directly or indirectly, to a Competitor.

3.3.4 The provisions of this Section 3.3 shall not apply to a Transfer by will or succession, or to a Permitted Transferee (as defined below) provided, however, that, in each case (i) the Transfer of shares to such transferee is in compliance with all of the Company's formation documents, as shall be amended from time to time, this Agreement, and any other agreement governing the subject matter hereof and to which the transferor-Founder is subject, as the case may be from time to time; and (ii) such transferee undertook in advance and in writing to be bound by and to be subject to the terms and conditions of this Agreement, and of any other agreement governing the subject matter hereof and to which the transferor-Founder is subject, as shall be from time to time, as if it were an original Founder thereunder.

3.3.5 For the purpose of this Agreement, the term "**Permitted Transferees**" shall mean one or more voluntary Transfers to (i) a parent, sibling, spouse, lineal descendant or antecedent (other than pursuant to any decree of divorce, dissolution or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse (except for bona fide estate planning purposes)); (ii) a trust for the benefit of the transferor or any of the persons indicated in clause (i); or (iii) an entity wholly owned and controlled by the transferor.

3.4 Bring Along. In the event that Founders holding at least 51% of the shares held by all Founders at such time (the "**Requisite Majority**") (in this Section, the "**Proposing Shareholders**") (i) accept an offer to sell all of their Shares to a third party not affiliated with the Proposing Shareholders, and (ii) such third party requires that all share capital of the Company is acquired in such transaction (a "**Sale of the Company**"), all remaining Founders shall be required to sell all of their Shares to such third party in such Sale of the Company, upon the same terms and conditions as applicable to the Proposing Shareholders, and shall vote all their Shares in favor of such Sale of the Company and shall take such other action and sign such other documents in furtherance of the foregoing.

4. **REPRESENTATION, WARRANTIES AND COVENANTS**

4.1 Each of the Founders hereby represents, warrants, covenants and undertakes to the other Founder and the Company as follows:

4.1.1 Such Founder is not obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency that would conflict with the obligations specified in this Agreement or with the interests of the Company. Neither the execution nor performance of this Agreement by such Founder will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, agreement, judgment, decree or order of any court or administrative agency under which such Founder is now obligated.

5. **CONFIDENTIALITY**

5.1 Each of the Founders hereby acknowledges and agrees that any information regarding the Company and its business or regarding the other Founder or this Agreement will not be disclosed, except to the extent required in order to perform such Founder's duties to the Company in his engagement with the Company and his capacity as an employee, consultant or officer of the Company or with the prior written consent of the Company, to any third party and will not be used for any purpose other than as set forth in this Agreement or as required in order to perform such Founder's duties to the Company in his capacity as an employee, consultant or officer of the Company. The foregoing provision shall not apply to (i) information which is in the public domain, except as a result of a breach of a confidentiality obligation to the Company; (ii) information which is required (at the advice of counsel) to be disclosed under applicable law and only to the extent so required, provided, however, that such Founder shall use his reasonable best efforts to promptly advise the Company in writing prior to such disclosure in order to permit the Company to seek an appropriate protective order or other remedy, that such disclosure shall be made only to the extent required by such law or court order, and that such disclosing Founder will use his reasonable best efforts to ensure that information so disclosed will be accorder confidential treatment; or (iii) disclosure of this Agreement in connection with a due diligence investigation conducted by a bona fide investor in or acquirer of the Company (and/or their respective advisors), subject to such receiving party being subject to customary confidentiality obligations.

6. **INDEMNIFICATION**

6.1 Medigus undertakes to indemnify Zilberman and hold him harmless (without limitation) with respect to any liability or expense imposed or incurred by Zilberman in connection with his capacity as a shareholder of the Company, irrespective of whether he remains a shareholder at the time, including all Litigation Expenses incurred as a consequence of legal proceedings arising from the Purpose or in connection thereto, whether initiated by the Company or a third party against the Company, Zilberman or Medigus, as well as costs arising from responses to discovery requests in any proceeding involving the Company and Zilberman.

6.2 "**Litigation Expenses**" include, without limitation, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a proceeding. Litigation Expenses also shall include litigation expenses incurred in connection with any appeal resulting from any proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

7. **MISCELLANEOUS PROVISIONS.**

7.1 Expenses. Each party shall bear his own expenses in connection with this Agreement.

7.2 Entire Agreement. This Agreement, including the exhibits and schedules hereto embody the entire agreement and understanding of the Founders in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Founders with respect to such transactions.

7.3 Amendment and Modification. This Agreement may be amended, modified or supplemented only by written agreement of the Founders holding a majority interest in the Company.

7.4 Assignment. No Founder may assign this Agreement or any of his or its rights, interests, or obligations hereunder without the prior written approval of the other Founders.

7.5 Termination and Survival. This Agreement shall terminate with respect to a Founder once such Founder no longer holds shares in the Company as of such date. Notwithstanding the foregoing, Sections 6 shall survive any termination.

7.6 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, the failure of any of the Founders to comply with any obligation, covenant, agreement or condition herein may be waived by the Founder or Founders entitled to the benefits thereof only by a written instrument signed by the Founder granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

7.7 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon delivery if delivered personally or sent by facsimile transmission with electronic confirmation, or four (4) business days following the date upon which such notice was sent, if mailed by registered or certified mail (return receipt requested), postage prepaid, to the Founders at the addresses as mentioned in the signature page to this Agreement (or at such other address for a Founder as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof).

7.8 Governing Law; Jurisdiction; Interpretation. This Agreement shall be governed by and construed in accordance with the laws of the state of Israel, without giving effect to principles of conflicts of law of any jurisdiction. Any dispute arising under or in relation to this Agreement shall be resolved in the competent court for Tel Aviv-Jaffa district only, and each of the parties hereby submits irrevocably to the exclusive jurisdiction of such court.

7.9 Severability. If any provision of this Agreement is held by a competent court to be invalid or unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

7.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, it being understood that all Founders need not sign the same counterpart and that signatures may be provided by facsimile transmission.

[Signature Page Follows]

IN WITNESS HEREOF, the Founders hereto have duly executed this Agreement as of the Effective Date, in one or more counterparts.

Medigus Ltd.

By: /s/ Liron Carmel
Name: Liron Carmel
Title: Chief Executive Officer
Address: Omer Industrial Park, No. 7A, P.O. Box 3030, Omer 8496500, Israel

/s/ Kfir Zilberman
Kfir Zilberman
Address: 20 Raoul Wallenberg Street, Tel Aviv 6971916, Israel

[Signature Page to GERD IP Founders Agreement]

Exhibit 10.3

AMENDED AND RESTATED ASSET TRANSFER AGREEMENT

THIS AMENDED AND RESTATED ASSET TRANSFER AGREEMENT, dated as of December 1, 2019 (the "Agreement"), effective as of March 1, 2019 (the "Effective Date") is entered into by and between ScoutCam Ltd., a company organized under the laws of the State of Israel (the "Transferee"), and Medigus Ltd., a company organized under the laws of the State of Israel ("Transferor"). The Transferee and Transferor are referred to hereunder as the "Parties", and each of them individually as a "Party".

W I T N E S S E T H:

WHEREAS the Transferor and Transferee have previously entered into an Asset Transfer Agreement, dated as of March 1, 2019 (the "Prior Agreement"); and

WHEREAS the Parties wish to treat such Prior Agreement as null and void and to replace the Prior Agreement with the Agreement in all respects; and

WHEREAS the Agreement does not provide for transfer of any IIA funded know-how, patents or intellectual property of any kind; and

WHEREAS the Transferor has developed a miniature video technology, referred to as ScoutCam™; and

WHEREAS the Board of Directors of the Transferor has caused the formation of the Transferee and has decided that Transferee shall engage in the Transferee's Business (as defined below); and

WHEREAS Transferor desires to transfer and assign to the Transferee, and the Transferee desires to assume from the Transferor, the Transferred Assets and Assumed Liabilities (as defined below), all as more specifically provided herein and upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE in consideration of the premises and the mutual representations, warranties, covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. **DEFINITIONS**

1.1. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

1.1.1. "Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise. For purposes of this Agreement, Transferor and Transferee shall not be deemed Affiliates of one another.

1.1.2. "Documents" means all files, documents, instruments, correspondence, papers, books, reports, records, tapes, microfilms, photographs, letters, e-mails archives (solely of Employees and consultants), budgets, forecasts, ledgers, journals, customer lists, customer files, supplier lists, regulatory filings, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing and advertising documentation (sales brochures, flyers, pamphlets, promotional materials, web pages, etc.), and other similar materials, in each case in whatever form, including electronic databases, printed and other electronic media.

1.1.3. "Governmental Body" means any: (a) nation, principality, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature, (b) federal, state, local, municipal, foreign or other government, (c) governmental, quasi-governmental or regulatory body of any nature, including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, organization, unit, or body, (d) court, public or private arbitrator or other public tribunal or (e) fiscal, revenue, customs or excise authority, body, agency or official.

1.1.4. "IIA" means the Israeli Innovation Authority of the Ministry of Economy and Industry of the State of Israel (formerly known as the Office of the Chief Scientist).

1.1.5. "Law" means any federal, state, local, municipal, foreign or other law (including common law), statute, legislation, constitution, code, order, edict, decree, proclamation, treaty, convention, directive, ordinance, rule, regulation, permit, ruling, determination, decision, interpretation or other requirement that is issued, enacted, adopted, passed, approved, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body and is applicable to and binding upon the relevant Person.

1.1.6. "Lien" means any lien, pledge, security interest, charge, impairment of title, right of first refusal or other rights granted or created by the Transferor or any of its Subsidiaries to third parties (other than licenses or rights of use in the ordinary course of business), it being clarified that when referring to a right of use or license from a third party, "Lien" shall only refer to the right of use or license and not to the underlying asset or right.

1.1.7. "Person" means (whether or not a capitalized term) any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, estate, unincorporated organization, Governmental Body or other entity, including any party to this Agreement.

1.1.8. "Representative(s)" means, with respect to any Person, such Person's Affiliates and the respective directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors of such Person and its Affiliates, and the successors and assigns of any of the foregoing.

1.1.9. "Transferee's Business" means certain of the operations and activities currently conducted by the Transferor, including the research, development, marketing, sale, distribution and maintenance of, and the provision of services for, the products, applications, technologies or solutions, relating to the miniature video technology, referred to as ScoutCam™ (the "Products").

2. TRANSFER OF ASSETS; ASSUMPTION OF LIABILITIES

2.1. Transfer of Assets. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Transferor shall transfer, assign, convey and deliver to the Transferee and the Transferee shall accept and assume from the Transferor, all of the Transferor's rights, titles and interests in, to and under the transferred assets listed on Schedule 2.1 (the "Transferred Assets"), free and clear of any Liens.

The Transferred Assets shall include, in addition to the assets listed on Schedule 2.1:

2.1.1. all rights and title to the severance funds maintained for or on behalf of the Transferred Employees;

2.1.2. all past, present and future causes of action and other enforcement rights primarily under, or on account of, the Transferee's Business, the Products or any of the Transferred Assets, including, without limitation, all causes of action and other enforcement rights for damages, profits, royalties or other payments, injunctive relief, and any other remedies of any kind for past, current and future infringement, misappropriation or any violations of any one of the rights embodied in any of the Transferred Assets;

2.1.3. all of the goodwill associated with the Transferee's Business and/or any of the Transferred Assets;

2.1.4. all Documents that are primarily used or relate to the Transferee's Business or any of the Transferred Assets;

2.1.5. all other current assets of the Transferee's Business.

Any rights, assets, properties and business that fall within the above definition of Transferred Assets shall be deemed a Transferred Asset, notwithstanding the failure to list the same on any of the aforementioned lists and schedules.

2.2. Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement, at the Closing, the Transferee shall assume all liabilities related to or arise from the Transferred Assets, the Products and/or the Transferee's Business and/or the operation of the Transferee's Business, including without limitation liabilities arising from the Transferred Assets (the "Assumed Liabilities").

2.3. No Representations. The Transferred Assets are transferred by the Transferor on an "as is" basis, namely, their state or condition on the date hereof and on the Closing Date, whether or not any fact, act or circumstance of any nature whatsoever relating thereto is known, disclosed or discussed, and regardless of any investigation, inquiry or disclosure that was or could have been made, and whether or not any fact or circumstance is different than expected by the Transferee, and without receiving or relying on any representations or warranties with respect to such matters from the Transferor and its Representatives, except for the Transferor's title in the applicable Transferred Assets being on the Closing Date free and clear of Liens.

2.4. Further Conveyances and Assumptions.

2.4.1. From time to time following the Closing and without additional consideration to the Transferor, the Transferor and the Transferee shall execute, acknowledge and deliver in a reasonably prompt manner, all such further deeds, agreements, instruments, conveyances, notices, assumptions, releases and such other instruments, and shall take such further actions, in each case, as may be commercially reasonably necessary or appropriate to assure fully to the Transferee and its respective successors or assigns, all of the properties, rights, titles, interests, remedies, powers and privileges intended to be conveyed to the Transferee under this Agreement, including with respect to the Transferred Assets, and to assure fully to the Transferor and its Affiliates, successors and assigns, the assumption of the Assumed Liabilities, and to otherwise make effective the transactions contemplated hereby and thereby.

3. LICENSES; CONSULTATION SERVICES;

3.1. Back License. With respect to the patents included in Schedule 2.1(a) (the "Transferred IP"), Transferee hereby grants Transferor a perpetual, transferable, worldwide, royalty free, sub-licensable license to access and use the Transferred IP for the purpose of developing, marketing and sale of the Transferor's Medigus Ultrasonic Surgical Endostapler (collectively, the "License Back").

3.2. Patent License.

3.2.1. With respect to the patents included in Schedule 3.2 (the "Licensed IP"), Transferor hereby grants Transferee a perpetual, non-exclusive, transferable, royalty free, license to access, use, improve, develop either by or on behalf of the Transferee, market and sell the Licensed IP, including the right to any future versions, enhancements, improvements and derivative works of the Licensed IP for the purpose of developing and commercializing the Products (collectively, the "License").

3.2.2. As a condition of the License, Transferor shall not sell, offer to sell or grant any ownership right in the Licensed IP to any potential direct competitor of Transferee. For the avoidance of doubt, the License does not (and shall not be construed) to limit or restrict the Transferor's right to grant any additional licenses relating to the Licensed IP including to non-direct competitors of Transferee.

3.3. Consulting Services. Transferee shall provide Transferor consultancy and support services for no consideration, on matters relating to the management, development, maintenance and commercialization of Transferor's patent portfolio (the "Consulting Services").

3.4. Successors and Assigns. The terms and conditions of the License will bind and inure to the benefit of each of the Parties, their successors and Affiliates.

4. **CONSIDERATION; TAXES.**

4.1. In consideration for the Transferred Assets and Assumed Liabilities Transferee issues Transferor 1,000,000 ordinary shares, no par value each, of Transferee.

4.2. Any tax consequences arising from the sale and assignment or any other event or act hereunder, shall be borne solely by the Transferor.

5. CLOSING

5.1. Closing Date. Subject to the satisfaction or waiver of the conditions set forth in Section 7 hereof, the closing of the transfer of the Transferred Assets and the assumption of the Assumed Liabilities (the "Closing") shall take place at the offices of Meitar, Liquornik, Geva, Leshem, Tal, Law Offices, at 10:00 a.m. (Israel time) on not later than the second business day following the date on which the condition to Closing set forth in Section 7 is met or waived, as applicable, unless another time or date, or both, are agreed by the Parties (the date on which the Closing occurs, the "Closing Date"). The actions and occurrences to occur prior to or at the Closing shall be deemed to have occurred simultaneously and no action shall be deemed to have been completed and no document or certificate shall be deemed to have been delivered, until all actions are completed and all documents and certificates are delivered.

5.2. Transferor's Closing Deliverables. The Transferor shall deliver or shall cause to be delivered to the Transferee, at or prior to the Closing:

5.2.1. The Bill of Transfer, duly executed by the Transferor, in the form attached hereto as Schedule 5.2.1;

5.2.2. Assignment deeds and powers of attorney with respect to any and all registrable Transferred Assets, and all the applications to register any of the foregoing, in forms suitable for recordation in all jurisdictions, duly executed by the Transferor;

5.2.3. Executed Transfer Letter for each one of the Transferred Employees.

5.3. Transferee's Closing Deliverables. The Transferee shall deliver or shall cause to be delivered to the Transferor, at or prior to the Closing a counterpart of the documents referred to in Section 5.2 duly executed by the Transferee.

6. ADDITIONAL COVENANTS AND AGREEMENTS.

6.1. Intercompany Services. Following the Closing the Transferor shall provide the Transferee with certain services, including but not limited to administrative and office space services. The Parties wish to set their responsibilities in this regard in accordance with **Appendix A**.

6.2. Employees.

6.2.1. Promptly following the date hereof, the Transferee shall make an offer of continued employment ('*haavara beretzef*' in Hebrew), effective as of the Closing Date and contingent on the completion of the transactions contemplated hereunder, to the employees agreed upon separately by the Parties to be fully countersigned by such employees (such form and any ancillary document thereto, including waivers, shall be hereinafter referred to as the "Employee Offer"). Such employees who countersign the Employee Offer and are transferred to Transferee at Closing are hereinafter referred to as "Transferred Employees".

6.2.2. (a) The Transferor hereby consents to the transfer at the Closing of each of the Transferred Employees to the Transferee and each such employee shall become an employee of the Transferee at the Closing, and (b) the Transferor hereby undertakes to transfer and assign to the Transferee for the benefit of the Transferred Employees (i) all education funds ('*keren hishtalmut*'), managers' insurance policies ('*bituach menahalim*') and/or pension funds, severance pay funds and any other funds and (ii) any accruals (prorated for partial month) for salary (including for the pay period in which the Closing occurs), accrued annual vacation, recuperation fees entitlement, in each case of clauses (i) and (ii), that have been reserved or contributed by the Transferor (whether required by applicable law, custom or agreement) with respect to any of such Transferred Employees (the "Transferor Existing Funds") and all of the Transferor's rights with regard thereto. It is hereby acknowledged and agreed that to the extent that any of the Transferor Existing Funds at Closing are not sufficient to cover all such funds to which any Transferred Employee is entitled through the Closing Date (by applicable law, custom or agreement), the Transferor shall transfer cash equal to the shortfall amount to the Transferor Existing Funds. Prior to the Closing, the Transferor shall make (and the Transferee shall cooperate with the Transferor to the extent required) the appropriate filings with the ITA for the transfer of the Transferor Existing Funds from the Transferor to the Transferee, and the Transferor shall submit, within the appropriate time periods, all required documents to the Transferred Employees' funds and insurance policies. At the Closing or promptly thereafter (but not as a condition to Closing), the Transferor will transfer to Transferee all its title, rights and interests in and to the Transferor Existing Funds.

6.2.3. The Transferred Employees shall transfer to the Transferee, as applicable, with continuity of rights, and whilst taking their term of employment with the Transferor in account for purposes of the calculation of their rights and entitlements.

6.2.4. Notwithstanding any obligations of any Transferred Employee to the Transferor, all Transferred Employees (i) shall be permitted, on and after the Closing Date, to engage in the Transferee's Business, and (ii) shall be relieved and released from the confidentiality and non-compete obligations owed to the Transferor solely to the extent required to perform the obligations and duties under their respective employment or engagement agreements with the Transferee.

7. CONDITION TO CLOSING

7.1. Condition Precedent to the Obligations of Each Party. The respective obligations of each of the Transferee and the Transferor to effect the Closing shall be subject to Transferor and Transferee obtaining the approval of the IIA to cancel the Prior Agreement.

8. TERMINATION OF AGREEMENT.

8.1. This Agreement may be terminated prior to the Closing by mutual written consent of the Transferee and the Transferor. In the event of termination, each of the Parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without any liability to any of the Parties and their respective Representatives.

9. MISCELLANEOUS.

9.1. Entire Agreement. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the Parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral among the Parties hereto with respect to the subject matter hereof. For the avoidance of doubt, the asset transfer agreement by and between the Parties entered as of March 14, 2019, as amended thereafter on July 21, 2019 is hereby null and void. Notwithstanding the above, the asset transfer agreement between the parties, dated as of September 3, 2019, effective as of May 28, 2019 shall remain in full force and effect.

9.2. Amendments and Waivers. This Agreement may be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument signed by the parties hereto, or in case of a waiver by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

9.3. No Third Party Beneficiaries; Assignment. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement, but other than rights expressly granted to Representatives of a party hereunder. No assignment of this Agreement or of any rights or obligations hereunder may be made (by operation of law or otherwise) by the Transferor or the Transferee without the prior written consent of the other party hereto and any attempted assignment without the required consents shall be void; provided, however, that after Closing, either party may assign this Agreement and any or all rights or obligations hereunder to any Affiliate.

9.4. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without giving effect to the rules of conflict of laws thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any competent court located in Tel Aviv-Jaffa, Israel, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Israel for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

9.5. Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

9.6. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile transmission or by electronic delivery in .pdf format or the like shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

- Signature Pages Follow -

IN WITNESS WHEREOF, the parties hereto have caused this AMENDED AND RESTATED ASSET TRANSFER AGREEMENT to be executed by their respective officers thereunto duly authorized, as of the date first written above.

Medigus Ltd.

By: /s/ Liron Carmel /s/ Tatiana Yosef

Name: Liron Carmel / Tatiana Yosef

Title: CEO / CFO

ScoutCam Ltd.

By: /s/ Benad Goldwasser /s/ Yaron Silberman

Name: Benad Goldwasser / Yaron Silberman

Title: Chairman / CEO

Schedule 2.1

List of Transferred Assets

[***]

Schedule 3.2

List of Licensed Assets

[***]

Schedule 5.2.1

BILL OF TRANSFER

THIS BILL OF TRANSFER (this "Bill") is made as of March 1, 2019 by and between Medigus Ltd. ("Transferor") and ScoutCam Ltd. ("Transferee"). Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to them in that certain Amended and Restated Asset Transfer Agreement by and between Transferor and Transferee (the "Amended and Restated Asset Transfer Agreement").

W I T N E S S E T H:

WHEREAS Pursuant to the Amended and Restated Asset Transfer Agreement, Transferor has agreed to convey, assign, transfer and deliver to Transferee all right, title and interest of Transferor in and to all of the Transferred Assets; and

WHEREAS Pursuant to due authorization, Transferor is executing and delivering this Bill for the purpose of conveying, assigning, transferring and delivering to Transferee all of its right, title and interest in and to the Transferred Assets.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, hereby agree as follows:

1) Transferor hereby transfers to Transferee and its successors and assigns the Transferred Assets and any and all legal and equitable interests therein, and Transferee hereby accepts such Transferred Assets, all in accordance with the terms and subject to the conditions set forth in the Amended and Restated Asset Transfer Agreement. Neither the making nor the acceptance of this Bill shall amend, restrict or otherwise modify any of the terms of the Amended and Restated Asset Transfer Agreement or the rights and obligations of the parties thereunder.

2) Upon the transfer contemplated hereunder, Transferee shall have and hold the Transferred Assets, forever, to its own proper use and behalf.

3) Upon the transfer contemplated hereunder, Transferee shall acquire the right to collect, assert, and enforce all claims, causes of action, rights of recovery and rights of set off, pertaining to or arising out of the Transferred Assets whether before or after the Closing Date, including without limitations, the right to sue, to enforce, and collect damages.

4) Transferor shall execute, acknowledge and deliver in a reasonably prompt manner, all such further conveyances, notices, assumptions, releases and such other instruments, and shall take such further actions, in each case, as may be reasonably necessary or appropriate to assure fully to Transferee and its respective successors or assigns, all of the properties, rights, titles, interests, remedies, powers and privileges intended to be conveyed to Transferee with respect to the Transferred Assets, and to otherwise make effective the transactions contemplated hereby.

5) Transferor hereby appoints Transferee (with a right of reappointment), and its designees, representatives and the respective successors and assigns of the foregoing, the true and lawful attorney Transferee, in the name of Transferee or in the name of Transferor, to demand and receive any and all interests in the assets hereby transferred; to give releases and acquittances for or in respect of the same or any part thereof; and to collect, assert or enforce any claim, right or title hereby assigned; in each case that Transferee, or its successors and assigns, shall deem necessary or advisable. Transferor hereby declares that the foregoing powers are coupled with an interest and shall be irrevocable.

6) This Bill, together with the other applicable provisions of the Amended and Restated Asset Transfer Agreement and the Transaction Documents, sets forth the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements or understandings among the parties hereto with respect to the subject matter hereof. Notwithstanding the above, the asset transfer agreement between the parties, dated as of September 3, 2019, effective as of May 28, 2019 shall remain in full force and effect. In the event that any of the terms of this Bill conflict with or contradict any of the terms of the Amended and Restated Asset Transfer Agreement, the terms of the Amended and Restated Asset Transfer Agreement shall prevail. All matters relating to the transfer of the Transferred Assets to Transferee and not expressly regulated hereunder, shall be deemed to be regulated by the Amended and Restated Asset Transfer Agreement.

7) This Bill shall be governed by and construed in accordance with the laws of the State of Israel, without giving effect to the rules of conflict of laws thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any competent court located in Tel Aviv-Jaffa, Israel, in connection with any matter based upon or arising out of this Bill or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Israel for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

8) This Bill is being executed by Transferor and Transferee and shall be binding upon, inure to the benefit of, and be enforceable by, each of Transferor and Transferee, and their respective successors and assigns, for the uses and purposes above set forth and referred to, and shall be effective as of the date hereof.

9) This Bill may be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument signed by the parties hereto, or in case of a waiver by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought.

10) This Bill may be executed in one or more counterparts, each of which shall be deemed an original and enforceable against the parties hereto, and all of which together shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart. The exchange of an executed Bill (in counterparts or otherwise) by facsimile transmission or by electronic delivery in .pdf format or the like shall be sufficient to bind the parties to the terms and conditions of this Bill, as an original.

- Signature Pages Follow –

Medigus Ltd.

By: _____

Name:
Title:

By: _____

Name:
Title:

ScoutCam Ltd.

By: _____

Name:
Title:

By: _____

Name:
Title:

Appendix A

Intercompany Services

[***]

Exhibit 10.4

PATENT LICENSE AGREEMENT

This PATENT LICENSE AGREEMENT ("Agreement"), is dated as of December 1, 2019, made effective as of December 1, 2019 ("Effective Date"), by and between Medigus Ltd., a company organized under the laws of the State of Israel ("Licensor") and ScoutCam Ltd., a company organized under the laws of the State of Israel ("Licensee"). Licensor and Licensee are each referred to herein separately as "Party" and are referred to herein collectively as the "Parties."

W I T N E S S E T H:

WHEREAS Licensee desires to obtain a license from Licensor to use the patent described in Exhibit A, attached hereto ("Licensed IP"); and

WHEREAS Licensor is willing to grant such right and license on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties hereby agree as follows:

1. DEFINITIONS

1.1. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

1.1.1. "Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and the term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise. For purposes of this Agreement, Licensor and Licensee shall not be deemed Affiliates of one another.

1.1.2. "IIA" means the Israeli Innovation Authority of the Ministry of Economy and Industry of the State of Israel (formerly known as the Office of the Chief Scientist).

1.1.3. "Law" means any federal, state, local, municipal, foreign or other law (including common law), statute, legislation, constitution, code, order, edict, decree, proclamation, treaty, convention, directive, ordinance, rule, regulation, permit, ruling, determination, decision, interpretation or other requirement that is issued, enacted, adopted, passed, approved, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body and is applicable to and binding upon the relevant Person.

1.1.4. "Person" means (whether or not a capitalized term) any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, estate, unincorporated organization, Governmental Body or other entity, including any party to this Agreement.

1.1.5. "Representative(s)" means, with respect to any Person, such Person's Affiliates and the respective directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors of such Person and its Affiliates, and the successors and assigns of any of the foregoing.

1.1.6. "M&A Event" means a merger, acquisition or sale of all or substantially all of the assets of Licensee.

1.1.7. "Products" means products, applications, technologies or solutions, relating to the miniature video technology, referred to as ScoutCam™.

2. PATENT LICENSE

2.1. With respect to the patent included in Exhibit A (the "Licensed IP"), Licensor hereby grants Licensee, subject to the IIA prior approval, a perpetual, non-exclusive, transferable solely upon an M&A Event, royalty free, license to access, use, improve, develop either by or on behalf of the Licensee, market and sell the Licensed IP, including the right to any future versions, enhancements, improvements and derivative works of the Licensed IP for the purpose of developing and commercializing the Products (collectively, the "License").

2.2. As a condition of the License, Licensor shall not sell, offer to sell or grant any ownership right in the Licensed IP to any potential direct competitor of Licensee. For the avoidance of doubt, the Licensee does not (and shall not be construed) to limit or restrict the Licensor's right to grant any additional licenses relating to the Licensed IP including to non-direct competitors of Licensee.

2.3. Successors and Assigns. The terms and conditions of the License will bind and inure to the benefit of each of the Parties, their successors and Affiliates.

3. REPRESENTATIONS AND WARRANTIES

3.1. General. Each Party hereby represents and warrants that it has the full legal right, power, and authority to enter into this Agreement and to perform its obligations hereunder, that the performance of such obligations will not conflict with or result in a breach of any agreement to which such Party is a party or is otherwise bound, and that this Agreement is legally binding upon such representing and warranting Party.

3.2. The License is granted to Licensee on an as-is basis, and all representations and warranties, whether express, implied, statutory or otherwise, including, without limitation, any implied warranty of merchantability, fitness for a particular purpose or non-infringement, are hereby disclaimed to the maximum extent permitted by applicable law by Licensor, and Licensee assumes the full risk in connection therewith.

4. CONDITION OF LICENSE

4.1. Condition Precedent to the Obligation of Each Party. The grant of the License shall be subject to the prior approval of IIA, to the extent required (the "IIA Approval"). Licensor shall submit as soon as practicable an appropriate request for the grant of the IIA Approval and will use best efforts to obtain the IIA Approval as soon as possible. In the event that the IIA Approval is not obtained within ninety (90) days of the Effective Date, Licensee may opt to terminate this Agreement without any further liability to Licensor.

4.2. IIA Undertaking. As condition of receiving the License, Licensee will be obligated to execute and undertaking in a form acceptable to Licensor, pursuant to which Licensee agrees to comply with the obligations stipulated by the Law for Encouragement of Research& Development, 1984.

5. CONSIDERATION; TAXES

5.1. In consideration for the Transferred Assets and Assumed Liabilities Licensee issues Licensor 1,000,000 ordinary shares, no par value each, of Licensee.

5.2. Any tax consequences arising from the sale and assignment or any other event or act hereunder, shall be borne solely by the Licensor.

6. MISCELLANEOUS

6.1. Entire Agreement. The Parties hereto acknowledge that this Agreement and each of the exhibits attached hereto set forth the entire agreement and understanding of the Parties as to the subject matter hereto, and supersedes all prior and contemporaneous discussions, agreements and writings in respect hereto.

6.2. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, without giving effect to the rules of conflict of laws thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any competent court located in Tel Aviv-Jaffa, Israel, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Israel for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction and such process.

6.3. Binding Effect. This Agreement shall be binding upon the Parties immediately upon signing of the Agreement by the Parties, subject to fulfillment of the conditions in Section 4.

6.4. No Third Party Beneficiaries; Assignment. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement, but other than rights expressly granted to Representatives of a party hereunder. No assignment of this Agreement or of any rights or obligations hereunder may be made (by operation of law or otherwise) by the Licensor or the Licensee without the prior written consent of the other party hereto and any attempted assignment without the required consents shall be void; provided, however, that after Closing, either party may assign this Agreement and any or all rights or obligations hereunder to any Affiliate.

6.5. Amendment and Waivers. This Agreement may be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument signed by the Parties, or in case of a waiver by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. No action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

6.6. Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

6.7. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart. The exchange of an executed Agreement (in counterparts or otherwise) by facsimile transmission or by electronic delivery in .pdf format or the like shall be sufficient to bind the parties to the terms and conditions of this Agreement, as an original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Licensor and Licensee have executed this Patent License Agreement by their respective duly authorized representatives as of the date first written above.

Medigus Ltd.		**ScoutCam Ltd.**	
By:	/s/ Liron Carmel /s/ Tatiana Yosef	**By:**	/s/ Benad Goldwasser /s/ Yaron Silberman
Name:	**Liron Carmel / Tatiana Yosef**	**Name:**	**Benad Goldwasser / Yaron Silberman**
Title:	**CEO / CFO**	**Title:**	**Chairman / CEO**

Exhibit A

Licensed IP

[***]

Exhibit 10.5

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of June 19, 2019, by and among Medigus Ltd., a company organized under the laws of Israel (the "Purchaser"), Algomizer Ltd., a company organized under the laws of Israel (the "Company") and Linkury Ltd. a company organized under the laws of Israel and a fully-owned (100%) subsidiary of Company ("Linkury").

WHEREAS, subject to the terms and conditions set forth in this Agreement each of the Company and Linkury desire to issue and sell to Purchaser, and Purchaser desires to purchase from the Company and Linkury, securities of the Company and Linkury as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company (on behalf of itself and Linkury) and the Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

"ADS(s)" means American Depositary Shares issued pursuant to the Deposit Agreement (as defined below), each representing twenty (20) ordinary shares, par value NIS 1.00 per share of Purchaser (each such ordinary share of Purchaser shall be referred to as "MDGS Share(s)").

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

"Alternative Stock Consideration" shall have the meaning ascribed in Section 2.5(b)(iv) herein.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States, a legal holiday in the State of Israel or any day on which banking institutions in the State of New York or in the State of Israel are authorized or required by law or other governmental action to close.

"Closing" means the closing of the purchase and sale of the securities pursuant to Section 2.1.

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchaser's obligations to pay the Closing Consideration and issue the MDGS Warrant and (ii) the Company's obligations (on its behalf and on behalf of Linkury) to deliver the Purchased Shares and issue the Company Warrant, in each case, have been satisfied or waived.

"Commission" means the United States Securities and Exchange Commission.

"Company Warrant" means the warrant delivered to the Purchaser at Closing in accordance with Section 2.5(a) hereof, which Company Warrant shall be exercisable for Ordinary Shares in an aggregate amount of up to 100% of the Purchased Shares (as adjusted in accordance with the terms of this Agreement) at an exercise price of NIS 5.25 per Ordinary Share. Company Warrant Shares are subject to adjustment for reverse and forward share splits, cash and share dividends, share combinations and other similar transactions of the Ordinary Shares that occur after the date of this Agreement, and may be exercised for a period of three (3) years from the Closing Date, in the form of Exhibit A attached hereto.

"Company Warrant Shares" means the Ordinary Shares issuable upon exercise of the Company Warrant(s).

"Deposit Agreement" means the Deposit Agreement dated May 15, 2015, among the Company, The Bank of New York Mellon as Depositary and the owners and holders of ADSs from time to time, as such agreement may be amended or supplemented.

"Depositary" means The Bank of New York Mellon, as Depositary under the Deposit Agreement.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"ISA" means the Israel Securities Authority.

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Linkury Per Share Purchase Price" equals NIS 12.34 per Linkury Share, subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of ADSs that occur after the date of this Agreement and prior to the Closing Date.

"Linkury Share(s)" means the ordinary shares of Linkury, no par value per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"MDGS Warrant" means, the warrant delivered to the Company at Closing in accordance with Section 2.5(b)(v) hereof, which shall be exercisable for ADSs in an aggregate amount of up to 100% of the ADSs Consideration each at Per ADS Purchase Price, and may be exercised for a period of three (3) years from the Closing Date, in the form of Exhibit B attached hereto.

"Net Profit" means Linkury's net profit based on the audited financial statements of Linkury prepared in accordance with International Financial Reporting Standard.

"Ordinary Share(s)" means the ordinary shares of the Company, no par value per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"Per ADS Purchase Price" equals $3.0, subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of ADSs that occur after the date of this Agreement and prior to the Closing Date.

"Per Share Purchase Price" equals NIS 4.15 subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of the Ordinary Shares that occur after the date of this Agreement and prior to the Closing Date.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint share company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Law" means the Israeli Securities Law, 1968 and the regulations promulgated thereunder, as amended.

"Subsidiary" means, with respect to any Person, another Person (other than a natural Person), of which such first Person (i) owns directly or indirectly (a) an aggregate amount of the voting securities, other voting ownership or voting partnership interests to elect or appoint a majority of the board of directors or other governing body or (b) if there are no such voting interests, a majority of the equity interests therein or (ii) has the right to appoint a majority of the directors or managers.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the ADSs and/or the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, or the Tel Aviv Stock Exchange ("TASE")(or any successors to any of the foregoing).

"Transaction Documents" means this Agreement, the Company Warrant(s), all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Warrant ADSs" means the ADSs issuable upon exercise of the MDGS Warrant.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, each of the Company and Linkury agree to sell, and the Purchaser agrees to purchase (i) an aggregate of 2,168,675 newly-issued Ordinary Shares of the Company each at a Per Share Purchase Price (the "Company Purchased Shares"), (ii) 729,508 Linkury Shares, which are held as of the date hereof by the Company, each at a Linkury Per Share Purchase Price (the "Linkury Purchased Shares" and together with the Company Purchased Shares the "Purchased Shares"), and (iii) Company Warrant exercisable for additional Ordinary Shares in accordance with the terms therein. In consideration for the Company Purchased Shares and Company Warrant, Purchaser shall pay cash and stock as follows: (A) an aggregate amount which equals NIS 5,400,000 in cash by wire transfer of immediately available funds to the Company's bank account (as indicated in Section 2.5(a)(ii)), paid in NIS, U.S dollars or a combination of both, as shall be mutually agreed by the parties hereto prior to the Closing (the "Cash Consideration"), *plus* (B) $1.0 million of ADSs at a $3.0 per ADS (333,334 ADSs) (the "ADSs Consideration"), *plus* (C) the MDGS Warrant exercisable for additional ADSs in accordance with the terms therein (the aggregate total consideration reflected in (A), (B) and (C) referred to collectively as the "Company Consideration"). In addition, in consideration for the Linkury Purchased Shares, the Purchaser shall pay an aggregate of NIS 9,000,000 in cash by wire transfer of immediately available funds to the Company's bank account (as indicated in Section 2.5(a)(ii))(the "Linkury Consideration" and together with the Company Consideration, the "Closing Consideration"). It is being clarified, that in the event that the ADSs Consideration is being issued as an Alternative Stock Consideration, any reference under this Agreement to ADSs or ADSs Consideration shall apply *mutatis mutandis* to the MDGS Shares which are issued as an Alternative Stock Consideration.

2.2 The Closing Consideration paid for the Purchased Shares and the Company Warrant in accordance with Section 2.1 above is based on the assumption that Linkury's Net Profit for 2019 will be at least NIS 15 million (the "Base Net Profit"). If Linkury's Net Profit, as reflected in the financial statements of the Company for the year ended December 31, 2019 included in the Company's ISA Reports (the "2019 Net Profit" and "2019 Financial Statements" respectively) will be less than the Base Net Profit (and only then), each of the Per Share Purchase Price and the Linkury Per Share Purchase Price, respectively (for the purpose hereof referred to collectively as the "Base Per Share Purchase Price") shall be adjusted by multiplying the applicable Base Per Share Purchase Price by a fraction (i) the numerator of which shall be 2019 Net Profit, and (ii) the denominator of which shall be the Base Net Profit (with the outcome of the foregoing referred to as the "Adjusted Per Share Purchase Price") and the Purchaser shall be allocated immediately, and in any event no later than 15 Business Days following the date of publication of the 2019 Financial Statements, for no additional consideration, with such amounts of additional Ordinary Shares and Linkury Shares (and the Company Warrant shall be adjusted accordingly) equal to the product of (x) the amount of Ordinary Shares and Linkury Shares actually received by the Purchaser under this Agreement, and (y) the amount which Purchaser would have otherwise received should the Adjusted Per Share Purchase Price was applied. For example, assuming the 2019 Net Profit equals NIS 14.4 million, which is 4% less than the Base Net Profit, the Per Share Purchase Price shall be adjusted from NIS 12.34 to NIS 11.85 (and so are the Linkury Per Share Purchase Price), and Purchaser shall be issued with additional Ordinary Shares or Linkury Shares respectively to compensate the deficit between the applicable Base Per Share Purchase Price and the Adjusted Per Share Purchase Price. For the avoidance of doubt, no adjustment shall be made if the 2019 Net Profit is equal to or greater of the Base Net Profit.

2.3 Purchaser shall have the right, at any time during a period of three (3) years following the Closing, to convert any and all of the Linkury Purchased Shares issued to the Purchaser in accordance with Sections 2.1 and 2.2 above, into Ordinary Shares, at an exercise price per Ordinary Share so converted which is equal to 80% of the average closing sale price of the Ordinary Shares on TASE over a period of sixty (60) Trading Days preceding the date on which Purchaser provided the Company with a notice requesting to so convert any and all of the Linkury Purchased Shares.

2.4 In the event, during the three (3) year period following the Closing Date, the Company shall issue, or under take to issue (such date, the "Adjustment Date") Ordinary Shares with a price per share or exercise per share lower than the Per Share Purchase Price (the ("Reduced Per Share Purchase Price"), the Purchaser shall be allocated immediately, and in any event no later than 15 Business Days following the Adjustment Date, subject to the payment of the minimal amount per share in accordance with TASE charter, with such amounts of additional Ordinary Shares (and the Company Warrant shall be adjusted accordingly) equal to the difference of (x) the amount of Ordinary Shares actually received by the Purchaser under this Agreement, and (y) the amount which Purchaser would have otherwise received should the Reduced Per Share Purchase Price was applied.

2.5 Deliveries.

(a) On or prior to the Closing Date, the Company (on behalf of itself and Linkury) shall deliver or cause to be delivered to Purchaser the following:

(i) this Agreement duly executed by the Company and Linkury;

(ii) the Company shall have provided Purchaser with the Company's wire instructions, on Company letterhead and executed by its chief executive officer or chief financial officer;

(iii) true and correct copies of written resolutions, or minutes of a meeting, of the board of directors of the Company, approving and adopting in all respects the execution, delivery and performance by the Company of this Agreement and the transactions contemplated hereby, including, among others, (i) authorizing the issuance and sale of the Company Purchased Shares; (ii) reserving a sufficient number of Warrant Shares to be issued upon exercise of the Company Warrant, and authorizing the issuance of such Warrant Shares upon such exercise; and (iii) the approval of the execution, delivery and performance by the Company of all agreements contemplated herein to which the Company is party and any agreements, instruments or documents ancillary thereto, in the form attached hereto as Schedule 2.5(iii);

(iv) true and correct copies of written resolutions, or minutes of a meeting, of the board of directors and the sole shareholder of Linkury, approving and adopting in all respects the execution, delivery and performance by the Company of this Agreement and the transactions contemplated hereby, including, among others, (i) authorizing the sale of the Linkury Purchased Shares; and (iii) the approval of the execution, delivery and performance by the Company of all agreements contemplated herein to which Linkury is party and any agreements, instruments or documents ancillary thereto, in the form attached hereto as Schedule 2.5 (iv);

(v) waiver from Company's creditors, approving the execution, delivery and performance by the Company of all agreements contemplated herein to which the Company is party and any agreements, instruments or documents ancillary thereto, in the form attached hereto as Schedule 2.5(a)(v);

(vi) duly executed share certificate representing the Linkury Purchased Shares issued to Purchaser at the Closing, in the form attached hereto as Schedule 2.5(a)(vi);

(vii) A copy of the register of shareholders of Linkury, certified by an executive officer of Linkury and prepared in accordance with Section 130 of the Companies Law, 5759–1999, as amended, in which the Linkury Purchased Shares issued at the Closing are registered in the name of Purchaser, in the form attached hereto as Schedule 2.5(a)(vii);

(viii) the Company Purchased Shares registered in the name of Purchaser (pursuant to a TASE listing approval); and

(ix) the Company Warrant registered in the name of Purchaser (pursuant to a TASE listing approval).

(b) On or prior to the Closing Date, the Purchaser shall deliver or cause to be delivered to the Company, the following:

(i) this Agreement duly executed by Purchaser;

(ii) true and correct copies of written resolutions, or minutes of a meeting, of the board of directors of the Purchaser, approving and adopting in all respects the execution, delivery and performance by the Purchaser of this Agreement and the transactions contemplated hereby, including, among others, (i) authorizing the issuance and sale of the Purchaser's ADSs (or MDGS Shares in case of an Alternative Stock Consideration); (ii) reserving a sufficient number of ADSs (or MDGS Shares in case of an Alternative Stock Consideration) to be issued upon exercise of the MDGS Warrant, and authorizing the issuance of such MDGS Warrant ADSs upon such exercise; and (iii) the approval of the execution, delivery and performance by the Purchaser of all agreements contemplated herein to which the Purchaser is party and any agreements, instruments or documents ancillary thereto, in the form attached hereto as Schedule 2.5(b)(ii);

(iii) an evidence of wire transfer of immediately available funds in the aggregate of the Cash Consideration and the Linkury Consideration;

(iv) a copy of book-entry confirmation issued by the Depositary registration ADSs equal to the ADSs Consideration in the name of the Company, or alternatively, at the sole discretion of Purchaser, restricted MDGS Shares in an amount equivalent to the MDGS Shares which would have otherwise compose the ADSs Consideration, which MDGS Shares may later be exchanged for the ADSs Consideration by the Purchaser once resale restrictions under applicable securities law are removed (the "Alternative Stock Consideration"); and

(v) the MDGS Warrant registered in the name of Company.

2.6 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Purchaser contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by Purchaser of the items set forth in Section 2.5(b) of this Agreement.

(b) The respective obligations of the Purchaser hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of each of the Company and Linkury contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company and Linkury required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.5(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company or Linkury since the date hereof;

(v) Purchaser's shareholders have approved an increase of the authorized share capital of Purchaser by at least 12,526,978 ordinary shares, par value NIS 1.00 per share of Purchaser;

(vi) Company's shareholders have approved, in all respects, (A) the execution, delivery and performance by the Company of this Agreement and the transactions contemplated hereby, and (B) the appointment of two representatives of Purchaser as members of the board of directors of the Company out of a total of not more than seven (7) board members of the Company, including the two representatives of the Purchaser in accordance with the foregoing; and

(vii) from the date hereof to the Closing Date, trading in the Company Ordinary Shares shall not have been suspended by the Israeli Securities Authority or the Tel Aviv Stock Exchange Ltd.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Company Disclosure Schedules, which Company Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Company Disclosure Schedules, the Company hereby makes the following representations and warranties to Purchaser as of the date hereof and as of the Closing:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a). other than as specified under Schedule 3.1(a) in the Company's Disclosure Schedule, the Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing (if applicable in such jurisdiction) under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's shareholders in connection herewith or therewith. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Purchased Shares and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, other than as specified under Schedule 3.1(d) in the Company's Disclosure Schedule, or (iii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than such filings as are required to be made under the Israeli Securities Authority and with the Tel Aviv Stock Exchange Ltd.

(f) Issuance of the Securities; Registration. The Company Purchased Shares are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens. The Company Warrant Shares, when issued in accordance with the terms of the Company Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens. The Company has reserved from its duly authorized capital shares the maximum number of Ordinary Shares issuable pursuant to this Agreement and the Company Warrants.

(g) Capitalization. The capitalization of the Company is as set forth on Schedule 3.1(g), which Schedule 3.1(g) shall also include the number of Ordinary Shares beneficially owned, and of record, by Affiliates of the Company as of the date hereof. Other than as detailed under Schedule 3.1(g) in the Company's Disclosure Schedule, the Company has not issued any share capital since its most recently filed periodic report. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Other than as detailed under Schedule 3.1(g) in the Company's Disclosure Schedule, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any share capital of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional Ordinary Shares or share capital of any Subsidiary. The issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue Ordinary Shares or other securities to any Person (other than the Purchaser) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any share appreciation rights or "phantom share" plans or any similar plan or agreement. All of the outstanding share capital of the Company is duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all local, federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. Other than the approval of the shareholders of the Company to be obtained prior to Closing, no further approval or authorization of the Board of Directors or others is required for the issuance and sale of the Purchased Shares and Company Warrant Shares. There are no shareholders agreements, voting agreements or other similar agreements with respect to the Company's share capital to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's shareholders.

(h) Period Reports; Financial Statements. Other than as detailed under Schedule 3.1(h) in the Company's Disclosure Schedule, the Company has filed all reports, schedules, forms, statements and other documents required or permitted, including immediate reports, to be filed by the Company under the Securities Law, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, together with the Israeli Prospectus, being collectively referred to herein as the "ISA Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such ISA Reports prior to the expiration of any such extension. As of their respective dates, the ISA Reports complied in all material respects with the requirements of the Securities Law, and none of the ISA Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the ISA Reports comply in all material respects with applicable accounting requirements and regulations as in effect at the time of filing. Such financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by IFRS, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the ISA Reports, except as specifically disclosed in a subsequent ISA Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to IFRS, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its share capital and (v) other than as detailed under Schedule 3.1(i) in the Company's Disclosure Schedule, the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company share option plans. Except for the issuance of the Purchased Shares and Company Warrant Shares contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one Trading Day prior to the date that this representation is made.

(j) Litigation. Other than as detailed under Schedule 3.1(j) in the Company's Disclosure Schedule, there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Purchased Shares or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor, to the Company's knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under local, federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the ISA involving the Company or any current or former director or officer of the Company. No stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Securities Law was issued.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, other than by virtue of extension orders, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and to the knowledge of the Company, the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all Israeli laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Other than as detailed under Schedule 3.1(l) in the Company's Disclosure Schedule, neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the ISA Reports ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. Other than as detailed under Schedule 3.1(n) in the Company's Disclosure Schedule, the Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of Israeli taxes, for which appropriate reserves have been made therefor in accordance with IFRS and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance in all material respects.

(o) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the ISA Reports as necessary or required for use in connection with their respective businesses and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the material Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the ISA Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe (and will not infringe) upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has no knowledge of any facts that would preclude it from having valid license rights or clear title to the Intellectual Property Rights. The Company has no knowledge that it lacks or will be unable to obtain any rights or licenses to use all Intellectual Property Rights that are necessary to conduct its business.

(p) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Closing Consideration. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees. Except as set forth in the ISA Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, shareholder, member or partner, in each case in excess of $120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including share option agreements under any share option plan of the Company.

(r) Internal Accounting Controls. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences, and there have been no changes in the internal control over financial reporting that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(s) Certain Fees. Except as detailed in Schedule 3.1(s) in the Company's Disclosure Schedule, there are no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Listing and Maintenance Requirements. The Ordinary Shares are listed with TASE, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, delisting of the Ordinary Shares nor has the Company received any notification that the ISA is contemplating such delisting. The Company has not, in the 12 months preceding the date hereof, received notice from TASE to the effect that the Company is not in compliance with the listing or maintenance requirements of TASE. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(u) Disclosure. All of the disclosure furnished by or on behalf of the Company to the Purchaser regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made and when made, not misleading.

(v) Solvency. other than as detailed under Schedule 3.1(v) in the Company's Disclosure Schedule, based on the consolidated financial condition of the Company as of the Closing Date, (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(v) in the Company's Disclosure Schedule sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of $70,000 (other than trade accounts payable incurred in the ordinary course of business), and (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto). Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(w) Tax Status. Other than as detailed under Schedule 3.1(w) in the Company's Disclosure Schedule, and except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all Israeli income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(x) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of FCPA.

(y) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(z) Private Placement. No prospectus under the Securities Law is required for the offer and sale of the Purchased Shares and Company Warrant Shares by the Company to the Purchaser as contemplated hereby.

(aa) Purchase Entirely for Own Account. The ADSs (or MDGS Shares in the event of an Alternative Stock Consideration) and the MDGS Warrant will be acquired for investment for the Company's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and the Company has no present intention of selling, granting any participation in, or otherwise distributing the same. The Company does not presently have any contract, undertaking, agreement or arrangement to sell, transfer or grant participation rights to any person with respect to any of the ADSs and the MDGS Warrant. The Company has not been formed for the specific purpose of acquiring the ADSs and the MDGS Warrant.

(bb) Disclosure of Information. The Company has had an opportunity to discuss the Purchaser's business, operations, properties, prospects, technology, plans, management, financial affairs and the terms and conditions of this Agreement with the Purchaser's management and has had an opportunity to review the Purchaser's facilities.

(cc) Investment Experience; Accredited Investor; Non-U.S. Person. The Company acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating and understanding the merits and risks of the investment in the Purchaser. The Company is either (i) an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act, or (ii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. To the extent that the Investor is a non U.S. Person, such Investor (x) is not acquiring securities for the account or benefit of any U.S. Person, (y) is not, at the time of execution of this Agreement, and will not be, at the time of the issuance of the ADSs and the MDGS Warrant, in the United States and (z) is not a "distributor" (as defined in Regulation S promulgated under the Securities Act).

(dd) Restricted Securities. ADSs (or MDGS Shares in the event of an Alternative Stock Consideration), the MDGS Warrant and the Warrant Shares will not be registered under the Securities Act or any state securities laws and, therefore, cannot be resold unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available (such as in accordance with Section 144 of the Securities Act). The Company is aware that the Purchaser is under no obligation to effect any such registration or to file for or comply with any exemption from registration. The sale and issuance of such securities have not and will not be registered under the Securities Act by reason of a specific exemption from registration which depends upon, among other things, the accuracy of the Company's representations as expressed herein.

(ee) Linkury Purchased Shares. Other than as detailed under Schedule 3.1(ee) in the Company's Disclosure Schedule, the Linkury Purchased Shares are validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the articles of association of Linkury ("Linkury Articles").

3.2 Representations and Warranties of Linkury. Except as set forth in the Company Disclosure Schedules, which Linkury Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Linkury Disclosure Schedules, Linkury hereby makes the following representations and warranties to Purchaser as of the date hereof and as of the Closing:

(b) Organization, Corporate Power and Qualification. Linkury was incorporated on January 18, 2009. Linkury is a corporation duly organized and validly existing under the laws of the State of Israel and has all requisite corporate power and authority to own, lease and operate its properties and assets and carry on its business as presently conducted and as proposed to be conducted. Linkury has all requisite power and authority to execute and deliver this Agreement and the Transaction Documents and to consummate the transactions and perform its obligations contemplated hereby and thereby. Linkury is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect. Linkury has not taken any action or failed to take any action, which action or failure would preclude or prevent Linkury from conducting its business after the Closing in the manner heretofore conducted or proposed to be conducted. Linkury has all governmental franchises, permits, licenses, and any similar authority necessary or required under any law, regulation, rule or ordinance including any applicable export control laws), for the conduct of its business as now being conducted and as planned to be conducted, and to the extent applicable, Linkury is not in default under any of the same.

(c) Capitalization. (a) The registered and issued capital of Linkury consists of: (i) 500,000,000 Linkury Shares, no par value (the "**Linkury Shares**"), of which: (i) 7,812,890 shares are issued and outstanding immediately prior to the Closing (ii) no shares are reserved for future issuance under any current or previous grants made under any option plan, and (iii) no shares are reserved under any share option pool of any kind. All of the outstanding Linkury Shares have been duly authorized, are fully paid and nonassessable and were issued (if and when issued) in compliance with all applicable laws; (b) Schedule 3.2(c) of the Linkury Disclosure Schedule sets forth the capitalization of Linkury immediately following the Closing including the number of shares of the following: (i) issued and outstanding Linkury Shares, (ii) warrants or shares purchase rights, if any. There are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, to purchase or acquire from Linkury any Linkury Shares, or any securities convertible into or exchangeable for Linkury Shares; and (iii) Linkury has not committed, whether orally or in writing, nor granted any option or warrant to purchase shares capital of Linkury to any Person and Linkury has no obligation (contingent or otherwise) to purchase or redeem any of its share capital.

(d) Authorization. All corporate action required to be taken by Linkury, Linkury's board of directors and its shareholders, in order to authorize Linkury to enter into execute and deliver the Transaction Documents, perform its obligations thereunder, has been taken or will be taken prior to the Closing. The Agreement and the Transaction Documents, when executed and delivered by Linkury, shall constitute valid and legally binding obligations of Linkury, enforceable against Linkury in accordance with their respective terms.

(e) Governmental Consents and Filings. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any governmental authority is required on the part of Linkury in connection with the consummation of the transactions contemplated by this Agreement and the Transaction Documents.

(f) Litigation. Other than as detailed under Schedule 3.2(f) of the Linkury Disclosure Schedule, there is no Action pending or to Linkury's knowledge, currently threatened against Linkury or any officer, director or employee of Linkury. Neither Linkury nor, to Linkury's knowledge, any of its officers, directors or employees, in their capacity as such, is a party or is named as subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality (in the case of officers, directors or employees, such as would affect Linkury). There is no action, suit, proceeding or investigation by Linkury pending or which Linkury intends to initiate. Linkury has not received any request for information, notice, demand letter, administrative inquiry, or formal or informal complaint or claim with respect to any property owned, operated, leased, or used by Linkury or any facilities or operations thereon. There are no existing or, to the knowledge of Linkury, threatened product liability, warranty, or other similar claims, or any facts upon which a claim of such nature could be based, against Linkury for services or products which are defective or fail to meet any service or product warranties. The foregoing includes, without limitation, actions, suits, proceedings or investigations pending or threatened in writing involving the prior employment of any of Linkury's employees, their services provided in connection with Linkury's business, or any information or techniques allegedly proprietary to any of their former employers, or their obligations under any agreements with prior employers.

(g) Intellectual Property.

(i) Linkury owns or possesses a valid and enforceable license to all Linkury Intellectual Property without to Linkury's knowledge, any conflict with, or infringement of, the rights of others. Linkury Intellectual Property is sufficient to conduct its business as currently conducted and as currently proposed to be conducted. Other than with respect to commercially available software products under standard end-user object code license agreements, there are no outstanding options, licenses, agreements, claims, encumbrances or shared ownership interests of any kind relating to Linkury Intellectual Property, nor is Linkury bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other Person. Linkury has not received any communications alleging that Linkury has violated or, by conducting its business, would violate any of the patents, trademarks, service marks, tradenames, copyrights, trade secrets, mask works or other proprietary rights or processes of any other Person. Linkury has obtained and possesses valid licenses to use all of the software programs installed or present on the computers and other software-enabled electronic devices that it owns or leases or that it has otherwise provided to its employees for their use in connection with Linkury's business.

(ii) Schedule 3.2(g) of Linkury Disclosure Schedule lists all Linkury's patents, patent applications, registered trademarks, trademark applications, registered service marks, service mark applications, registered copyrights and domain names owned by Linkury.

(iii) Each former and current founder, employee and consultant has assigned to Linkury all intellectual property rights he owns that are related to Linkury's business as now conducted and as presently proposed to be conducted. All Persons (including without limitation, the founders) who have contributed to the creation, invention, modification or improvement of any Linkury Intellectual Property purportedly owned by Linkury, in whole or in part, have executed written agreements ensuring that all such Linkury Intellectual Property to be owned exclusively by Linkury (whether by assignment or otherwise, as applicable), and there are no claims or interests of third parties (including current and former employees or contractors or their current or former employers) alleging ownership interests in same. The transactions contemplated hereby shall not grant to or allow any Person any ownership interest in, or the right to use, any Intellectual Property owned, in whole or in part, by Linkury. All amounts payable by Linkury to all such persons have been paid in full, and all current and former employees of Linkury have irrevocably waived the right to receive compensation in connection with "Service Inventions" under Section 134 of the Israeli Patent Law 1967 or any other similar provision under any law of any applicable jurisdiction. All such Persons have explicitly waived any and all moral rights, as applicable, with respect to Linkury Intellectual Property.

(iv) Linkury has not embedded any open source, copyleft or community source code in any of its products generally available or in development, including but not limited to any libraries or code licensed under any General Public License, Lesser General Public License or similar license arrangement ("Open Source Software"). Linkury has not used Open Source Software in any manner that would or could (i) require the disclosure or distribution in source code form of any Linkury Intellectual Property, (ii) require the licensing of any Linkury Intellectual Property for the purpose of making derivative works, (iii) impose any restriction on the consideration to be charged for the distribution of any Linkury Intellectual Property, (iv) create, or purport to create, obligations for Linkury with respect to Linkury Intellectual Property or grant, or purport to grant, to any third party, any rights or immunities under Linkury Intellectual Property, or (v) impose any other material limitation, restriction, or condition on the right of Linkury to use or distribute any Linkury Intellectual Property. With respect to any Open Source Software that is or has been used by Linkury in any way, Linkury has been and is in compliance with all applicable licenses with respect thereto, complete copies of which have been provided to the Purchaser.

(v) No Israeli government funding, no facilities of an Israeli university, government-owned institution, college, other educational institution or research center, and no funding from any Israeli third parties was used in the development of any of the Linkury Intellectual Property owned, in whole or in part, by Linkury; and, no Person who was involved in, or who contributed to, the creation or development of any of the Linkury Intellectual Property owned, in whole or in part, by Linkury, has performed services for or was an employee of any Israeli governmental authority, government-owned institution, university, college, other educational institution or research center while such Person was also performing services for Linkury or during the time period in which such Person, created or developed any Linkury Intellectual Property owned, in whole or in part, by Linkury.

(vi) Linkury has taken all measures to protect the proprietary nature of Linkury Intellectual Property and to maintain in confidence all trade secrets included in Linkury Intellectual Property, which measures are reasonable and customary in the industry in which Linkury operates. All vendors and other third parties to whom trade secrets have been or may be disclosed have entered or will have entered prior to the Closing into a valid and binding confidentiality agreement with Linkury. Neither Linkury nor, to Linkury's knowledge, any other party to any of the foregoing agreements has breached or is currently breaching any such agreement. There has been no unauthorized disclosure of any trade secret included in Linkury Intellectual Property (along with all related notes) and to cause the same to be readily understood, identified and available in order to ensure Linkury's ability to account for, enforce rights under, make use of, understand and memorialize Linkury Intellectual Property. Linkury has implemented all reasonable measures to ensure the physical and electronic protection of their information assets from unauthorized disclosure, use or modification, which measures are reasonable and customary in the industry in which Linkury operates. To Linkury's knowledge, there has been no breach of security involving any information assets.

(vii) Linkury has taken any required measures to protect the privacy of any Personal Information (as defined below) collected by Linkury and to maintain in confidence such Personal Information, which measures are reasonable and customary in the industry in which Linkury operates, and in compliance with applicable law (the "Privacy Policies"). Linkury is in compliance in all material respects with such Privacy Policies, with any contractual obligations relating to privacy, data protection, and the collection and use of the Personal Information, and with all applicable United States federal and state, Israeli law, other applicable foreign, and multinational laws relating to privacy, data protection, and to Personal Information, including without limitation, the unlawful collection and/or disclosure of personally identifiable information related to minors under the age of 13, any applicable provision of the Children's Online Privacy Protection Act (COPPA), and the General Data Protection Regulation (GDPR) (EU) 2016/679. No claims have been asserted or, to the knowledge of Linkury, are threatened against Linkury by any Person alleging a violation of any Person's privacy, personal or confidentiality rights under the Privacy Policies. Neither this Agreement nor the transactions contemplated by this Agreement will violate the Privacy Policies as they currently exist or as they existed at any time during which any of Personal Information was collected or obtained. With respect to all Personal Information collected by Linkury, Linkury has at all times taken all steps reasonably necessary (including implementing and monitoring compliance with reasonable measures with respect to technical and physical security) to protect such information against loss and against unauthorized access, use, modification, disclosure or other misuse. To the knowledge of Linkury, there has been no unauthorized access to or other misuse of that information. To the knowledge of Linkury, there has been no unauthorized disclosure of electronic communications or customer records to any third party, including any governmental authority.

(viii) "Personal Information" means information from or about an individual person whose use, aggregation, holding or management is restricted under any applicable law, including, but not limited to, an individual person's: (a) personally identifiable information (e.g., name, address, telephone number, email address, financial account number, government-issued identifier, and any other data used or intended to be used to identify, contact or precisely locate a person); (b) internet protocol address or other persistent identifier; and (c) "information" as defined by the Israeli Privacy Protection Law and whether or not such "information" constitutes "sensitive information" as defined thereunder.

(h) (i) Linkury does not use or develop, or engage in, encryption technology, or other technology the development, commercialization or export of which is restricted under applicable Israeli Law, (ii) Linkury's business does not require Linkury to obtain a license from the Israeli Ministry of Defense or an authorized body thereof pursuant to Section 2(a) of the Control of Commodities and Services Declaration (Engagement in Encryption), 1974, as amended, or the Control of Commodities and Services Order (Export of Warfare Equipment and Defense Information) 1991, as amended, and (iii) Linkury holds and maintains in effect valid such licenses for the commercialization and export of Linkury's technology to all countries with regard to which Linkury currently does business if and as required.

(i) Agreements; Actions.

(i) Schedule 3.2(i)(1),(2) and (5) of Linkury Disclosure Schedule sets forth all agreements, understandings, instruments, contracts or proposed transactions to which Linkury is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, Linkury, in excess of $140,000 (excluding insertion orders), (ii) the license of any patent, copyright, trademark, trade secret or other proprietary right to or from Linkury, (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell its products to any other Person that limit Linkury's exclusive right to develop, manufacture, assemble, distribute, market or sell its products, (iv) indemnification by Linkury with respect to infringements of proprietary rights or (v) any other material agreement ("Contracts"). True and correct copies of all Contracts listed in have been made available to the Purchaser. Each of such Contracts are in full force and effect and constitute legal, valid and binding obligation of Linkury and neither Linkury nor any other party thereto is in breach thereto, and enforceable in accordance with their terms. Linkury and each other party thereto, has performed in all material respects all obligations required to be performed by it under such Contracts, and no material violation exists in respect thereof on the part of Linkury, or of any other party thereto; none of such Contracts is currently being renegotiated (except for the regular renewal of any such Contracts on terms substantially similar to their existing terms); and the validity, effectiveness and continuation of all such Contracts will not be materially adversely affected by the transactions contemplated by this Agreement.

(ii) Other than as detailed under Schedule 3.2(i)(3)and(4), Linkury has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its share capital, (ii) incurred any indebtedness for money borrowed or incurred any other liabilities individually, (iii) made any loans or advances to any Person, other than advances in the ordinary course of business for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business

(iii) Linkury is not a guarantor or indemnitor of any indebtedness of any other Person.

(j) Rights of Registration and Voting Rights. Linkury is not under any obligation to register under the Securities Act any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. No shareholder of Linkury has entered into any agreements with respect to the voting of share capital of Linkury.

(k) Absence of Liens. Other than as detailed under Schedule 3.2(k), the property and assets that Linkury owns are free and clear of all mortgages, deeds of trust, liens, loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair Linkury's ownership or use of such property or assets. With respect to the property and assets it leases, Linkury is in compliance with such leases and, to Linkury's knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances other than those of the lessors of such property or assets.

(l) Material Liabilities. Linkury's audited financial statements for the 12-month period ended December 31, 2018 and 2017 (the "Financial Statements") are attached hereto as Schedules 3.2(m)(1). (A) The Financial Statements: (i) have been prepared in accordance with IFRS, applied on a consistent basis; (ii) are in accordance with the books and records of Linkury; and (iii) adequately disclose all of Linkury's obligations and liabilities in accordance with IFRS, including without limitation, contingent obligations, such as guarantees, (B) The Financial Statements fairly present in all material respects the financial condition of Linkury as of the dates, indicated therein, and Linkury has no liabilities or obligations, contingent or otherwise, other than liabilities incurred in the ordinary course of business subsequent to December 31, 2018 in excess of US$70,000 individually or US$140,000 in the aggregate. Linkury has and will maintain a standard system of accounting established and administered in accordance with IFRS. Linkury hereby represents that other than as detailed under Schedule 3.2(l)(2), it has no outstanding loans and has not obtained any grant or loan or other support or benefits (including, without limitation, tax benefits) from any third party. Without derogating from the generality of the foregoing, except as set forth in the Financial Statements, other than as detailed under Schedule 3.2(l)(3),(4) and(5),: (i) Linkury is not a guarantor of any debt or obligation of another, nor has Linkury given any indemnification, loan, security or otherwise agreed to become directly or contingently liable for any obligation of any Person, other than in the ordinary course of business, and no Person has given any guarantee of, indemnity for, or security for, any obligation of Linkury; (ii) Linkury does not have any debt for borrowed funds or pursuant to credit arrangements, other than in the ordinary course of business; and (iii) Linkury has not undertaken to make and is not a party to any agreement providing for, any carve-out mechanism, bonus arrangement or any other obligation by Linkury to make any payments to existing shareholders, service providers, employees or other third parties, in connection with a Major Liquidity Events or an IPO (as such terms are defined in Linkury Articles).

(m) Changes. Since December 31, 2018, except as set forth in Schedule 3.2(m) of Linkury Disclosure Schedule, there has not been:

(i) any change in the assets, liabilities, financial condition or operating results of Linkury, except changes that have not caused, in the aggregate, a Material Adverse Effect, including any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets of Linkury;

(ii) any damage, destruction or loss, whether or not covered by insurance, that would have a Material Adverse Effect;

(iii) any waiver or compromise by Linkury of a valuable right or of a material debt owed to it;

(iv) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by Linkury;

(v) any change or amendment to a material contract or agreement by which Linkury or any of its assets or properties is bound or subject;

(vi) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(vii) any resignation or termination of employment of any officer or Key Employee of Linkury;

(viii) any mortgage, pledge, transfer of a security interest in, or lien, created by Linkury, with respect to any of its material properties or assets, except liens for taxes not yet due or payable and liens that arise in the ordinary course of business and do not materially impair Linkury's ownership or use of such property or assets;

(ix) any loans or guarantees made by Linkury to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(x) any declaration, setting aside or payment or other distribution in respect of any of Linkury's share capital, or any direct or indirect redemption, purchase, or other acquisition of any of such shares by Linkury;

(xi) any sale, assignment or transfer of any Linkury Intellectual Property;

(xii) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of Linkury;

(xiii) a Related Party Transaction (as defined in the Companies Law – 1999);

(xiv) any other event or condition of any character, that could reasonably be expected to result in a Material Adverse Effect; or

(xv) any arrangement or commitment by Linkury to do any of the things described in this Schedule 3.2(m).

(n) Employee Matters.

(i) Schedule 3.2(n) of Linkury Disclosure Schedule lists all employees and other service providers of Linkury.

(ii) Linkury is in compliance in all material respects with all applicable legal requirements with respect to its employees, including provisions relating to wages, hours, equal opportunity, collective bargaining and all employee benefit laws and there are no pending or threatened claims against Linkury with respect to the foregoing. Linkury has paid in full to all of its employees all wages, salaries, commissions, bonuses, benefits and other compensation due and payable to such employees on or prior to the date hereof, except as detailed under Schedule 3.2(n)(1) attached to Linkury's Disclosure Schedule.

(iii) Linkury has complied in all material respects with all applicable employment laws, policies, procedures and agreements relating to (i) the terms and conditions of employment of its employees and (ii) the proper withholding and remission to the proper tax and other authorities of all sums required to be withheld from employees or persons deemed to be employees under applicable laws respecting such withholding, including, when applicable, payments to the Israeli National Insurance Institute. To the knowledge of Linkury, no employee of Linkury is in violation of any material term of any employment contract, assignment agreement, non-competition agreement, or any other contract or agreement with Linkury or any restrictive covenant relating to his employment with Linkury or the right of any such employee to be employed by Linkury, including, without limitation, restrictive covenant with relation to the nature of the business currently conducted by Linkury or to the use of trade secrets or proprietary information of others.

(iv) Linkury is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union except for those provisions of general agreements between the *Histadrut* and any employers' union or organization which are applicable by extension order to all the employees in Israel.

(v) Except as detailed under Schedule 3.2(n)(2) attached to Linkury's Disclosure Schedule, Linkury's obligations to provide statutory severance pay to its employees (as if such employee were to be terminated as of the Closing) pursuant to the Severance Pay Law, 5723-1963 (the "Severance Pay Law") are fully funded (in accordance with the provisions of Section 14 of the Severance Pay Law). All amounts that Linkury is legally or contractually required either (x) to deduct from its employees' salaries or to transfer to such employees' pension or provident, life insurance, incapacity insurance, continuing education fund or other similar funds or (y) to withhold from its employees' salaries and benefits and to pay to any governmental authority as required by the Israeli Income Tax Ordinance [New Version], 1961, as amended and by the Israeli National Insurance Law or otherwise have, in each case, been duly deducted, transferred, withheld and paid, and Linkury does not have any overdue obligation to make any such deduction, transfer, withholding or payment.

(vi) Except as detailed under Schedule 3.2(n)(3) attached to Linkury's Disclosure Schedule, Linkury does not have any employment contract with any officer or employee or any other consultant or Person who is not terminable by it at will, upon more than thirty (30) days prior notice.

(o) Taxes.

(i) Other than as detailed under Schedule 3.2(o) attached to Linkury's Disclosure Schedule, Linkury has not made any tax elections under applicable laws or regulations (other than elections that related solely to methods of accounting, depreciation or amortization). Linkury is not currently liable for any tax (whether income tax, capital gains tax, or otherwise) that became due and was not duly paid. As of the Closing, Linkury was not required to file any tax returns. To Linkury's knowledge, Linkury is currently not liable for any tax (whether income tax, capital gains tax, or otherwise), other than in the ordinary course of business. Linkury is not aware of any circumstances which will or may, whether by lapse of time or the issue of any notice of assessment or otherwise, give rise to any dispute with any relevant taxation authority in relation to its liability or accountability for taxation, any claim made by it, any relief, deduction, or allowance affordable to it, or in relation to the status or charter of Linkury under or for the purpose of any provision of any legislation relating to taxation. Linkury has complied with all applicable laws, rules and regulations relating to the payment and withholding taxes. Linkury has no knowledge of any audits or investigations by any taxing authority in progress with respect to Linkury, and Linkury has not received any notice from any taxing authority that it intends to conduct such an audit or investigation. Linkury has no indication of such audit or investigation.

(p) Government Funding. Linkury has not received any grant or other support or benefits (including, without limitation, tax benefits) from any foreign government entity.

(q) Corporate Documents. The Articles in effect immediately prior to the adoption of Linkury Articles are in the form provided to the Purchaser. The copy of the minute books of Linkury provided to the Purchaser contains minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of Linkury's purchase by the Company (July 18, 2017) and accurately reflects in all material respects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes.

(r) Export Compliance.

(i) Neither Linkury nor any member of Linkury has exported, re-exported or transferred any commodities or software (collectively "Products") or any technology, or furnished any services, to any other person, firm, corporation or other entity: (i) without first obtaining any required export license from the U.S. Department of Commerce or any other agency or department of the United States Government; or (ii) otherwise in any manner contrary to the United States Export Administration Regulations, 15 C.F.R. Parts 730-774, in the case of both (i) and (ii) only to the extent that such matters apply to Linkury or the relevant member of Linkury. Without limiting the generality of the foregoing, neither Linkury nor any member of Linkury has exported, re-exported or transferred any Products or technology, or furnished any services, to any person, firm, corporation or other entity that is engaged, directly or indirectly, in any activities related to the design, development, production, stockpiling or testing of any weapons of mass destruction (nuclear, chemical or biological weapons or missiles).

(ii) Neither Linkury nor member of Linkury has exported, re-exported or transferred any Products or technology, or furnished any services, to any country for which (i) the United States Government, or (ii) the government of any other country, (in the case of both (i) and (ii) to the extent applicable to Linkury or relevant member of Linkury) required an export license or any other government authorization, without first obtaining that export license or government authorization.

(iii) Neither Linkury nor any member of Linkury has exported, re-exported or transferred any Products or technology to, furnished any service to, or have had any other dealings, directly or indirectly with: (i) Iran, Sudan, Cuba, North Korea or Syria; (ii) any entity that is owned or controlled by, or affiliated with, the government of Iran, Sudan, Cuba, North Korea or Syria; (iii) any person or entity listed on any list of prohibited and restricted parties, including any terrorist organization, published by the European Union or the United Nations; (iv) any person or entity listed on any list of prohibited and restricted parties, including any terrorist organization, published by the United States Government where applicable to Linkury or the relevant member of Linkury (and where not so applicable any person or entity which Linkury or any member of Linkury knew at the relevant time was listed on any list of prohibited and restricted parties, including any terrorist organization, published by the United States Government).

3.3 Except as set forth in the Purchaser Disclosure Schedules, which Purchaser Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Purchaser Disclosure Schedules, the Purchaser hereby makes the following representations and warranties to Company as of the date hereof and as of the Closing:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Purchaser are set forth on Schedule 3.3(a). The Purchase owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Purchaser and each of its Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing (if applicable in such jurisdiction) under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Purchaser nor any of its Subsidiaries is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Purchaser and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Purchaser and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Purchaser's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Purchaser has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Purchaser and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Purchaser and no further action is required by the Purchaser, Purchaser's board of directors or the Purchaser's shareholders in connection herewith or therewith. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Purchaser and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Purchaser of this Agreement and the other Transaction Documents to which it is a party, the issuance of the ADSs Consideration (or the Alternative Stock Consideration) and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Purchaser's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Purchaser or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Purchaser or Subsidiary debt or otherwise) or other understanding to which the Purchaser or any Subsidiary is a party or by which any property or asset of the Purchaser or any Subsidiary is bound or affected, or (iii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Purchaser or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Purchaser or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. Except as set forth in Section 3.3(e) of the Disclosure Schedule, the Purchaser is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Purchaser of the Transaction Documents, other than such filings as are required to be made under applicable state securities laws.

(f) Issuance of the Securities; Registration. The Purchaser ADSs (or MDGS Shares in the event of an Alternative Stock Consideration) are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens. The MDGS Warrant shares, when issued in accordance with the terms of the MDGS Warrant, will be validly issued, fully paid and nonassessable, free and clear of all Liens.

(g) Capitalization. The capitalization of the Purchaser is as set forth on Schedule 3.3(g), which Schedule 3.3(g) shall also include the number of ordinary shares and ADSs beneficially owned, and of record, by Affiliates of the Purchaser as of the date hereof. The Purchaser has not issued any share capital since its most recently filed periodic report, other than grants to employees under the Purchaser's 2013 Share Option and Incentive Plan. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. There are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any share capital of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Purchaser or any Subsidiary is or may become bound to issue additional ordinary shares or share capital of any Subsidiary. The issuance and sale of the securities will not obligate the Purchaser or any Subsidiary to issue ordinary shares or other securities to any Person (other than the Company) and will not result in a right of any holder of Purchaser securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no outstanding securities or instruments of the Purchaser or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Purchaser or any Subsidiary is or may become bound to redeem a security of the Purchaser or such Subsidiary. The Purchaser does not have any share appreciation rights or "phantom share" plans or any similar plan or agreement. All of the outstanding share capital of the Purchaser is duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all local, federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. Other than the approval of the shareholders of the Purchasers to be obtained prior to Closing, and the approval of the Board of Directors of Purchaser which has been obtained, no further approval or authorization is required for the issuance and sale of the ADSs and MDGS Warrant shares. There are no shareholders agreements, voting agreements or other similar agreements with respect to the Purchaser's share capital to which the Purchaser is a party or, to the knowledge of the Purchaser, between or among any of the Purchaser's shareholders.

(h) Period Reports; Financial Statements. The Purchaser has filed all reports, schedules, forms, statements and other documents required or permitted, including current reports on Form 6-K, to be filed by the Purchaser under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Purchaser was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Purchaser has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the purchaser included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with IFRS, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by IFRS, and fairly present in all material respects the financial position of the Purchaser and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Except as set forth under Schedule 3.3(i) since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Purchaser has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Purchaser's financial statements pursuant to IFRS or disclosed in filings made with the Commission, (iii) the Purchaser has not altered its method of accounting, (iv) the Purchaser has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its share capital and (v) the Purchaser has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Purchaser share option plans. The Purchaser does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Purchaser or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Purchaser under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Purchaser, threatened against or affecting the Purchaser, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the issuance of the ADSs or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Purchaser nor any Subsidiary, nor, to the Purchaser's knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under local, federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Purchaser, there is not pending or contemplated, any investigation by the Commission involving the Purchaser or any current or former director or officer of the purchaser. No stop order or other order suspending the effectiveness of any registration statement filed by the Purchaser or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Purchaser, is imminent with respect to any of the employees of the Purchaser, which could reasonably be expected to result in a Material Adverse Effect. None of the Purchaser's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Purchaser or such Subsidiary, and neither the Purchaser nor any of its Subsidiaries is a party to a collective bargaining agreement, other than by virtue of extension orders, and the Purchaser and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Purchaser, no executive officer of the Purchaser or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and to the knowledge of the Purchaser, the continued employment of each such executive officer does not subject the Purchaser or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Purchaser and its Subsidiaries are in compliance with all Israeli, U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Purchaser nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Purchaser or any Subsidiary under), nor has the Purchaser or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Purchaser and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect, and neither the Purchaser nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any of the foregoing permits.

(n) Title to Assets. The Purchaser and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Purchaser and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Purchaser and the Subsidiaries and (ii) Liens for the payment of Israeli, federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with IFRS and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Purchaser and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Purchaser and the Subsidiaries are in compliance in all material respects.

(o) Intellectual Property. The Purchaser and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the SEC Reports as necessary or required for use in connection with their respective businesses and which the failure to so have could have a Material Adverse Effect (collectively, the "Purchaser Intellectual Property Rights"). Except as detailed under Schedule 3.3(o) of the Disclosure Schedule none of, and neither the Purchaser nor any Subsidiary has received a notice (written or otherwise) that any of, the material Purchaser Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Purchaser nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Purchaser Intellectual Property Rights violate or infringe (and will not infringe) upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Purchaser, all such Purchaser Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Purchaser and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Purchaser has no knowledge of any facts that would preclude it from having valid license rights or clear title to the Purchaser Intellectual Property Rights. The Purchaser has no knowledge that it lacks or will be unable to obtain any rights or licenses to use all Purchaser Intellectual Property Rights that are necessary to conduct its business.

(p) Insurance. The Purchaser and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Purchaser and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Closing Consideration. Neither the Purchaser nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Purchaser or any Subsidiary and, to the knowledge of the Purchaser, none of the employees of the Purchaser or any Subsidiary is presently a party to any transaction with the Purchaser or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Purchaser, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, shareholder, member or partner, in each case in excess of $120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Purchaser and (iii) other employee benefits, including share option agreements under any share option plan of the Purchaser.

(r) Sarbanes-Oxley; Internal Accounting Controls. The Purchaser and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof and as of the Closing and are applicable to the Purchaser, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of each Closing. Except as set forth in the SEC Reports, the Purchaser and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Purchaser and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Purchaser and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Purchaser in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Purchaser 's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Purchaser and the Subsidiaries as of the end of the period covered by the most recently filed Annual Report on Form 20-F under the Exchange Act (such date, the "Evaluation Date"). The Purchaser presented in its most recently filed Annual Report on Form 20-F under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Purchaser and its Subsidiaries.

(s) Listing and Maintenance Requirements. The ADSs are registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Purchaser has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the ADSs under the Exchange Act nor has the Purchaser received any notification that the Commission is contemplating terminating such registration. The Purchaser has not, in the 12 months preceding the date hereof, received notice from Nasdaq to the effect that the Purchaser is not in compliance with the listing or maintenance requirements of Nasdaq. The Purchaser is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance of its registration.

(t) Solvency. Based on the consolidated financial condition of the Purchaser as of the Closing Date, (i) the fair saleable value of the Purchaser's assets exceeds the amount that will be required to be paid on or in respect of the Purchaser's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Purchaser's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Purchaser, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Purchaser, together with the proceeds the Purchaser would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Purchaser does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Purchaser has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. For the purposes of this Section 3.3(t), "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of $50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Purchaser 's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of $150,000 due under leases required to be capitalized in accordance with GAAP. Neither the Purchaser nor any Subsidiary is in default with respect to any Indebtedness.

(u) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Purchaser and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. Except as disclosed in SEC Reports, there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Purchaser or of any Subsidiary know of no basis for any such claim.

(v) Foreign Corrupt Practices. Neither the Purchaser nor any Subsidiary, nor to the knowledge of the Purchaser or any Subsidiary, any agent or other person acting on behalf of the Purchaser or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Purchaser or any Subsidiary (or made by any person acting on its behalf of which the Purchaser is aware) which is in violation of law, or (iv) violated in any material respect any provision of FCPA.

(w) Money Laundering. The operations of the Purchaser and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Purchaser or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Purchaser or any Subsidiary, threatened.

(x) Private Placement. No registration under the Securities Act is required for the offer and sale of the ADSs (or MDGS Shares in the event of an Alternative Stock Consideration) and MDGS Warrant shares by the Purchaser to the Company as contemplated hereby.

(y) Purchase Entirely for Own Account. The Ordinary Shares and the Company Warrant will be acquired for investment for the Purchaser's own account, not as a nominee or agent, and the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. The Purchaser does not presently have any contract, undertaking, agreement or arrangement to sell, transfer or grant participation rights to any person with respect to any of the Ordinary Shares and the Company Warrant Shares. The Purchaser has not been formed for the specific purpose of acquiring the Ordinary Shares and the Company Warrant Shares.

(z) Certain Fees. Except as set forth under Schedule 3.3(z), no brokerage or finder's fees or commissions are or will be payable by the Purchaser or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Company, Linkury and their Subsidiaries shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(aa) All of the disclosure furnished by or on behalf of the Purchaser to the Company regarding the Purchaser and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The press releases disseminated by the Purchaser during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made and when made, not misleading.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Legends.

(a) The ADSs and Warrant ADSs (or MDGS Shares in case an Alternative Stock Consideration is issued) may only be disposed of in compliance with state and federal securities laws.

(b) The Company agree to the imprinting, so long as is required by applicable law, of a legend on any of the ADSs (or MDGS Shares in the event of an Alternative Stock Consideration) or Warrant ADSs in the following form:

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAS BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

4.2 Indemnification.

(a) Subject to the provisions of this Section 4.2(a), and up to an aggregate amount equals to the Closing Consideration, the Company (and for the purpose of this 4.2(a) any reference to the Company shall also include Linkury, jointly and severally) will indemnify and hold Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls the Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any shareholder of the Company who is not an Affiliate of Purchaser, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is solely based upon a material breach of Purchaser's representations, warranties or covenants under the Transaction Documents or any violations by Purchaser of state or federal securities laws or any conduct by Purchaser Party which is finally judicially determined to constitute fraud, gross negligence or willful misconduct). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case, if the Purchaser Party notifies the Company in writing that it elects to employ separate counsel at the expense of the Company, the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.4(a) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law. The indemnification provision described above shall be limited for a period of 12 months from the Closing Date.

(b) Subject to the provisions of this Section 4.2(b), and up to an aggregate amount of ADSs Consideration, the Purchaser will indemnify and hold Company and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls the Company (within the meaning of the Securities Law), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Company Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Company Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Purchaser in this Agreement or in the other Transaction Documents or (b) any action instituted against the Company Parties in any capacity, or any of them or their respective Affiliates, by any shareholder of the Purchaser who is not an Affiliate of Company, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is solely based upon a material breach of Company's representations, warranties or covenants under the Transaction Documents or any violations by Company of Israeli securities laws or any conduct by Company Party which is finally judicially determined to constitute fraud, gross negligence or willful misconduct). If any action shall be brought against any Company Party in respect of which indemnity may be sought pursuant to this Agreement, such Company Party shall promptly notify the Purchaser in writing, and the Purchaser shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Company Party. Company Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Company Party except to the extent that (i) the employment thereof has been specifically authorized by the Purchaser in writing, (ii) the Purchaser has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Purchaser and the position of such Company Party, in which case, if the Company Party notifies the Purchaser in writing that it elects to employ separate counsel at the expense of the Purchaser, the Purchaser shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Purchaser will not be liable to any Company Party under this Agreement (y) for any settlement by a Company Party effected without the Purchaser's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Company Party's breach of any of the representations, warranties, covenants or agreements made by the Company or Linkury in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.4(a) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Company Party against the Purchaser or others and any liabilities the Company may be subject to pursuant to law. The indemnification provision described above shall be limited for a period of 12 months from the Closing Date.

4.3 Reservation of Shares.

(a) As of the date hereof, each of the Company and Linkury has reserved and the Company and Linkury shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of Ordinary Shares and Linkury Shares for the purpose of enabling the Company to issue additional Ordinary Shares and sell additional Linkury Shares as required pursuant to this Agreement (in case of any price adjustment made in accordance with this Agreement and/or the conversation of the Linkury Shares into Ordinary Shares) or Company Warrant Shares pursuant to any exercise of the Company Warrant.

(b) As of the Closing, subject to the approval of the Purchaser's shareholders, Purchaser shall have reserved and shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of ADSs (or MDGS Shares) for the purpose of enabling the Purchaser to issue additional ADSs as required pursuant to this Agreement (in case of any price adjustment made in accordance with this Agreement) or Warrant ADSs pursuant to any exercise of the MDGS Warrant.

4.4 Listing of Securities. The Company hereby agrees to use best efforts to maintain the listing of the Ordinary Shares on TASE, and further agrees that following the Closing it will use best efforts, to list its Ordinary Shares for trading on Nasdaq (or other U.S exchange which is included in the definition of Trading Market herein) as soon as possible and file a registration statement on Form F-1 with the Commission to register for re-sale any Company’s securities issued or issuable to the Purchaser under this Agreement.

4.5 Information Rights. Prior to the Closing, the parties hereto shall enter into an information rights arrangement, to facilitate their respective ongoing post-Closing financial reporting obligations. Further, the parties hereto agree that the Company will fund an amount of up to USD 50,000 due to expenses required in order to assist the Purchaser meet financial reporting obligations. Any amount in excess of the abovementioned USD 50,000 shall be reimbursed to the Company by the Purchaser.

4.6 As of the date of this Agreement and until immediately following the Closing Date (or earlier termination of the Agreement), each of the Company and Linkury undertakes not to declare or pay any dividends, or authorize or make any distribution upon or with respect to any class or series of its share capital, (ii) incur any indebtedness for money borrowed or incur any other liabilities individually, (iii) make any loans or advances to any Person, other than advances in the ordinary course of business for travel expenses, or (iv) sale, exchange or otherwise dispose of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by Purchaser, by written notice to the other parties, if the Closing has not been consummated on or before September 30, 2019; provided, however, that no such termination will affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. Each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via email attachment at the email address as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via email attachment at the email address as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2^{nd}) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company, Linkury and Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Either Party may not assign this Agreement or any rights or obligations hereunder without the prior written consent of Purchaser (other than by merger).

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of Israel, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the courts sitting in the City of Tel Aviv.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Replacement of Securities. If any certificate or instrument evidencing any securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction.

5.14 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchaser and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.15 Fridays, Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.16 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices, ADSs, MDGS Shares, Ordinary Shares and Linkury Shares in any Transaction Document shall be subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of the ADSs, MDGS Shares, Ordinary Shares and Linkury Shares that occur after the date of this Agreement.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

MEDIGUS LTD.

By: /s/ Liron Carmel
Name: Liron Carmel
Title: CEO
With a copy to (which shall not constitute notice):

Address for Notice:

E-mail:

ALGOMIZER LTD.

By: /s/ Noam Band /s/ Amihay Hadad
Name: Noam Band, Amihay Hadad
Title: CEO, CFO
With a copy to (which shall not constitute notice):

Address for Notice:

E-mail:

LINKURY LTD.

By: /s/ Noam Band /s/ Amihay Hadad
Name: Noam Band, Amihay Hadad
Title: Chairman, CFO
With a copy to (which shall not constitute notice):

Address for Notice:

E-mail:

Exhibit A

THIS WARRANT AND THE SECURITIES REPRESENTED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER ANY SECURITIES LAWS OF ANY JURISDICTION INCLUDING THE ISRAELI SECURITIES LAW, 5728-1968 (THE "**SECURITIES LAW**"), AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISPOSITION THEREOF.

Dated September 3, 2019

WARRANT TO PURCHASE SHARES
OF
ALGOMIZER LTD.

This certifies that Medigus Ltd. or its permitted assigns (the "**Holder**") is entitled, subject to the terms set forth below, to purchase from Algomizer Ltd., an Israeli company (the "**Company**"), the number of Warrant Shares (as defined below) specified herein, upon: (a) surrender of this Warrant; (b) delivery of the Notice of Exercise, substantially in the form annexed hereto, duly completed and executed on behalf of the Holder; and (c) simultaneous payment therefore of the Exercise Price as set forth in Section 2 below. The number and Exercise Price of Warrant Shares are subject to adjustment as provided below.

This Warrant is granted to the Holder in connection with and pursuant to that certain Share Purchase Agreement between the Company and the Holder, dated as of June __, 2019 (the "**SPA**"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain SPA.

1. Term of Warrant. Subject to the terms and conditions set forth herein, this Warrant shall be exercisable, in whole or in part, at any time during the term commencing on the Closing of the SPA (as defined in the SPA to which this Warrant is attached) and ending at the earliest of (i) 16:00 Israel time on the 3rd annual anniversary of the date hereof; (ii) the occurrence of an Exit Event (as defined below) (the "**Term**"), and shall be null and void thereafter.

2. Warrant Coverage. This Warrant consists of 2,898,183 warrants exercisable into 2,898,183 ordinary shares of the Company in exchange for the payment, during the Term, of the Exercise Price.

3. Type of Shares. The shares issuable to the Holder upon exercise of this Warrant (or any part thereof) (the "**Warrant Shares**") shall be ordinary shares, no par value, of the Company (subject to adjustments pursuant to Section 12) (the "**Conversion Shares**").

4. Exercise Price. The exercise price per each Warrant Share shall be 5.25 NIS (Five NIS and Twenty Five Agurot) (subject to adjustments pursuant to Section 12) (the "**Exercise Price**").

5. Exercise of Warrant

5.1. Manner of Exercise.

This Warrant is exercisable by the Holder, in whole or in part, on one or more occasions, at any time and from time to time, during the Term, by the surrender of this Warrant and the applicable Notice of Exercise annexed hereto, duly completed and executed on behalf of the Holder, at the principal office of the Company. The Holder shall deliver to the Company, concurrently with the surrender of this Warrant, a wire transfer in immediately available funds for the aggregate Exercise Price for the Warrant Shares being purchased. Payment of the Exercise Price shall be made in NIS or, if approved by the Company in advance, in USD$, based on the representative $/NIS exchange rate last published by the Bank of Israel prior to payment thereof.

5.2. As promptly as practicable and in any event within 8 (eight) days thereafter, the Company at its expense shall issue a notice to the Registration Company (or transfer agent) of the principle Trading Market where the Company's shares are registered or listed, ordering to credit the Holder's account with such Warrant Shares in accordance with the Notice of Execise. In the event that this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant of like tenor exercisable for the remaining number of Warrant Shares for which this Warrant may then be exercised.

6. No Fractional Shares. No fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make cash payment therefore upon the basis of the Exercise Price.

7. Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of loss, theft, or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

8. Rights of Shareholders. Subject to Section 10 of this Warrant, the Holder shall not be entitled to vote or receive dividends or be deemed the holder of shares of the Company or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose until this Warrant or any portion hereof shall have been exercised and the Warrant Shares shall have been issued, as provided herein. Nothing in the foregoing to the contrary, upon exercise of this Warrant, or any portion thereof, the Holder shall be entitled to all rights of a holder of the Warrant Shares under the articles of association of the Company, as amended ("**AOA**"), and in addition all rights on the same terms and conditions afforded, by contract or otherwise, to the holders of such shares, in their capacity as such, in connection with the applicable financing round in which such shares were purchased, as applicable all with respect to the Warrant Shares actually exercised by the Holder.

9. Reservation of Shares. The Company covenants that during the Term this Warrant is exercisable, the Company will reserve from its authorized and unissued capital stock a sufficient number of shares to provide for the issuance of Warrant Shares upon the exercise of this Warrant and the Ordinary Shares issuable upon conversion of the Warrant Shares (the "**Warrant Conversion Shares**"). The Company further covenants that all Warrant Shares and Warrant Conversion Shares will be duly authorized, validly issued, fully paid and nonassessable, and will be free from all taxes, liens, and charges in respect of the issue thereof. The Company agrees that its issuance of this Warrant shall constitute full authority to its officers to register the Holder as the owner of Warrant Shares and Warrant Conversion Shares, and to execute and issue the necessary certificates for Warrant Shares and Warrant Conversion Shares, upon the exercise of this Warrant and the conversion of the Warrant Shares, respectively.

10. Amendments and Waivers. Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Company and the Holder. No waivers of, or exceptions to any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

11. Taxes

Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder.

The Holder is aware and agree that any tax consequences arising from the grant or exercise of any Warrant from the payment for Warrant Shares covered thereby or from any other event or act (of the Company and/or its Affiliates or the Holder), hereunder, shall be borne solely by the Holder. The Company and/or its Affiliates shall withhold Israeli taxes according to the requirements under the applicable Israeli laws, rules, and regulations, including withholding taxes at source. Furthermore, the Holder hereby accept to indemnify the Company and/or its Affiliates and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to you.

The Holder will not be entitled to receive from the Company any Warrant Shares allocated or issued upon the exercise of the Warrant prior to the full payments of your Israeli tax liabilities arising from the Warrants which were granted to the Holder and/or the Warrant Shares issued upon the exercise of the Warrants. For the avoidance of doubt, the Company shall not be required to release any share to the Holder until all payments required to be made by the Holder have been fully satisfied.

12. Adjustments. The Exercise Price and the number and kind of Warrant Shares purchasable hereunder are subject to adjustment from time to time as follows:

12.1. Reclassification, etc. If the Company at any time while this Warrant, or any portion thereof, remains outstanding and unexpired shall, by reorganization or reclassification of securities or otherwise, change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities (other than an IPO, upon the closing of which the Term hereof shall end as provided in Section 1 above), this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant immediately prior to such reorganization or reclassification or other change and the Exercise Price then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted such that this Warrant shall be exercisable into, in lieu of the number of Warrant Shares which the Holder would otherwise have been entitled to receive, a number of shares that would have been subject to receipt by the Holder had the Holder exercised the Warrant immediately before that change.

12.2. Split, Subdivision or Combination of Shares. If the Company at any time while this Warrant, or any portion thereof, remains outstanding and unexpired shall split, subdivide or combine the securities as to which purchase rights under this Warrant exist, into a different number of securities, the Exercise Price for such securities and/or the number of securities issuable upon exercise shall be proportionately and respectively adjusted, as the case may be.

12.3. Adjustments for Share Dividends or Other Securities; Adjustments for Cash Dividends. If, while this Warrant, or any portion hereof, remains outstanding and unexpired, the holders of the securities as to which purchase rights under this Warrant exist at the time shall have received, on or after the record date fixed for the determination of eligible shareholders, shall have become entitled to receive, without payment there for, other or additional shares or other securities of the Company by way of dividend or otherwise, then and in each case, this Warrant shall represent the right to acquire, in addition to the number of shares of the security receivable upon the exercise of this Warrant, and without payment of any additional consideration thereof, the amount of such other or additional shares or other securities or property as aforesaid of the Company which such Holder would hold on the date of such exercise had it been the holder of record of the security receivable upon exercise of this Warrant on the date hereof and had thereafter, during the period from the date hereof to and including the date of such exercise, retained such shares and/or all other additional securities available by it as aforesaid during such period, giving effect to all adjustments called for during such period by the provisions of this Section 12. If, while this Warrant, or any portion hereof, remains outstanding and unexpired, the holders of the securities as to which purchase rights under this Warrant exist at the time shall have received, on or after the record date fixed for the determination of eligible shareholders, shall have become entitled to receive, without payment there for, cash or other property of the Company by way of dividend or otherwise, then and in each case, this Warrant shall represent the right to acquire the same amount of Warrant Shares by paying a reduced Exercise Price and all other rights of the Holder shall remain. The Exercise Price shall be reduced by way of dividing: (a) the Company's share price adjusted for dividend, with (b) the Company's share price at the end of the record date fixed for the determination (the "**Dividend Rate**"). The new Exercise Price shall be equal to product of the Dividend Rate with the base Exercise Price on the record date fixed for the determination.

12.4. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment pursuant to this Section 12, the Company shall, upon the written request of any holder of this Warrant, furnish or cause to be furnished to such holder a certificate setting forth: (i) such adjustments and readjustments; (ii) the Exercise Price at the time in effect; and (iii) the number of shares and the amount, if any, of other property which at the time would be received upon the exercise of the Warrant.

12.5. No Impairment. The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all of the provisions of this Section 12.

13. Investment Representation. This Warrant have not been registered under the Securities Law, or any other securities laws. The Warrant Shares issuable upon the exercise of this Warrant will be registered for trade on the Tel Aviv Stock Exchange.

The Holder acknowledges by acceptance of the Warrant that (a) it has acquired this Warrant for investment and not with a view to distribution or other disposition thereof; and (b) it has either a pre-existing personal or business relationship with the Company, or its executive officers, or by reason of its business or financial experience, it has the capacity to protect its own interests in connection with the transaction. The Holder agrees that any Warrant Shares issuable upon exercise of this Warrant will be acquired for investment and not with a view to distribution. The Holder, by acceptance hereof, consents to the placement of legend(s) on all securities hereunder as to the applicable restrictions on transferability in order to ensure compliance with the Securities Law, unless in the opinion of counsel for the Company such legend is not required in order to ensure compliance with the Securities Law.

14. Governing Law. This Warrant and the legal relations between the parties arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Israel without regard to its conflict of law principles. Any dispute arising under or with respect to this Warrant shall be resolved exclusively in the courts of Tel Aviv, Israel. Each party irrevocably waives any objection it may have to the venue of any action, suit or proceeding brought in such courts or to the convenience of the forum and each party irrevocably waives the right to proceed in any other jurisdiction. Final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence thereof.

15. Successors and Assigns; Transfer. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto. The Holder may freely assign, distribute or otherwise transfer this Warrant, with respect to all or any portion of the Warrant Shares hereunder, to an Affiliate (as defined in the SPA) of the Holder. In the event this Warrant is assigned, distributed or otherwise transferred with respect to less than all of the Warrant Shares hereunder, then at the Holder's or transferee's request, the Company at its expense will execute and deliver new Warrants of like tenor to each of the Holder and the transferee, representing the numbers of Warrant Shares remaining with the Holder and being transferred to the transferee, respectively.

16. Representations and Warranties of the Company. The Company represents and warrants to the Holder as follows:

16.1. This Warrant has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms.

16.2. The Warrant Shares are duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms hereof, will be validly issued, fully paid and nonassessable and not subject to any preemptive or participation rights.

16.3. The execution and delivery of this Warrant are not, and the issuance of the Warrant Shares upon exercise of this Warrant in accordance with the terms hereof will not be, inconsistent with the AOA, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to the Company, and, except for consents that have already been obtained by the Company, do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration with or the taking of any action in respect of or by, any federal, state or local government authority or agency or other person.

16.4. All necessary consents of shareholders and other third parties with respect to the issuance of this Warrant and the Warrant Shares upon exercise thereof have been obtained, and the Company has no outstanding issuance obligations, rights of first offer, pre-emptive or participation rights or other similar rights with respect to the issuance of this Warrant and the Warrant Shares upon exercise thereof, or any such rights have been exercised, waived or cancelled.

17. Survival. The representations, warranties, covenants and agreements made herein shall survive the execution and delivery of this Warrant.

18. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given upon delivery to the party to be notified in person, by facsimile (upon confirmation of successful transmission) or by courier service or four days after deposit by registered or certified mail, postage prepaid, addressed as follows:

If to the Company: Algomizer Ltd.
14 Arie Shenkar St., Herzelia, Israel

If to the Holder: _____

_____

19. Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to the Holder, upon any breach or default of the Company under this Warrant, shall impair any such right, power or remedy of the Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of Holder of any breach or default under this Warrant, or any waiver on the part of Holder of any provisions or conditions of this Warrant, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Warrant or by law or otherwise afforded to any holder, shall be cumulative and not alternative.

20. Severability. In the event that any provision of this Warrant becomes or is interpreted by a court of competent jurisdiction to be illegal, unenforceable or void, this Warrant shall continue in full force and effect without said provision, and such provision shall be given effect to the extent legally possible.

21. Titles and Subtitles. The titles and subtitles used in this Warrant are used for convenience only and are not considered in construing or interpreting this Warrant.

[*Signature Page to Follow*]

IN WITNESS HEREOF, the Company has caused this Warrant to be executed by its officers thereunto duly authorized.

Algomizer Ltd.

By: _____

Name and Title: _____

NOTICE OF EXERCISE

To: Algomizer Ltd.

1. The undersigned hereby irrevocably elects to purchase _____ shares of Algomizer Ltd. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

_____ (Name)
_____
_____
_____
(Address)

_____
(Signature)
_____ (Date)

Exhibit B

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

WARRANT TO PURCHASE ORDINARY SHARES REPRESENTED BY AMERICAN DEPOSITARY SHARES

MEDIGUS LTD.

Number of American Depositary Shares: 333,334

Initial Exercise Date: September 3, 2019

Issue Date: September 3, 2019

THIS WARRANT TO PURCHASE ORDINARY SHARES REPRESENTED BY AMERICAN DEPOSITARY SHARES (the "Warrant") certifies that, for value received, Algomizer Ltd. (the "Holder" or "Algomizer") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or September 3, 2019 (the "Initial Exercise Date") and on or prior to the close of business on the three (3) year anniversary of the Issue Date (the "Termination Date"), provided that, if such date is not a Trading Day, the Termination Date should be the immediate following Trading Day but not thereafter, to subscribe for and purchase from Medigus Ltd., a company organized under the laws of the State of Israel (the "Company"), up to 6,666,690 Ordinary Shares (the "Warrant Shares") represented by 333,334 American Depositary Shares ("ADSs"), as subject to adjustment hereunder, and the ADSs issuable upon exercise of this Warrant the "Warrant ADSs"). The purchase price of one Warrant ADS shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated June 19, 2019, among the Company, Algomizer and Linkury Ltd.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency that the Company may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) and the Depositary of a duly executed facsimile copy or PDF copy submitted by electronic mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(d)(i) herein) following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the Warrant ADSs specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant ADSs available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant ADSs available hereunder shall have the effect of lowering the outstanding number of Warrant ADSs purchasable hereunder in an amount equal to the applicable number of Warrant ADSs purchased. The Holder and the Company shall maintain records showing the number of Warrant ADSs purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant ADSs hereunder, the number of Warrant ADSs available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

Notwithstanding the above, this Warrant may not be exercised on the Record Date (as such term is defined under the Tel-Aviv Stock Exchange Ltd. (the "TASE") rules and regulations) of: (i) a distribution of bonus shares; (ii) a rights offer; (iii) any distribution of dividends; (iv) a consolidation of the share capital of the Company; (v) a share split; or (vi) a reduction of the share capital of the Company (each of the aforementioned events shall be called: "Corporate Event"). In addition, if the Ex-Date (as such term is defined under the TASE rules and regulations) of a Corporate Event occurs before the Record Date of a Corporate Event, then the Warrant shall not be exercised on the Ex-Date.

In no event will the Company be required to net cash settle a Warrant exercise.

b) Exercise Price. The exercise price per ADS under this Warrant shall be **$4.00**, subject to adjustment hereunder (the "Exercise Price").

c) Mechanics of Exercise.

i. Delivery of Warrant ADSs Upon Exercise. The Company shall cause its registrar to deposit the Warrant Shares subject to such exercise with the Israeli custodian of The Bank of New York Mellon, the Depositary for the ADSs (the "Depositary"), and cause the Depositary to credit the account of the Holder with The Depository Trust Company (or another established clearing corporation performing similar functions) through its Deposit/Withdrawal At Custodian system ("DWAC") if the Depositary is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant ADSs to or resale of the Warrant ADSs by the Holder or (B) the Warrant ADSs are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery of a certificate, registered in the name of the Holder, for the number of Warrant ADSs to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise, by the date that is the earlier of (i) one (1) Trading Day and (ii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant ADS Delivery Date"). Upon delivery of the Notice of Exercise, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant ADSs with respect to which this Warrant has been exercised, irrespective of the date of delivery of the Warrant ADSs, provided that payment of the aggregate Exercise Price is received within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period following delivery of the Notice of Exercise. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the ADS as in effect on the date of delivery of the Notice of Exercise.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of the Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant ADSs, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant ADSs called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Depositary to transmit to the Holder the Warrant ADSs pursuant to Section 2(d)(i) by the Warrant ADS Delivery Date, then the Holder will have the right to rescind such exercise.

iv. No Fractional Warrant Shares or Scrip. No fractional Warrant Shares or Warrant ADSs shall be issued upon the exercise of this Warrant. As to any fraction of an ADS which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall be entitled to round down such to the next whole ADS.

v. Charges, Taxes and Expenses. Issuance of Warrant ADSs shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant ADSs, all of which taxes and expenses shall be paid by the Company, and such Warrant ADSs shall be issued in the name of the Holder. The Company shall pay all applicable fees and expenses of the Depositary in connection with the issuance of the Warrant ADSs hereunder.

The Holder is aware and agree that any tax consequences arising from the grant or exercise of any Warrant from the payment for Warrant ADSs covered thereby or from any other event or act (of the Company and/or its Affiliates or the Holder), hereunder, shall be borne solely by the Holder. The Company and/or its Affiliates shall withhold Israeli taxes according to the requirements under the applicable Israeli laws, rules, and regulations, including withholding taxes at source. Furthermore, the Holder hereby accept to indemnify the Company and/or its Affiliates and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to you.

The Holder will not be entitled to receive from the Company any Warrant ADSs allocated or issued upon the exercise of the Warrant prior to the full payments of your Israeli tax liabilities arising from the Warrants which were granted to the Holder and/or the Warrant ADSs issued upon the exercise of the Warrants. For the avoidance of doubt, the Company shall not be required to release any share to the Holder until all payments required to be made by the Holder have been fully satisfied.

vi. Closing of Books. The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

d) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and the Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of Ordinary Shares beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of Ordinary Shares held by the Holder and its Attribution Parties plus the number of Ordinary Shares represented by ADSs issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Ordinary Shares represented by ADSs which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Ordinary Share Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding Ordinary Shares, the Holder may rely on the number of outstanding Ordinary Shares as reflected in (A) the Company's most recent Annual Report on Form 20-F, Report on Form 6-K or other public filings filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Depositary setting forth the number of Ordinary Shares outstanding. Upon the written or oral request of the Holder, the Company shall within one (1) Trading Day confirm orally and in writing or by electronic mail to the Holder the number of Ordinary Shares then outstanding. In any case, the number of outstanding Ordinary Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding Ordinary Shares was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of Ordinary Shares outstanding immediately after giving effect to the issuance of Ordinary Shares upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the sixty first (61^{st}) day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Share Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a share dividend or otherwise makes a distribution or distributions on its Ordinary Shares or ADSs or any other equity or equity equivalent securities payable in Ordinary Shares or ADSs (which, for avoidance of doubt, shall not include any ADSs issued by the Company upon exercise of this Warrant), as applicable, (ii) subdivides outstanding Ordinary Shares or ADSs into a larger number of shares or ADSs, as applicable, (iii) combines (including by way of reverse share split) outstanding Ordinary Shares or ADSs into a smaller number of shares or ADSs, as applicable, or (iv) issues by reclassification of Ordinary Shares, ADSs or any shares of the Company, as applicable, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Ordinary Shares or ADSs, as applicable, (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Ordinary Shares or ADSs, as applicable, outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification. For the purposes of clarification, the Exercise Price of this Warrant will not be adjusted in the event that the Company, sells or grants any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue any Ordinary Shares or ADSs, at an effective price per share less than the Exercise Price then in effect.

b) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Ordinary Shares (including any Ordinary Shares underlying ADSs) are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Ordinary Shares (including any Ordinary Shares underlying ADSs), (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Ordinary Shares or any compulsory share exchange pursuant to which the Ordinary Shares are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Ordinary Shares (including any Ordinary Shares underlying ADSs) (not including any ADSs and Ordinary Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Ordinary Share represented by each Warrant ADS that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of capital stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of Ordinary Shares Ordinary Share represented by each Warrant ADS for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one Ordinary Share or ADS, as applicable, in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Ordinary Shares or ADSs are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Ordinary Shares Ordinary Shares Ordinary Share represented by each Warrant ADS acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the Ordinary Shares or ADSs pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

c) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of an ADS, as the case may be. For purposes of this Section 3, the number of Ordinary Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of Ordinary Shares (including Ordinary Shares underlying ADSs, but excluding treasury shares, if any) issued and outstanding.

d) Notice to Holder. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall deliver to the Holder by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant ADSs and setting forth a brief statement of the facts requiring such adjustment.

Section 4. Transfer of Warrant.

a) Transferability. This Warrant and all rights hereunder (including, without limitation, any registration rights) are non-transferable.

b) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof.

c) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant ADSs issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant ADSs or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Shareholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a shareholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i).

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant ADSs, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Fridays, Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Ordinary Shares a sufficient number of shares to provide for the issuance of the Warrant ADSs and underlying Ordinary Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the Warrant Shares needed for the Depositary to issue the necessary Warrant ADSs upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares and Warrant ADSs may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the applicable Trading Market upon which the Ordinary Shares and ADSs may be listed. The Company covenants that all Warrant ADSs which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant ADSs in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant ADSs acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of the Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant ADSs, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Ordinary Shares or ADSs or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors of Holder.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

MEDIGUS LTD.

By: _____
Name: Prof. Benad Goldwasser
Title: Chairman of the Board of Directors

NOTICE OF EXERCISE

TO: MEDIGUS LTD.

(1) The undersigned hereby elects to purchase _____ Warrant ADSs of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full.

(2) Payment shall take the form of lawful money of the United States.

(3) Please register and issue said Warrant ADSs in the name of the undersigned or in such other name as is specified below:

(4) The undersigned is not a "U.S. Person" (as defined in Rule 902(o) of Regulation S under the Securities Act), and further hereby represents, warrants and agrees that (a) its principal address is outside the United States and it was located outside the United States at the time any offer to acquire the Warrant or Warrant ADSs was made to it, (b) it will not resell the Warrant or Warrant ADSs unless such resale is in compliance with Regulation S under the Securities Act or any other applicable exemption under the Securities Act and (c) it will not engage in hedging transactions involving the Warrant or Warrant ADSs unless in compliance with the Securities Act. No directed selling efforts (as defined in Rule 902 of Regulation S under the Securities Act) have been made by any of the Company, any of its affiliates or any person acting on its behalf with respect to any Warrant or Warrant ADSs that are not registered under the Securities Act.

_____

The Warrant ADSs shall be delivered to the following DWAC Account Number:

_____

_____

_____

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date: _____

Schedule 2.5(iii)

Minutes of the Board of directors of the Company

[***]

Schedule 2.5 (iv)

Minutes of the Board of Directors and the Sole Shareholder of Linkury

[***]

Schedule 2.5(a)(v)

Waiver from Company's Creditors

[***]

Schedule 2.5(a)(vi)

Executed Share Certificate Representing the Linkury Purchased Shares

[***]

Schedule 2.5(a)(vii)

Register of Shareholders of Linkury

[***]

Schedule 2.5(b)(ii)

Minutes of the Board of Directors of the Purchaser

[***]

Exhibit 10.6

Medigus 有限公司

与

妙思医疗科技（上海）有限公司

之

专有技术许可及货物买卖合同

CONTRACT
FOR KNOW-HOW LICENSE AND SALE OF GOODS

BY AND BETWEEN

MEDIGUS LTD.

AND

SHANGHAI MUSE MEDICAL SCIENCE AND TECHNOLOGY CO., LTD.

目录
Table of Contents

本专有技术许可及货物买卖合同于2019**年**__6_**月**__2_**日由以下许可人和被许可人签订。许可人和被许可人,单**称“**一方**”，合**称“**双方**”。**

This CONTRACT FOR KNOW-HOW LICENSE AND SALE OF GOODS is made this day _2nd__ of _June__, 2019 by and between the Licensor and the Licensee below, hereinafter individually “**Party**” and collectively “**Parties**”.

许可人：	Medigus**有限公司**
法定代表人：	
注册**地址**:	Omer Industrial Park, Building 7A, P.O. Box 3030, 8496500, Israel
Licensor：	Medigus Ltd.
Legal Representative：	
Registered Address:	Omer Industrial Park, Building 7A, P.O. Box 3030, 8496500, Israel
被许可人：	**妙思**医**疗科技（上海）有限公司**
法定代表人：	**夏金雁**
注册**地址：**	**上海市松江**区**新桥镇莘砖公路**258**号**40**幢**402**室**-1
Licensee：	Shanghai Muse Medical Science and Technology Co., Ltd. Legal
Representative：	XIA, Jinyan
Registered Address:	Room 402-1, 40th Block 258, Xinqiao Town, Songjiang District, Shanghai

鉴于：

WHEREAS,

(1) 许可人拥有MUSE产品之设计、制造、组装和维护等专利、专有技术以及技术资料；并利用该等专利、专有技术和技术资料在以色列制造MUSE产品，获得FDA及CE认证，并使用“MUSE”商标在全球销售MUSE产品；

Licensor owns Patents, Know-How and Technical Information in relation to the design, manufacture, assembly and maintenance of MUSE Product; and it manufactures MUSE Product in Israel under certain Patents, Know-How and Technical Information and obtain FDA and CE certification, and sells MUSE Product in the whole world under trademark “MUSE”;

(2) 与妙思医疗科技（上海）有限公司属同一实际控制人的上海金浩科技发展有限公司已经取得Medigus有限公司授予的MUSE产品在中国地区独家代理权，并为其在中国境内医疗器械市场准入做了大量的工作；

Shanghai Golden Grand Science and Technology Development Co., Ltd., whose actual controller is same as that of Licensee, has obtained exclusive agency for MUSE Product granted by Licensor with respect to China Region and has done a lot of work for MUSE Product’s entry into China’s medical instrument market;

(3) 许可人及关联公司就MUSE产品未在中国地区申请专利和商标；

In relation to MUSE Product, Licensor and its affiliates have not applied for patents and trademarks in China Region;

(4) 许可人愿意向妙思医疗科技（上海）有限公司移交生产MUSE产品的完整生产体系，并将涉及到的专有技术（包括任何需要的专利信息）及技术资料许可给妙思医疗科技（上海）有限公司在中国地区（包括中国大陆、香港、澳门、台湾）使用，且妙思医疗科技（上海）有限公司有意利用该等专有技术及技术资料，在中国地区建立生产线并利用该生产线生产MUSE产品，在中国地区进行销售；

Licensor desires to license to Licensee the complete production system for MUSE products such as Know-How (including any required Patents information) and Technical Information, and Licensee desires to utilize such Know-how and Technical Information to build Assembly Line in China Region and manufacture MUSE Product using the Assembly Line and conduct sales in China Region; and

(5) 许可人向妙思医疗科技（上海）有限公司出售生产MUSE产品的库存原材料、原部件(同下文附件中提到的定义)，以及建设生产线的所需的库存货物。

Licensor will sell to Licensee the Raw Materials, the OEM Parts (as both terms are defined in the applicable Schedules hereto) and the Inventory required for building of Assembly Line.

据此，双方协议如下：

NOW, THEREFORE, the Parties agree as follows:

第 1 条 定义

Article 1 Definitions

1.1 “**许可人**”：指Medigus **有限公司。**

“**Licensor**” shall mean Medigus Ltd.

1.2 “**被许可人**”：**指妙思医疗科技（上海）有限公司。**

“**Licensee**” shall mean Shanghai Muse Medical Science and Technology Co., Ltd.

1.3 “**许可地区**”**或**“**中国地区**”: **指中华人民共和国、台湾、香港特别行政区以 及澳门特别行政区。**

“**Territory**” or “**China Region**” shall mean the People’s Republic of China, Taiwan, the Special Administrative Region of Hong Kong and the Special Administrative Region of Macao.

1.4 “许可产品”或“MUSE产品”：指合同附件【1】所列出Medigus 有限公司开发的超声外科内镜钉合系统，由主机控制台、内镜钉合器和配件(钉盒、注水瓶、套管、镊子)组成。用于治疗慢性胃食管反流病（GERD）。

“**Licensed Product**” or “**MUSE Product**” shall mean the Medigus Ultrasonic Surgical Endostapler system provided in Schedule [1] that has passed the Acceptance Test and can be used for patients. It is developed by Licensor to treat GERD and consists of MUSE Console, MUSE Endostapler, and MUSE Staples Cartridge.

1.5 “生产线”：指为制造MUSE产品而将必要的机器设备、零部件、工具、控制程序等要素按照特定的工艺路线和工序劳动量比例来排列和配置的生产组织形式。

“**Assembly Line**” shall mean the production organization form that arranges and configures the necessary equipment, components parts, tools and control procedure according to the specific process and process labor ratio for the manufacture of MUSE Product.

1.6 “建设生产线技术”：指由许可人掌握并许可给被许可人的建设生产线的技术。

“**Technology for Building of Assembly Line**” shall mean the technology that the Licensor has mastered and licenses to the Licensee for building of Assembly Line.

1.7 “生产许可产品技术”：指由许可人掌握并许可给被许可人的利用生产线生产制造MUSE产品的技术。

“**Technology for Manufacture of Licensed Product**” shall mean the technology that the Licensor has mastered and licenses to the Licensee for manufacture of MUSE Products using the Assembly Line.

1.8 “过渡计划”系指附件[7]中所附的详细计划，许可人应根据该计划(i)转让信息、技术和材料(按本协议条款);(ii)向被许可人提供必要的技术支持、技术援助以及任何其他支持、援助、指导、培训等，以使被许可人能够建设生产线并生产许可产品。

“**Transition Plan**” shall mean a detailed plan attached hereto as Schedule [7], according to which Licensor shall (i) transfer the information, technology and materials (as per the terms hereof); (ii) provide Licensee with the Technical Support, Technical Assistance and any other support, assistance, guidance, training, etc., required in order to enable Licensee to create the Assembly Line and to manufacture the Licensed Product.

1.9 “专利”：指截止至本合同生效时，许可人已获得专利权授予或已申请的以及许可人与其他共有人共有的由被许可人使用的附件【5】所列之专利和申请。

“**Patents**” shall mean as at the effective date of this Contract those granted patents and patent applications listed on Schedule [5] owned by the Licensor alone and jointly owned with other owners.

1.10 “专有技术”：指截止至本合同生效时，许可人已经拥有的附件【6】所列的与1.6、1.7建设生产线和生产许可产品有关的技术，包括但不限于制造及销售相关的一切技术资料：制造、组装、维修、维护许可产品相关的全部技术知识、经验和技能及任何供应商清单，以及被许可人因履行本合同而获知的许可人的技术资料和经营信息。为清楚起见，专有技术应包括专利文件和被许可方使用本协议授予的权利所需的任何专利相关信息。

“**Know-How**” shall mean as at the effective date of this Contract any technology pertaining to Building of Assembly Lines and manufacture of Licensed Product listed on Schedule [6] that the Licensor already owns, including but not limited to all Technical Information pertaining to manufacture and sales: all technical knowledge, experiences, skills and any list of suppliers pertaining to the manufacture, assembly, repair, and maintenance of Licensed Product, and any Technical Information and operational information of the Licensor that the Licensee has become aware of as a result of performing this Contract. For the sake of clarity, the Know-How shall include the patent documents and any patent-related information required for Licensee for the utilization of the rights granted to it hereunder.

1.11 “考核产品”：指被许可人利用在许可地区的生产线生产的用于验收的产品。

“**Assessment Product**” shall mean product manufactured by the Licensee using the Assembly Line in the Territory to be used for Acceptance Test.

1.12 “样机”：指经许可人和被许可人共同签字封存，交由被许可人保管的 第八代MUSE产品，包括：主机2台，内镜25支，钛钉4盒。作为验收对比的参照物。

“**Sample**” shall mean Generation 8th MUSE Product that has been countersigned and jointly sealed by the Licensor and the Licensee and handed over to the Licensee for use as a reference for Acceptance Test. It contains 2 MUSE console, 25 MUSE Endostapler, 4 boxes of cartridge.

1.13 “技术资料”: 指许可人拥有的附件【4】所列与市场销售、专利、专有技术、产品注册相关的文件，包括但不限于：专利文件、数据、软件（包括生产线控制和产品使用控制的软件源代码和相关资料）、市场相关资料及物料、销售相关资料及物料、注册相关资料、研发相关资料、工程图纸、生产线和制造工艺的描述、技术标准和规范(SOPs, WI, QMS等)、以及有关设计、组装、制造、使用、维修和维护的资料和报告等。包含在治疗GERD领域范围内，Medigus有限公司已经开发完成和尚在开发的每一代MUSE产品的技术资料。

“**Technical Information**” shall mean documents pertaining to Patents, Know-How, marketing, regulatory and R&D owned by the Licensor and listed on Schedule [4], including but not limited to patent documents; data, software(including software source code and related information for production line control and product usage control), engineering drawings, descriptions of assembly line and manufacturing process, technical standards and specifications (SOPs, WI, QMS and so on) and materials and reports pertaining to design, assembly, manufacture, use, repair and maintenance, marcom materials including branding, demo tools, simulator, short samples and sales support materials, MUSE Product regulatory data and related information, R&D tooling, materials and supplies. For avoidance of doubt, since the Technical Information is not limited to MUSE system Gen 8, all technical data and documents of product model developed by Medigus to cure GERD should be included in Technical Information.

1.14 “库存货物”：指附件【4】所列包含在本合同价格内的为生产MUSE产品且库存在许可人的位于以色列仓库的库存货物，以及建设生产线的所需的机器设备和工具；库存包括原材料和OEM配件。

“**Inventory**” shall mean the Licensor’s inventory and machines, equipment and tools required to build the Assembly Line in Israel as listed on Schedule [4] which are covered in the price of this Contract and required for manufacture of MUSE Product. The Inventory shall include the Raw Materials and the OEM Parts;

1.15 “本合同”：指本技术许可及货物买卖合同及其所有附件。

“**Contract**” shall mean the Contract for Know-How License and Sale of Goods and Schedules attached thereto.

第 **2 条** 许可和销售

Article 2 License; Sale and Restrictions

2.1 许可人向被许可人提供整套建设生产线技术的支持，确保被许可人能够按照过渡计划在中国地区建设起生产线。应被许可人的需求，许可人应提供许可人所拥有的所有FDA及CE认证申请的相关资料。为明确起见，许可人没有义务在本合同生效日后对其任何产品保持FDA和CE的认证。

The Licensor will provide the Licensee with support in relation to the entire Technology for Building of Assembly Line to enable the Licensee to build the Assembly Line in China Region, all in accordance with the Transition Plan. To satisfy the request of the Licensee, the Licensor shall provide the Licensee with all relevant documents used by Licensor to pass FDA and CE certification. For clarity, Licensor is under no obligation to maintain FDA and CE certification with respect to any of its products after the effective date of this Contract.

2.2 许可人向被许可人充分完整地披露建设生产线所需的所有机械、设备和零部件有关的技术信息，并向被许可人提供许可方拥有的所有相关文件，并积极介绍被许可人和许可人供应商之间建立联系，以帮助被许可人能够从第三方购买上述生产线所需的机械、设备和工具，所有这些都应符合过渡计划的要求。

The Licensor will disclose fully and completely to the Licensee Technical Information pertaining to all machinery, equipment and parts and components required to build the Assembly Line, and will provide the Licensee with any documents in Licensor's possession which and will make a positive introduction between the Licensee and Licensor's suppliers in order to assist the Licensee to be able to purchase from third parties machinery, equipment and tools necessary for the afore-mentioned Assembly Line, all in accordance with the Transition Plan.

2.3 许可人向被许可人提供生产许可产品技术的支持，保证被许可人能够在生产线上独立操作并能生产出通过验收的许可产品。许可人向被许可人充分完整地披露生产许可产品所需的原部件、原材料、库存货物、配件、组件、半成品及辅助设备，所有这些均符合过渡计划的安排。其具体型号、规格、数量、交付时间、供应商名单、联系方式、供应商资质、供应商管理体系（附件【3】）。

The Licensor provides the Licensee with the support of the technology pertaining to manufacture of Licensed Product to ensure that the Licensee will be able to independently operate the Assembly Line and manufacture Licensed Products that pass the Acceptance Test. The Licensor discloses fully and completely to the Licensee OEM Parts, Raw Materials, Inventory, accessories, components, semi-finished products and auxiliary equipment required for manufacture of the Licensed Products, all in accordance with the Transition Plan. Specific model, specifications, quantity, delivery time, supplier list and contact information, supplier Qualification and supplier management system are listed on (Schedule [3]).

2.4 许可人向被许可人提供建设生产线和生产许可产品技术的所有技术资料（附件【4】），许可人负责将图纸及资料进行翻译并保证翻译件内容与原件一致。并委派技术人员提供技术服务支持，对被许可人的技术人员进行技术培训直至能够在生产线上独立操作并能生产出符合本合同第11条通过验收的许可产品。以上要符合过渡计划的安排。

The Licensor provides the Licensee with all Technical Information (Schedule [4]) pertaining to Technology for Building of Assembly Line and Technology for Manufacture of Licensed Product (Schedule [1]). The Licensor is responsible for translating to English the drawings, SOPs and related documents and ensuring that the contents of the translated documents are consistent with the original ones. It also shall assign technical personnel to provide technical services and support and provide the Licensee's technical personnel with technical trainings through to the stage when the Licensee's technical personnel will be able to independently operate, and when Licensed Products commercially made have passed Acceptance Test that stipulated in Article 11 of this Contract, all in accordance with the Transition Plan.

2.5 根据本合同条款，被许可人仅在中国区域内使用和/或制造和分销本合同附件中所列的许可产品、专利和专有技术是无限期的、排他性的、可转让的和可再许可的。尽管有上述规定，在中国区域外被许可人不得直接或间接使用、转让、再许可、分销或推广许可产品、库存或本协议项下授予或提供的任何其他权利或信息。如果被许可人与中国以外的任何欲购买本合同产品的第三方接洽，被许可人应通知许可人，并将该方转介给许可人。被许可人应对被许可人控制的库存部件和/或由被许可人制造的许可产品在中国区域以外的任何销售或分销负责，即使此类行为是由与被许可人相关的第三方实施的。。

为避免疑义,本合同项下所有权利授予被许可人使用是只在中国地区,许可人在中国以外的地区保留和可以自由使用任何和所有权利包括,但不限于,专利、技术和许可产品。

Subject to the terms hereof, the Licensee's use and/or manufacturing and distribution under this Contract of the Licensed Product and Know-How listed on the Schedules to this Contract, solely within the China Region, is indefinite, exclusive, transferable, and sub-licensable. Notwithstanding the foregoing, Licensee shall not directly or indirectly use, transfer, sublicense, distribute or promote the Licensed Product, the Inventory or any other right or information granted or provided hereunder outside the China Region. If Licensee is approached by any third party from outside the China Region for the purchase of Licensed Products, Licensee shall notify Licensor and shall refer such party to Licensor. Licensee shall be responsible to and liable for any sale or distribution of the Inventory and/or Licensed Product manufactured by the Licensee outside of the China Region, even to the extent such actions are taken by third parties related to the Licensee.

For the avoidance of doubt, all rights granted under this Contract may be used by the Licensee solely within the China Region, and the Licensor retains and may freely use any and all rights granted hereunder or in Licensor's possession, including, without limitation, with respect to the Patents, Know-How and Licensed Product outside of the China Region.

2.6 许可人将按照本合同约定的时间和条件向被许可人交付库存货物。

The Licensor shall deliver to the Licensee Inventory in accordance with the time and conditions stipulated in this Contract.

第 **3** 条 价格

Article 3 Price

基于本合同第2条内容,以及许可人按本合同的规定应完成的义务。作为对价，被许可人向许可人支付总价三百万美元(US$3,000,000)，以美元进行支付。

In consideration of Article 2 of this Contract and the Licensor's obligations to fulfil the provisions of this Contract, the Licensee pays the Licensor a total of three million US Dollars (US$3,000,000) paid in US Dollars.

第 **4** 条 支付和支付条件

Article 4 Payment and Terms of Payment

4.1 被许可人以电汇方式向许可人支付合同价款，许可人应书面告知其指定银行账户详情，以便被许可人将相关款项电汇至该提供的银行账户。汇率以汇出日中国人民银行发布的汇率为准。

Amounts due and payable to the Licensor under this Contract shall be transmitted by the Licensee by Telegraphic Transfer. The Licensor shall notify the Licensee in writing its designated bank account for the Licensee to wire the relevant amounts to the designated bank account. The rate of exchange shall be that rate published by the People's Bank of China prevailing on the day when payment of such amounts is made.

4.2 被许可人向许可人分期支付合同总价，具体如下：

The Licensee pays to the Licensor contract price in installments. Details are as follows.

4.2.1 合同生效后【15】个工作日日支付合同总价的百分之二十（20%）；

20% of the total contract price, 15 business days after this Contract has taken effect;

4.2.2 许可人合同生效后20个工作日内安排技术资料、库存货物的发货，在被许可人实际收到附件【4】所列的全部的技术资料、库存货物之日,支付合同总价的百分之四十（40%）；

The Licensor should arrange the delivery of Technical Information and Inventory within 20 business days after the effective date of this Contract. 40% of the total contract price, on the day when the Licensee has received all Technical Information and Inventory as listed on Schedule [4];

4.2.3 在完成生产线建设，且生产的MUSE产品符合本合同第【11】条的通过验收之日，支付合同总价的百分之二十（20%）；

20% of the total contract price, on the day when MUSE Products manufactured after completion of building of the Assembly Line have passed Acceptance Test as stipulated in Article [11] of this Contract;

4.2.4 在完成过渡计划中规定的行动后，支付合同总价的百分之二十（20%）。

20% of the total contract price, upon the completion of actions specified under the Transition Plan.

4.3 如许可人需向被许可人支付罚款或赔偿时，被许可人有权将该等罚款或赔偿从上述任何一次支付中扣除。

In the event that the Licensor is required to pay the Licensee a fine or compensation, the Licensee is entitled to deduct such fine or compensation from any of the above payments.

4.3.1 在被许可方继续履行其在本协议项下的付款义务(为清楚起见，任何履行付款义务的延迟应赋予许可方同等延迟交付的权利)的前提下，许可方将在本合同生效日后的20个工作日内安排交付技术信息和库存。如果迟交超过本应交付之日后14个工作日，许可方应向被许可方支付每延迟交付货物一个工作日3000美元（为明确起见，此罚款仅在迟交的第15个工作日生效）；最高违约金不超过300万美元。

Subject to Licensee's continues performance of its payment obligations hereunder (for clarity, any delay in performing payments obligations shall entitle Licensor to equivalently delay the delivery), Licensor will arrange the delivery of Technical Information and Inventory within 20 business days after the effective date of this Contract. In the event of a late delivery of more than 14 business days following the date in which the delivery should have been made, the Licensor shall pay US$3,000 to the Licensee for every business day of delay in delivery of the goods (for clarity, this penalty shall enter into force only as of the 15th, business day of late delivery); the maximum amount of liquidated damages is not more than US$3 million.

第 **5** 条 技术资料、库存货物的交付

Article 5 Delivery of Technical Information and Inventory

5.1 许可人应自合同生效之日起20个工作日内将附件【4】所列的技术资料、库存货物交付被许可人。

Within 20 business days after the effective date of this Contract, the Licensor shall deliver to the Licensee Technical Information and the Inventory listed on the Schedule [4].

5.2 许可人邮寄交付技术资料、库存货物，交付地点为被许可人指定地点，并以被许可人书面签收文件的签字日期为实际交付日期。【以黄埔港（上海）港在海运提单上的盖章日期作为实际交付日期。在技术资料、库存货物发运后的【 24 】小时内，许可人应将海运提单号、海运提单日期、资料编号、件数和重量等以【传真或电子邮件】方式告知被许可人，同时以航空信的方式将下列单据寄给被许可人：1) 海运提单正本；2)所发运技术资料、库存货物的详细清单一份。】本合同采用的贸易术语为CIF黄埔港（上海）。本合同所采用的贸易术语以《2000年国际贸易术语解释通则》(IINCOERMS 2000)的解释为准，除非本合同另有约定。

The Licensor will deliver the Technical Information and the Inventory at the venue specified by the Licensee. The date of signature of the document signed by the Licensee shall be the actual delivery date. The actual delivery date is the date stamped on the air bill of lading at Huangpu Port (Shanghai). Within [24] hours after the shipment of technical data, original parts and raw materials inventory goods, the Licensor shall inform the Licensee of the ocean bill of lading number, date of ocean bill of lading, data number, number of parts and weight in the form of [fax or email] and at the same time send the following documents to the Licensee by air letter: 1) the original ocean bill of lading; 2) the technical data, original parts and raw materials inventory shipped; A detailed list of the items. The trade term used in this contract is CIF Huangpu Port (Shanghai). The terms used in this contract shall be interpreted in accordance with the General Principles for the Interpretation of International Trade Terms 2000 (IINCOERMS 2000), unless otherwise agreed in this contract.

5.3 如果技术资料、库存货物在运输过程中发生丢失、损坏或缺少,许可人将在收到被许可人的书面通知后15天内免费补发。如果货物在运输过程中发生丢失、损坏或缺少，许可人应免费补发，如果许可人无法完成货物补发，应该将该部分货物的价值返还被许可人。

Where Technical Information, and/or Inventory are lost, damaged or missing during transportation, the Licensor shall, within 15 business days after receiving the written notice from the Licensee, resend or amend, free of charge, if the aforementioned is not reasonably feasible, the Licensee shall be refunded for the damaged or missing goods in accordance with the actual value of such damaged or missing goods.

5.4 技术资料、库存货物应包装在坚固的箱子内以适于长途运输,且能防潮防雨。

Technical Information, software, equipment and parts and components shall be packaged in a sturdy box worthy for long-distance transportation and both water and rain proof.

5.5 每箱技术资料、库存货物包装的外包装上应以不褪色的漆
用英文注明以下内容：
A.合同号
B.收货人：
C.收货人代码：
D.到货: 黄埔港（上海）
E.唛头标记:
F.毛/净重量(公斤)
G.箱号/件号:
H.外形尺寸(长X宽X高)：

Outer packaging of each box of Technical Information, and/or Inventory shall bear the following information indicated in English and in non-fading paint:
A. Contract number
B. Consignee:
C. Consignee code:
D. Arrival port: Huangpu Port (Shanghai)
E. Shipping mark:
F. Gross / net weight (kg)
G. Container number / package number:
H. Measurement (length X width X height):

5.6 在每箱技术资料、库存货物中, 应备有两份详细的箱单。

Two copies of detailed packing list shall be available for each box of Technical Information, and/or Inventory.

5.7 技术资料、库存货物部件可分批交付, 但不得转运。

Technical Information and/or Inventory may be delivered in batches but transship is not allowed.

5.8 许可人负责在合格的保险公司办理保险, 并承担与技术信息和/或库存转移有关的保险费。投保费用由许可人负担。被许可人为保险收益人,投保金额为合同总价100%的“一切险”和“战争险”。

The Licensor is responsible for taking out an insurance policy with an eligible insurer and bears the insurance premium with respect to the transition of the Technical Information and/or Inventory. All Risks and War Risk are covered by the Licensor for the Licensee’s account at 100% of the total contract price.

第 **6** 条 技术支持

Article 6 Technical Support

6.1 被许可人要求许可人按照过渡计划提供技术支持。

The Licensee requests the Licensor to provide Technical Support in accordance with the Transition Plan.

6.2 许可人特此同意，向被许可人披露和提供制造每种型号许可产品所需的全部和任何技术资料，并应当符合过渡计划中的内容。

The Licensor hereby agrees to disclose and provide to the Licensee all and any Technical Information required to manufacture each model of Licensed Products, all in accordance with the Transition Plan.

6.3 技术支持包括但不限于通过现场、电话、电子邮件或网络视频会议向被许可人解释和说明相关技术和工艺、演示具体操作、安排许可人的专家或熟练工程师参加被许可人有关技术和工艺的讨论和会议，以上应当符合过渡计划中的内容。

Technical Support will include but not limit to explanations and illustrations of relevant technology and process, demonstration of specific operation, arrangement for the Licensor's experts and skilled engineers to attend discussions and meetings organized by the Licensee in relation to relevant technology and process, by presence, telephone, email, or WebEx, all in accordance with the Transition Plan.

6.4 许可人向被许可人充分完整地提供建设生产线和生产许可产品的厂房必备条件的各种信息，具体内容见过渡计划。

The Licensor provides the Licensee with sufficient and complete information and elements necessary for building of Assembly Line and factory, all in accordance with the Transition Plan.

6.5 过渡计划中约定的技术支持由双方各自承担人工等费用，差旅费均由被许可人承担；超出过渡计划之外的技术支持和服务，所产生的额外费用由双方另行协商确认。

The costs and expenses of the support agreed in the Transfer Plan shall be borne by both parties respectively for labor costs and other expenses; provided that all travel and accommodation costs and expenses shall be borne exclusively by Licensee. For the support and services beyond the Transfer Plan, the additional costs shall be separately negotiated and confirmed by both parties.

第 **7** 条 技术援助

Article 7 Technical Assistance

7.1 许可人应提供或安排合格工程师或技术人员，以在尽可能短的时间内使被许可人获得并掌握技术以及与许可产品的设计、制造、装配、测试、维修和维护相关的知识、技能和培训，以上内容应当符合过渡计划的安排。

The Licensor shall furnish or arrange to furnish qualified engineers or technicians to assist the Licensee in acquiring and mastering, as practically shorter a time as possible, technology and knowledge, skills and training pertaining to the design, manufacture, assembly, test, repair and maintenance of the Licensed Products, all in accordance with the Transition Plan.

7.2 许可人应允许被许可人员工参观制造许可产品的许可人工厂，安排一段合理的培训期，以使被许可人员工获得相关许可产品制造的知识、技能等。许可人和被许可人应在参观之前协商并商定被许可人员工参观前述许可人设施的人数、日期等安排。参观该许可人设施的被许可人员工的所有费用，由被许可人承担。

The Licensor shall permit the Licensee’s personnel to visit certain Licensor facilities that manufacture the Licensed Products for a reasonable training period to enable the Licensee’s personnel to gain knowledge and skills with respect to the manufacture of the Licensed Products. Prior to such visit, the Licensor and the Licensee shall consult between each other and agree upon matters such as the number of the Licensee’s personnel and date to visit said Licensor facilities. All expenses of the Licensee’s personnel visiting such Licensor facilities shall be borne by the Licensee.

7.3 许可人提供或安排的工程师或技术人员在许可地区进行技术培训期间应遵守中华人民共和国的法律以及被许可人的规章制度。附件【7】列举部分技术援助事宜。

Engineers or technicians provided or arranged by the Licensor, during the period when conducting technical trainings in the Territory, shall comply with the laws of the People's Republic of China and the rules and policies of the Licensee. Schedule [7] lists some technical assistance.

第 **8** 条 组件

Article 8 Components

8.1 当被许可人因要纳入许可产品或与许可产品一起使用而需要零部件、组件、子组件、配件等时，许可人应尽其所能向被许可人供应该等零部件、组件、子组件、配件。

The Licensor shall, to the best of its ability and capacity, supply to the Licensee parts, components, subassemblies, accessories of the Licensed Products when requested by the Licensee for incorporation in or use with the Licensed Products.

8.2 具体供应条款条件由许可人和被许可人另行约定。

Specific terms and conditions for supply shall be further agreed upon separately between the Licensor and the Licensee.

第 **9 条** 修改和改进

Article 9 Modifications and Improvements

9.1 修改: 双方同意，为了满足许可地区的制造需求或要求，被许可人有权做出一些合理的修改，无需获得许可人的同意。

Modifications: Both Parties hereby agree that the Licensee has the right to make certain reasonable modifications necessary to satisfy local manufacturing needs or requirements of the Territory. The Licensor shall not need to approve such reasonable modification proposals if put forward.

9.2 改进:

Improvements：

9.2.1 在本合同有效期内，被许可人作出的与许可产品有关的任何改进均应归被许可人所有，被许可人仅有权在中国区域内使用该等改进，并禁止在任何其他区域使用该等改进。

During the term of this Contract, any improvements by Licensee pertaining to Licensed Products shall be owned by the Licensee which will be entitled to use such improvements solely within the China Region and prohibited from such usage in any other territory.

9.2.2 在本合同期内，许可人应向被许可人充分披露由许可人开发的与改进和修改相关的任何技术资料。许可人同意无偿转让与许可产品改进相关的技术资料，作为本合同的一部分。为明确起见，许可人没有义务继续开发许可产品，并且许可人可以自行决定撤回与许可产品有关的任何研究和开发活动。

During the term of this Contract, the Licensor shall fully disclose to the Licensee any Technical Information developed by the Licensor in relation to improvements and modifications. The Licensor hereby agrees to transfer, free of charge, Technical Information in relation to Improvements to Licensed Products, which will constitute part of this Contract. For clarity, the Licensor is under no obligation to continuously develop of the Licensed Products, and Licensor may, at its sole discretion, withdraw any research and development activities with respect to the Licensed Product.

9.2.3 如果被许可人在本合同期内开发的与许可产品相关的任何改　进和修改可申请专利，被许可人有权在中国以自己的名义提交专利申请并获得专利。所有此类申请以及所授予的专利应属于被许可人。

If any such improvements and modifications developed by the Licensee during the term of this Contract constitute patentable subject matter, the Licensee shall have the right to file patent applications and obtain patents therefor in its own name solely within the China Region.

第 **10 条** 再许可

Article 10 Sub-License

被许可方有权将本合同项下的专有技术分许可给中国区域内的分被许可方（以及许可被许可方将在中国区域内发布的任何专利（如有）），仅限于中国区域内的分被许可方，且仅限于在中国区域内使用。。被许可人应确保其分许可人仅在中国区域内使用通过分许可方式授予的权利，并应就分许可方违反本条款的任何行为向许可人承担责任。

The Licensee shall have the right to sub-license the Know-How under this Contract (and to license any patents Licensee will issue within China Region (if any)), solely to sublicensees within the China Region and solely for usage within the China Region. Licensee shall ensure that its sublicensees shall only use the rights granted by way of sublicense within the China Region, and shall be liable towards the Licensor for any breach of this provision by Licensee's sublicensees.

第 **11 条** 验收

Article 11 Acceptance Test

11.1 许可人、被许可人双方共同在被许可人工厂对考核产品的技术性能、标准、规范等进行考核验收。以上应当符合过渡协议中的内容。

The Licensor and the Licensee shall jointly conduct at the Licensee's factory assessment pertaining to technical performance, standards and specifications of Assessment Product and carry out review for Acceptance Test, all in accordance with the Transition Plan.

11.2 考核产品的技术性能等应符合附件【1】的技术指标、样机的技术指标、样机指标检测由CFDA认可的医疗器械检测机构完成，并全部符合过渡计划即为通过验收。

An Assessment Product shall be viewed as having passed assessment and therefore be accepted if its technical performance meets the technical indicators as indicated on Schedule [1]. The testing of the technical indicators of the prototype is performed by the CFDA accredited medical device testing institution. The technical specifications of the Samples, and all in accordance with the Transition Plan.

11.3 如考核产品的技术性能等达不到规定的技术参数和标准，双方应共同研究分析原因、积极解决问题，并在验收不合格之日起六十（60）日内进行第二次考核验收。

Where the technical performance of Assessment Product has failed to comply the specified technical parameters and standards, both Parties shall work together to look into and analyze reasons of the failure and actively resolve the problem and conduct the second assessment within sixty (60) days after the day of assessment failure.

11.4 如考核产品不合格则许可人派人参加第二次考核验收的一切费用，由许可人负担。如系被许可人原因，该费用由被许可人负担。

Where the assessment failure, the Licensor shall bear all the costs incurred by its personnel assigned by the Licensor to conduct the second assessment. Where assessment failure is attributable to the Licensee, such cost shall be borne by the Licensee.

11.5 若考核产品第二次考核仍不合格，如系许可人原因，许可人应赔偿被许可人遭受的损失，并在第二次验收不合格之日起九十（90）日内进行第三次考核，费用由许可人负担。

In the event that Assessment Product fails the second assessment and the failure is attributable to the Licensor, the Licensor shall compensate the Licensee for losses suffered by the Licensee and conduct the third assessment within ninety (90) days after the day of second assessment failure and bear relevant costs.

11.6 若考核产品第三次考核仍不合格，如系许可人直接且单独的原因，被许可人有权解除合同，许可人承担违约责任。

In the event that Assessment Product fails the third assessment and the failure is directly and solely attributable to the Licensor, the Licensees shall have the right to terminate this Contract and the Licensor shall assume the liability for breach of contract.

第 **12 条** 产品标识

Article 12 Product Identification

被许可人有权在中国地区，在其广告、宣传材料中，以及在根据本合同制造的许可产品的显著位置上，用英文和 / 或中文声明被许可人制造的许可产品是根据许可人的许可制造。

The Licensee shall have the right, solely within the China Region, to state in all its advertising, promotional materials and in a prominent position on each Licensed Product manufactured under this Contract, in the English and Chinese languages that Licensed Products manufactured by the Licensee thereunder are manufactured under license from the Licensor.

第 13 条 专利和商标

Article 13 Patents and Trademarks

截止本合同生效之日，许可人就许可产品未在中国地区申请专利和商标，许可人同意被许可人未来享有许可产品在中国地区而非中国地区以外的任何其他司法管辖区的专利和商标的申请权。应被许可人的需要，许可人将尽最大努力提供专利申请所需的资料。

As of the effective date of this Contract, the Licensor has yet applied for patents and trademarks in China Region for Licensed Products. The Licensor agrees that the Licensee shall have the right to apply for patents and trademarks pertaining to Licensed Products in China Region, and not in any other jurisdiction outside of China Region, in the future. To satisfy the request of the Licensee, the Licensor shall do its utmost to provide the information required for patent application.

第 14 条 双方的陈述和保证

Article 14 Representations and Warranties

14.1 **许可人的陈述和保证**

The Licensor hereby represents and warrants:

14.1.1 **许可人是依法成立的企业，具有独立的法人资格。**

The Licensor is a lawfully established enterprise with independent legal personality.

14.1.2 许可人一直依法从事经营活动，并未从事任何超出法律规定的营 业范围的活动。

The Licensor has been engaged in business activities in accordance with law and has not engaged in any activities outside the business scope as provided by law.

14.1.3 许可人为签署本合同所需的一切政府审批(如需要)以及内部授权程序都已获得或完成，签署本合同的是许可人的有效授权代表，并且本合同一经签署即构成对许可人有约束力的责任。

The Licensor has obtained all government approvals (if necessary) and/or completed internal authorization process required to sign this Contract. This Contract is signed by the Licensor's authorized representative and, once signed, constitutes binding obligations on the Licensor.

14.1.4 许可人承诺并保证本合同项下专有技术的合法性、有效性和完整性。

The Licensor undertakes and guarantees the legality, validity and completeness of the Know-How under this Contract.

14.1.5 许可人保证其为专有技术合法所有者，并有权向被许可人许可该等专有技术。

The Licensor warrants that it is the legal owner of the Know-How and has the right to license to the Licensee the Know-How.

14.1.6 许可人进一步保证其依据本合同提供和交付的专有技术以及技术资料与其在其工厂为制造许可产品所实施或使用的一致。

The Licensor further warrants that the Know-How and Technical Information it provides and delivers under this Contract are congruent with those implemented or used for manufacture of Licensed Products in its factory.

14.1.7 **许可人保证其提供的技术资料完整、清晰、可靠，并按合同约按时交付。**

The Licensor guarantees that Technical Information it provides shall be complete, clear and reliable and delivered on time and in accordance with this Contract.

有关定义如下：

The relevant definitions are as follows:

“**完整**”**系指许可人提供的资料是本合同规定的全部资料。**

“**Complete**” shall mean that the information the Licensor provides shall be entire information as stipulated by this Contract.

“**可靠**”**系指被许可人按技术资料制造的许可产品应符合许 可方按本合同提供的产品技术规范、性能和标准等。**

“**Reliable**” shall mean that the Licensed Product manufactured by the Licensee in accordance with Technical Information meet the specifications, performance and standards of product technology provided by the Licensor in accordance with this Contract

“清**晰**”**系指资料中的图样、曲线、术语符**号**等容易看**清**。**

“**Clear**” shall mean that patterns, curves, term symbols in the materials are legible.

14.1.8 在经过诚信协商后，许可人将探索是否有能力向被许可人提供制造许可产品所需的零部件、零部件、原材料和配件，并在适当的时候另行签订合同。为免生疑问，任何其他协议或合同的签订均应由各方自行决定。许可人未来将以最优惠的价格向被许可人提供生产许可产品所需的生产资料。

Subject to good faith negotiations, the Licensor will explore to capability to supply the Licensee at the most favorable price with the parts, components, raw materials and accessories which are necessary for manufacturing the Licensed Products under a separate contract to be signed in due time. For the avoidance of doubt, the entrance into any other agreements or contracts, shall be made at each Party's sole and absolute discretion.

14.1.9 根据本协议条款，被许可人取得MUSE产品在中国地区唯一、永久性的代理权，许可人不会非经被许可人代理而许可其他任何第三方将MUSE产品售进中国地区。

Subject to the terms hereof, the Licensee obtains the sole and permanent agency of MUSE products in the China Region. The Licensor will not license any other third party to sell MUSE Products in the China region without the Licensee's agent.

14.1.10 据许可人所知，许可人签署本合同或履行其在本合同项下的义务并不违反其订立的任何其他协议或其公司章程，亦不违反任何法律、法规或规章、规定。

To Licensor's knowledge, the Licensor's signing of this Contract or fulfilling its obligations under this Contract does not breach any other agreements or violate articles of association it has entered, nor does it violate any laws, regulations or rules.

14.1.11 许可人保证，在任何情况下，被许可人不会因为正确使用本协议项下提供的库存而被追究侵权责任。

The Licensor guarantees that there will be no instances or occasions where the Licensee will be charged with tortious liabilities solely as a direct results of Licensee's proper use of the Inventory provided hereunder.

14.1.12 据许可人所知，在本协议生效日之前，许可产品、专利和专有技术不侵犯任何第三方的知识产权。如果上述第14.1.12条的陈述在本协议生效日期前被有管辖权的法院最终证明是虚假的，那么许可方应承担被许可方因第三方对被许可方的索赔而遭受的所有法律和经济责任，该索赔基于经证明与第14.1.12节中给出的表述相反。许可方在第14.1.12条下的义务是：（i）受许可方及时通知任何适用索赔；（ii）受许可方授权，许可方可以控制和进行任何适用索赔的辩护；（iii）受许可方在任何适用索赔辩护中的合理协助；以及（iv）许可方的唯一责任与第14.1.12节的陈述相关的补救措施。

To Licensor's knowledge, prior to the effective date hereof, the Licensed Product, the Patents and the Know-How do not infringe upon the intellectual property rights of any third party. If the aforementioned representation of this Section 14.1.12 is finally proven by court of competence jurisdiction to be false prior to the effective date hereof, then the Licensor shall bear all legal and economic liabilities Licensee suffered therefrom, as a result of a third party claim against Licensee, which claim is based on an information proven to be contrary to the representation given under this Section 14.1.12. Licensor's obligation under this Section 14.1.12 shall be (i) subject to Licensee's prompt notice of any applicable claim; (ii) subject to Licensee authorization for Licensor to control and conduct the defense on any applicable claim; (iii) subject to Licensee's reasonable assistance in the defense of any applicable claim; and (iv) Licensor's sole remedy in connection with the representation of this Section 14.1.12.

14.2 被许可人的陈述和保证：

The Licensee's Representations and Warranties

14.2.1 被许可人是依法成立的企业，具有独立的法人资格。

The Licensee is a lawfully established enterprise with independent legal personality.

14.2.2 被许可人一直依法从事经营活动，并未从事任何超出法律规定的营业范围的活动。

The Licensee has been engaged in business activities in accordance with law and has not engaged in any activities outside the business scope as provided by law.

14.2.3 被许可人为签署本合同所需的内部程序都已完成，签署本合同的是被许可人的有效授权代表，并且本合同一经签署即构成对被许可人有约束力的责任。

The Licensee has completed internal process required to sign this Contract. This Contract is signed by the Licensor's authorized representative and, once signed, constitutes binding obligations on the Licensee.

14.2.4 被许可人签署本合同或履行其在本合同项下的义务并不违反其订立的任何其他协议或其公司章程，亦不违反任何法律、法规或规章、规定。

The Licensee's signing of this Contract or fulfilling its obligations under this Contract does not breach any other agreements or violate articles of association it has entered, nor does it violate any laws, regulations or rules.

14.2.5 被许可人获得了履行被许可方在本协议项下义务所需的任何和所有政府批准和/或许可，包括但不限于向中国境外汇出本协议项下应付给许可人的对价的政府许可。

The Licensee obtained any and all governmental approvals and or permits required in order to fulfil Licensee's obligations hereunder, including without limitation, governmental permit to remit outside of China the consideration due to the Licensor hereunder.

第 **15** 条 双方的权利和义务

Article 15 Rights and Obligations of the Parties

15.1 许可人的权利：

The Licensor's Rights:

15.1.1 有权要求被许可人依本合同第3和第4条约定支付费用。

The Licensor has the right to demand the Licensee to make payments in accordance with provisions of Articles 3 and Article 4 of this Contract.

15.1.2 为保持专利申请和专利的有效性，许可人无需向有关当局支付费用，并可自行决定退出在全世界任何司法管辖区维护专利或专利申请。

The Licensor shall not be required to pay fees to relevant authorities in order to maintain validity of patent applications and patents and may, at its sole and absolute discretion, withdraw from maintaining the Patents or Patent applications in any jurisdiction throughout the world.

15.2 许可人的义务：

The Licensor's Obligations:

15.2.1 在不损害许可方利益的情况下，许可方允许被许可方授权专有技术的使用或转让（以及许可被许可方将在中国区域内（如有）向仅在中国区域内且仅在中国区域内使用的第三方颁发的任何专利）。被许可人应确保受让方和/或授权用户仅在中国区域内使用根据本节授予的权利，并对被许可人的受让方和/或授权用户违反本条款的行为向许可人承担责任。

Without prejudice to the interests of the Licensor, the Licensor permits the Licensee to authorize the use or transfer of Know-How (and to license any patents Licensee will issue within China Region (if any) to third parties solely within the China Region and solely for use within the China Region. Licensee shall ensure that the transferees and/or authorized users shall only use the rights granted pursuant to this Section within the China Region, and shall be liable towards the Licensor for any breach of this provision by Licensee's transferees and/or authorized users.

15.2.2 根据本合同规定，提供全部技术支持和技术援助服务。

The Licensor shall provide all Technical Support and Technical Assistance services according to the provisions of this Contract.

15.2.3 根据本协议条款，许可人和被许可人对被许可方和许可方与本合同有关的技术及其经营秘密承担保密义务。本条规定的保密义务在本合同终止后继续有效。

Subject to the terms hereof, the Licensor and Licensee shall keep confidential the Licensee's and Licensor's technologies and business secrets pertaining to this Contract. The confidentiality obligation stipulated in this Article shall remain in force after termination of this Contract.

15.2.4 许可人应向被许可人提交被许可人要求或保护专利所需的与专利有关的申请材料。

The Licensor shall submit to the Licensee, to the extent exist in Licensor's possession, application materials pertaining to Patents where requested by the Licensee or needed for prosecution of patents within the China Region.

15.2.5 如果第三方仅就含有库存部件的许可产品对被许人方造成任何人身伤害的指控而对被许可人提起索赔或诉讼，许可人有义务赔偿被许可人最终判定或与被许可人解决的所有损失和费用。

许可人根据本条对被许可人进行赔偿的义务仅在以下情况下适用：（a）在被许可人意识到此类索赔后，立即向许可人发出书面通知，说明引起赔偿义务的任何索赔；（b）允许许可人控制与以下事项有关的任何辩护和相关和解谈判：此类索赔；以及（c）完全配合，费用由许可人承担，对此类索赔进行辩护或解决。

上述赔偿不适用于与以下事项有关的任何索赔:(i)不包含库存部件的许可产品;(二)许可产品含有库存零部件，并以与技术信息不一致的方式被修改、变更或者使用的;(iii)含有库存部件的许可产品，如果库存部件不包括在该等许可产品中，则本可以防止该损害发生。

在适用法律允许的最大范围内，本节规定的条款规定了许可人的全部责任和义务以及被许可人对产品责任的排他性补救措施。

If a third party brings a claim or lawsuit against the Licensee solely with respect allegations that the Licensed Products which contain Inventory parts, caused any personal injury to a third party, the Licensor shall be obliged to indemnify the Licensee for all losses and expenses finally awarded against or settled with Licensee.

Licensor’s obligation to indemnify Licensee pursuant to this Section shall only apply if Licensee: (a) giving the Licensor written notice of any claims giving rise to the indemnification obligations promptly after Licensee becomes aware of such claims; (b) allowing Licensor to control any defense and related settlement negotiations regarding such claim; and (c) fully cooperating, at the Licensor’s expense, in any defense or settlement of such claim.

The foregoing indemnification shall not apply with respect to any claims relating to: (i) Licensed Products that do not contain Inventory parts; (ii) Licensed Products that contain Inventory parts and have been modified, altered or used in a manner inconsistent with the Technical Information; (iii) Licensed Products that contain Inventory parts to the extent that would have been prevented if the Inventory parts were not included in such Licensed Product.

To the fullest extent permitted by applicable laws, the terms set forth in this Section state licensor’s entire liability and obligation and licensee’s exclusive remedy with respect to product liability.

15.2.6 在履行本合同所需的范围内，许可人承诺根据本合同规定，取得共有专利的其他共有人的同意。

To the extent required for the performance of this Contract, the Licensor undertakes to obtain consent of other co-owners of the co-ownership Patents in accordance with the provisions of this Contract.

15.3 被许可人的权利

The Licensee's Rights

15.3.1 有权在本合同规定的范围内在中国地区制造、使用和销售与专有技术有关的产品，或者使用专有技术。尽管有上述规定，被许可人不得在中国区域外直接或间接使用和销售与专有技术有关的产品，或使用专有技术。被许可人应对在中国区域外使用和销售与专有技术相关的产品或使用专有技术负责，即使此类行为是由与被许可人相关的第三方采取的。 为免生疑问，本合同项下授予的所有权利可由被许可人仅在中国区域内使用，许可人保留并可自由使用本合同项下授予的任何和所有权利，包括但不限于与中国区域外的专利、专有技术和许可产品有关的权利；

The Licensee has the right to manufacture, use and sell products related to the Know-How, or use the Know-How, solely in the China Region. Notwithstanding the foregoing, Licensee shall not directly or indirectly use and sell products related to the Know-How, or use the Know-How, outside the China Region. Licensee shall be responsible to and liable for any use and sell products related to the Know-How, or use the Know-How, outside the China Region, even to the extent such actions are taken by third parties related to the Licensee.

For the avoidance of doubt, all rights granted under this Contract may be used by the Licensee solely within the China Region, and the Licensor retains and may freely use any and all rights granted hereunder or in Licensor's possession, including, without limitation, with respect to the Patents, Know-How and Licensed Product outside of the China Region.

15.3.2 有权获得实施和使用专有技术所必要的全部技术资料、技术支持和技术服务。

The Licensee has the right to obtain all Technical Information, technical support and technical services necessary for exploitation and use of the Know-How.

15.3.3 有权对专有技术进行改进，改进部分归被许可人所有。

The Licensee has the right to make improvements to the Know-How. All improvements shall be owned by The Licensee.

15.3.4 就专有技术实施后取得的成果，有权申请发明和科技奖励。

The Licensee has the right to apply for inventions and scientific and technological awards for achievements made after implementation of the Know-How.

15.3.5 有权就许可产品以及与专有技术相关的产品参加名优产品的评比，所获得的荣誉和物质利益归被许可人所有。

The Licensee has the right to compete in the appraisal of famous and high-quality products for Licensed Products and products related to the Know-How. Honors and material benefits obtained shall belong to the Licensee.

15.4 被许可人的义务

The Licensee's Obligations

15.4.1 被许可人与第三人就专利、专有技术再签订许可使用合同应事先通知许可人。

The Licensee shall notify the Licensor in advance if and when it re-enters into a contract with a third party for license of the Patent and Know-How.

15.4.2 如发生专利及专有技术侵权事宜，许可人向中国境外有关部门投诉或起诉，被许可人应予以协助。

In case of infringement of Patents and Know-How and where the Licensor files a complaint or brings a lawsuit with the relevant authorities outside of the China Region, the Licensee shall provide necessary assistance.

15.4.3 被许可人对本合同项下的专有技术和提交的资料承担保密义务。本条规定的保密义务在本合同终止后继续有效。

The Licensee shall be obligated to keep confidential any information and/or materials submitted or disclosed under this Contract. The confidentiality obligation stipulated in this Article shall remain in force after termination of this Contract.

15.4.4 承担生产、销售许可产品应缴纳的各种税款。

The Licensee bears all taxes payable for manufacture and sale of Licensed Products.

15.4.5 按本合同第3和第4 条约定向许可人支付有关费用。

The Licensee shall make relevant payments to the Licensor in accordance with provisions of Articles 3 and Article 4 of this Contract.

15.4.6 如果第三方就被许可方制造、使用或销售的许可产品向许可人提出索赔或诉讼，被许可人有义务赔偿许可方因此而遭受的所有损失和费用。
被许可人根据本条规定对许可人进行赔偿的义务仅在以下情况下适用：（a）在许可人意识到此类索赔后，立即向被许可人发出任何索赔的书面通知；（b）允许被许可人控制与以下事项有关的任何辩护和相关和解谈判：此类索赔；以及（c）在此类索赔的任何辩护或解决过程中全力合作，费用由被许可人承担。

If a third party brings a claim or lawsuit against the Licensor with respect to the Licensed Product manufactured, used or sold by the Licensee, the Licensee shall be obliged to indemnify the licensor for all losses and expenses incurred by Licensor in connection therewith.

Licensee's obligation to indemnify Licensor pursuant to this Section shall only apply if Licensor: (a) giving the Licensee written notice of any claims giving rise to the indemnification obligations promptly after Licensee becomes aware of such claims; (b) allowing Licensee to control any defense and related settlement negotiations regarding such claim; and (c) fully cooperating, at the Licensee's expense, in any defense or settlement of such claim.

第 **16** 条 **双**方进一步的保证

Article 16 Further Warranties of the Parties

许可人和被许可人有义务采取进一步的其他必要的行动，包括签署其他有关的协议或文件，以确保本合同宗旨和规定内容的实现。

The Licensor and the Licensee shall have the obligation to take further necessary actions, including signing other relevant agreements or documents, to ensure realization of the purposes and provisions of this Contract.

第 **17** 条 **税**费

Article 17 Taxes

17.1 凡因履行本合同而引起的一切税费，需要向中国政府交纳的税费由被许可人承担，其他税费由许可人承担。。

All taxes and fees to be paid to the Chinese government due to the performance of this contract shall be borne by the Licensee, and other taxes and fees shall be borne by the Licensor.

17.2 如果被许可人在每次付款时扣留了任何税款，被许可人应在每次付款时向许可人支付额外的金额，以便许可人完全收到合同价格，而不扣除任何款项，并向许可人提供将交税凭证。

If any tax is withheld by the Licensee at the time of each payment, the Licensee shall pay to the Licensor, at the time of each payment, an additional amount, such that the contract price shall be received fully by the Licensor without any deductions whatsoever. The Licensor shall be provided with the tax payment vouchers.

第 **18 条** 合同期限

Article 18 Term of Contract

本合同的期限应自签署之日开始，并应继续有效，除非按照第 19 条的规定提前终止。

The term of this Contract shall commence upon execution date and shall continue be in force, unless terminated as provided for in Article 19.

第 **19 条** 合同的变更和终止

Article 19 Amendment and Termination of Contract

19.1 对本合同的任何变更，须经双方同意，并以书面形式作出方可生效。

Any variation of this Contract shall become effective only if it is agreed by both Parties and made in writing.

19.2 本合同按下列方式终止：

This Contract shall be terminated as follows:

19.2.1 本合同有效期限内双方达成终止协议，或

Parties have reached an agreement to terminate during the term of this Contract; or

19.2.2 本合同任何一方因地震、风暴、水灾、战争等不可抗力丧失继续履行本合同的能力，或

Either Party is unable to continue to perform this Contract due to force majeure such as earthquake, storm, flood and war and so on, or

19.2.3 根据法律、法规等规定，或有管辖权的法院或仲裁机构所做出的终止本合同的 判决、裁定或决定而终止本合同；或

This Contract is terminated in accordance with the provisions of laws and regulations or judgments, orders or decisions of the competent court or arbitration institutions to terminate this Contract, or

19.2.4 如果另一方未能实质性遵守或实质性履行本合同的条款、约定，且未能在书面通知后九十(90)日内纠正或实质性纠正该违约行为，则任何一方有权通过书面终止通知终止本合同；在上述九十(90)日期限到期后，该终止将在向违约方发出书面通知后立即生效；或

If the other party fails to materially abide by or materially fulfil the terms and provisions of this Contract and fails to remedy or materially remedy such breach within ninety (90) days after written notice, either party shall have the right to terminate this Contract through written notice of termination. Upon expiration of the said period of ninety (90) days, such termination shall take effect immediately upon written notice to the defaulting party, or

19.2.5 如果任何一方破产、资不抵债或解散，另一方可通过向破产、资不抵债或解散方发出书面通知后，本合同立即终止。

If either party is bankrupt, insolvent or dissolved, the other party may terminate this Contract immediately by giving written notice to the bankrupt, insolvent or dissolving party.

第 **20 条** 终止的效力

Article 20 Effect of Termination

20.1 本合同的终止将终止双方的权利和义务，但终止不会解除任何一方对终止前发生的损害或应付款项的责任，也不会影响本合同有关保密的义务，所有这些义务将继续完全有效。

Termination of this Contract will extinguish the rights and obligations of the Parties, except that termination will not discharge either Party from liability for damages incurred or payments due prior to termination, and termination will also not affect the confidentiality obligations under this Contract, all of which will continue in full force and effect.

20.2 本合同因任何原因终止或到期后，除了被许可人违约外，被许可人有权完成在本合同终止或到期日之前接受但未完成的许可产品订单的销售。

The Licensee shall have the right, after termination or expiration of this Contract for any reason except default by the Licensee, to complete sales of orders of Licensed Products accepted but not completed prior to the date of termination or expiration of this Contract.

20.3 本合同期满或终止后，其性质不变的所有条款和节在本合同期满或终止后仍然有效。在不减损上述一般性的情况下，以下条款和章节的规定应在本合同到期或终止后继续有效：第2.5节、第15.2.3节、第15.2.5节、第15.4.3节、第15.4.6节、第21条和第24-32条。

All the Articles and Section which by their nature should survive the expiration or termination of this Contract, shall survive the expiration or termination of this Contract. Without derogating from the generality of the foregoing, the provisions of the following Articles and Sections shall survive the expiration or termination of this Contract: Section 2.5, Section 15.2.3, Section 15.2.5, Section 15.4.3, Section 15.4.6, Article 21 and Articles 24-32.

第 **21 条** 产品责任免责以及责任限制

Article 21 Liability Disclaimer; and Limitation of Liability

21.1 被许可人应对其根据本合同制造、使用和销售的许可产品承担全部责任，包括但不限于保证义务。为清楚起见，许可人对被许可人根据本合同制造、使用和销售的许可产品不承担任何责任。

The Licensee shall assume full liability, including, without limitation, warranty obligations for the Licensed Products manufactured, used and sold by it in accordance with this Contract. For clarity the Licensor shall not have any liability whatsoever with respect to Licensed Products manufactured, used and sold by the Licensee in accordance with this Contract.

21.2 在任何情况下，被许可方或许可方均不对因本合同、侵权行为（包括疏忽）、严格责任或其他原因而直接或间接产生的或与本合同有关的任何类型的偶然、间接、后果性、特殊、惩罚性、惩戒性或类似损害（包括但不限于替代货物或服务采购成本的损害、业务损失、利润、收入、合同、数据、商誉或声誉、业务中断等）（无论是可预见的或不可预见的）承担任何责任。即使被许可方或许可方已被告知任何此类损失或损害的可能性，即使本协议规定的任何有限补救措施未能达到其基本目的。在任何情况下，被许可方或许可方在本协议项下的总责任不得超过许可方实际收到的总价格，无论诉讼形式如何。尽管有上述规定，本节的限制不适用于（a）违反本协议的保密义务；（b）任何一方的赔偿义务；以及（c）未能遵守本协议第2.5节的限制。

In no event shall licensee or licensor be liable for any incidental, indirect, consequential, special, punitive, exemplary or similar damages (including without limitation, damages for costs of procurement of substitute goods or services, loss of business, profits, revenue, contracts, data, goodwill or reputation, business interruption and the like) of any kind, whether foreseeable or unforeseeable, arising directly or indirectly, out of or in connection with this contract arises out of contract, tort (including negligence) strict liability or otherwise, and even if licensee or licensor have been advised of the possibility of any such loss or damage, and even if any of the limited remedies set forth herein fail of their essential purpose. In no event shall the aggregate liability hereunder of licensee or licensor for any cause whatsoever and regardless of the basis of the form of the action, exceed the total price actually received by licensor. Notwithstanding the foregoing, the limitations of this Section shall not apply with respect to (a) breach of the confidentiality obligations hereof; (b) either party's indemnification obligations; and (c) a failure to comply with the restrictions of Section 2.5 hereof.

21.3 除本协议明确提供的保证外，本协议项下提供的所有货物、任何信息和任何其他可交付成果均由许可人"按原样"提供，对其准确性或完整性、可操作性、使用或适用于特定目的不作任何明示或暗示的保证，包括但不限于：特别是不侵犯第三方的商标、专利、版权或任何知识产权或其他权利。

Except for the warranties explicitly provided hereunder, all the goods and any information and any other deliverable provided hereunder is provided by licensor "as is", without any warranty, whether express or implied, as to its accuracy or completeness, operability, use or fitness for a particular purpose, including, without limitation, with respect to the non-infringement of trademarks, patents, copyrights or any intellectual property rights or other rights of third parties.

第 **22 条** 所有权变更

Article 22 Change of Ownership

许可人应在其控制权发生任何变更前通知被许可人。如果控制权发生变更，应在变更生效前至少三十（30）天发出通知。兹澄清，除本通知条款外，许可人控制权的变更不会对合同产生影响，也不需要被许可人的同意。就本条款而言，控制权变更是指某个人或实体对许可方50%以上股本的所有权。

The Licensor shall notify the Licensee before any change in its control. In the event of a change of control, a notice shall be issued at least thirty (30) days prior to the change taking effect. It is clarified, that other than this notice provision, a change in control of the Licensor will have no impact on the Contract and will require no consent of the Licensee. For the purpose of this provision, a change of control shall mean the ownership by a certain person or entity of more than 50% of the share capital of the Licensor.

在本条中，“实质性变更”系指，单独或与其他变更一起，具有影响许可人之控制或处置权的效果。

In this Article, “material change” shall mean one with the effect of affecting the Licensor’s control or disposition, either alone or in combination with other changes.

第 **23 条** 转让

Article 23 Assignment

除本合同另有规定外，未经另一方书面同意，任何一方不得转让其在本合同项下的全部或部分权利或义务。

Except as otherwise provided in this Contract, neither Party shall assign all or part of its rights or obligations hereunder without the written consent of the other Party.

第 **24 条** 违约责任

Article 24 Liability for Breach

任何一方违约，另一方可以要求或采纳本合同和法律所允许的补救措施，包括但不限于实际履行和赔偿经济损失。

If either Party breaches the contract, the other Party may demand or adopt the remedies permitted by this Contract and the law, including but not limited to actual performance and compensation for economic losses.

第 **25 条** 完整合同

Article 25 Entire Contract

本合同及其附件构成双方全部协议，并取代双方以前就合同事项而达成的全部口头或书面的意向、协议、理解和通信。

This Contract and its Schedules constitute the entire agreement between the Parties and supersede all prior oral or written intent, agreement, understanding and communication between the Parties on the contractual matters.

第 **26 条** 不放弃权利

Article 26 No Waiver of Rights

26.1 本合同任何一条款成为非法、无效或不可强制执行并不影响本合同其它条款的效力及可强制执行性。

The illegality, invalidity or unenforceability of any provision of this Contract shall not affect the effect and enforceability of any other provision hereof.

26.2 除非另有规定，一方未行使或延迟行使其在本合同项下的权利、 权力或特权并不构成对这些权利、权力或特权的放弃，而单一或部分行使这些权利、权力或特权并不排斥任何其它权利、权力或特权的行使。

Unless otherwise provided, failure or delay by a party in exercising any of its rights, powers or privileges under this Contract shall not constitute a waiver of such rights, powers or privileges, and the single or partial exercise of such rights, powers or privileges shall not preclude the exercise of any other rights, powers or privileges.

第 **27 条** 副本

Article 27 Counterparts

本合同原件一式两份，双方各执一份。本合同可由双方以单独签署，每 份单独签署的合同副本构成一份原件，所有原件合在一起构成一份完整的合同原件。

This Contract is executed in two originals, with one original being provided to each Party. This Contract may be executed by the Parties in separate counterparts, each of which shall constitute an original and all of which, in the aggregate, shall constitute a single agreement.

第 **28 条** 责任

Article 28 Liabilities

因任何原因终止本合同或本合同项下的任何权利，并不免除任何一方向另一方支付根据本合同条款在终止前应产生的所有赔偿义务，也不免除任何一方在终止前因依据本合同经营而产生的任何义务。

Termination of this Contract or any rights conveyed under this Contract for any cause shall not relieve either Party from its obligations to pay the other Party all compensation which shall have accrued prior to such termination pursuant to the provisions of this Contract or release any of the Parties from any obligations that may have been incurred prior to such termination as a result of operations conducted under this Contract.

第 **29 条** 不可抗力

Article 29 Force Majeure

29.1 不可抗力事件指受影响一方不能合理控制的，无法预料或即使可预料到也不可避免且无法克服，并于本合同签订日之后出现的，使该方对本合同全部或部分的履行在客观上成为不可能或不实际的任何事件,包括但不限于水灾、火灾、旱灾、台风、地震、及其它自然灾害、交通意外、罢工、骚动、暴乱及战争(不论曾否宣战)以及政府部门的作为及不作为.

Force majeure shall mean any event that is beyond the reasonable control of the affected party, unpredictable or even predictable, inevitable and insurmountable, and occurs after the execution date of this Contract, making the performance of this Contract by this party in whole or in part objectively impossible or impractical, including but not limited to floods, fires, droughts, typhoons, earthquakes, and other natural disasters, traffic accidents, strikes, tumults, riots and wars (whether or not declared) and the commissions and omissions of government departments.

29.2 如果本合同任何一方因受不可抗力事件(影响而未能履行其在本合同下的全部或部分义务，该义务的履行在不可抗力事件妨碍其履行期间应予中止。

Should either Party be prevented from performing in whole or in part its obligations under this Contract due to force majeure, performance of such obligations shall be suspended during the period when force majeure hinders the performance.

29.3 声称受到不可抗力事件影响的一方应尽可能在最短的时间内通过书面形式将不可抗力事件的发生通知另一方，并在该不可抗力事件发生后十五（15）日内以手递或挂号空邮向另一方提供关于此种不可抗力事件及其持续时间的适当证据，包括公证文件。声称不可抗力事件导致其对本合同的履行在客观上成为不可能或不实际的一方，有责任尽一切合理的努力消除或减轻此等不可抗力事件的影响。

The Party claiming to have been affected by force majeure shall notify the other Party in writing as practically soon as possible and shall within fifteen (15) days thereafter provide by hand or registered airmail the appropriate evidence, including notarization documents, of such force majeure events and their duration. The Party claiming its performance of this Contract is objectively impossible or impractical due to force majeure events shall be obligated to make all reasonable efforts to eliminate or mitigate the impact of such force majeure events.

29.4 不可抗力事件发生时，双方应立即通过友好协商决定如何履行本合同。不可抗力事件或其影响终止或消除后，双方须立即恢复履行各自在本合同项下的各项义务。

Where a force majeure event occurs, both Parties shall immediately decide through friendly consultation how to implement this Contract. Upon termination or elimination of the force majeure event or its effects, both parties shall immediately resume the performance of their respective obligations under this Contract.

29.5 如果在发出书面通知后一百八十（180）天内无法恢复履行本合同，双方应通过协商决定是否终止本合同，或免除本合同部分的履行义务，或根据本合同的影响决定是否延迟履行本合同或根据事件对本合同履行的影响，免除本合同部分义务的履行或是否延迟履行本合同。如无法达成协议，则按本合同条款终止本合同。

If performance of this Contract cannot be resumed within one hundred eighty (180) days after the giving of written notice, the Parties shall through consultation decide whether to terminate this Contract or to exempt that part of this Contract's obligation from performance or whether to delay performance of this Contract according to the effects of the events on such performance. If no agreement can be reached, this Contract shall terminate in accordance with the terms hereof.

29.6 任何一方不得就不可抗力造成的损失向另一方索赔。然而，各方同意采取一切合理措施减轻因不可抗力导致受影响方无法履行义务而给其他方造成的损失。未能采取此类措施将使该方对未能减轻对其他方造成的损害承担责任。

No Party shall claim against the other Party for compensation for losses caused by force majeure. Both Parties, however, agree to take all reasonable measures to mitigate losses to the other Party, caused by the affected Party's inability to perform due to force majeure. Failure to take such measures will subject the Party to liability for damages caused to other Party by failure to mitigate.

第 **30 条** 通讯

Article 30 Communications

30.1 一方根据本合同规定作出的通知或其它通讯应采用书面形式书写，并可经专人手递或挂号邮件发至以下规定的另一方地址，或传真至另一方规定的传真号码，通知被视为已有效作出的日期应按以下的规定确定：

A notice or other communication made by one Party in accordance with the provisions of this Contract shall be in writing and may be sent by hand or registered mail to the address of the other Party specified below, or by fax to the fax number specified by the other Party. The effective date when a notice is deemed to have been given shall be determined according to the following provisions.

30.1.1 经专人交付的通知应在专人交付之日被视为有效。

Notices delivered by a designated person shall be deemed to have been effectively given on the date of delivery by the person.

30.1.2 以挂号邮务寄出的通知应在付邮(以邮戳日期为准)后第7日被视为有效。若最后一日是星期日或法定节假日，则顺延至下一个工作日。

Notices sent by registered postal service shall be deemed to have been effectively given on the 7th day after the post date (the postmark date). Where the last day is Sunday or a statutory holiday, it will be postponed to the next business day.

30.1.3 以传真形式发出的通知应被视作于传真完毕的时间作出， 发件人应出示传真机就其所发出的文件而打印的报告以证明有关文件已经完满地传给对方。

Notices sent by facsimile shall be deemed to have been given at the time of completion of the facsimile. The sender shall present a report printed by the facsimile machine on the documents it sent to prove that the documents have been successfully delivered to the other Party.

许可人： Medigus Ltd.
地址: Omer Industrial Park, Building 7A,P.O. Box 3030, 8496500, Israel
电话：+972-8-6466880
传真：+972-8-6466770

收件人： Yaron Silberman
Licensor: Medigus Ltd.
Add: Omer Industrial Park, Building 7A,P.O. Box 3030, 8496500, Israel
Tel：+972-8-6466880
Fax：+972-8-6466770
Attention to：Yaron Silberman

被**许**可人：妙思**医疗**科技（上海）有限公司

地址：上海市松江区新**桥镇**莘**砖**公路258号40幢402室-1
电话：+86-21-62321841
传真：+86-21-62321842
收件人：**刘**斌
Licensee: Shanghai Muse Medical Science and Technology Co., Ltd.
Add: Room 402-1, 40th Block 258, Xinqiao Town, Songjiang District, Shanghai
Tel：+86-21-62321841
Fax：+86-21-62321842
Attention to：Eric Liu (Liu Bin)

第 **31 条** 适用法律和**争议**的解**决**

Article 31 Applicable Law and Dispute Resolution

31.1 本合同**应**适用中**华**人民共和国法律并**应**受中**华**人民共和国法律管**辖**。

This Contract shall be governed by and construed in accordance with the laws of the People's Republic of China.

31.2 凡因本合同引起的或与本合同有关的任何争议，由双方友好协商解 决。如果书面通知发给一方之后的14日内争议未能解决，那么争议提交到位于香港的香港国际仲裁中心 ("HKIAC") 通过仲裁解决。

The parties agree that any dispute that arises out of, or in connection with this Contract shall be settled by friendly negotiation between the Parties.

Any such dispute that is not settled within fourteen (14) days from the date that either Party informs the other in writing may be submitted by either Party to the Hong Kong International Arbitration Centre ("**HKIAC**") in Hong Kong.

仲裁应按照本合同签署之日有效的联合国国际贸易法委员会仲裁规则进行。仲裁地点在香港。仲裁程序使用的语言为英语。仲裁员的人数为一名，该名仲裁员须根据可适用的规则指定；如无可适用的规则，则由香港国际仲裁中心主席指定。仲裁裁决是终局的，对双方均有约束力。

The arbitration shall be conducted in accordance with the UNCITRAL Arbitration Rules as in force at the execution date of this Contract. The seat of arbitration shall be in Hong Kong. The language to be used in the arbitral proceedings shall be English. The number of arbitrators shall be one which shall be appointed in accordance with the applicable rules or, if there is no applicable rule, by the Chairman of the HKIAC. Any arbitral award shall be final and binding upon both Parties.

第 **32** 条 其它

Article 32 Miscellaneous

32.1 本合同以中英文两种文字书写，若英文文本与中文文本有差异，则以英文文本为准。

This Contract is written in both Chinese and English. In case of a discrepancy between the English text and the Chinese text, the English text shall prevail.

32.2 本合同正本一式【2】份。本合同在双方授权代表签署并加盖公章后效，各份合同具有同等效力。

This contract is made in 2 originals and shall come into force after it has been signed by the authorized representatives of the Parties and affixed with the Party's official seals. Each original shall have the same effect.

32.3 本合同所有附件为本合同不可分割的组成部分，与合同正文具有同等效力。

All Schedules to this Contract are an integral part of this Contract and have the same effect as the text of this Contract.

32.4 本协议未尽事宜，双方另行协商确定，签订补充协议。补充协议是本合同不可分割的组成部分，与本合同具有同等法律效力。如补充协议与本合同存在不一致之处，以补充协议为准。

Matters not covered in this Contract shall be separately determined by the Parties through consultation and a supplementary agreement shall be signed. The supplementary agreement is an integral part of this Contract and has the same legal effect as this contract. In case of any inconsistency between the supplementary agreement and this Contract, the supplementary agreement shall prevail.

Medigus 有限公司 (章)	妙思医**疗**科技（上海）有限公司 (章)
Medigus Ltd.	Shanghai Muse Medical Science and Technology Co., Ltd
签字/Signed by：Benad Goldwasser	**签**字/Signed by: 夏金雁
/s/ Benad Goldwasser	/s/夏金雁
职务/Title：Chairman	**职务**/Title： 法定代表人
日期/Date： 2019年5月29日	日期/Date： 2019年5月 29日

*附件**1: MUSE**产品*

Schedule 1: MUSE Product

Refer to MUSE Gen 8 Users Manual.

附件2：生产线的机器设备和零部件

Schedule 2: Equipment and Parts for the Assembly Line

[***]

附件3：MUSE产品所需的原材料、原配件信息表

Schedule 3: Raw Materials and OEM Parts Required for Muse Product

Licensor will provide licensee with a complete and most updated Bill Of Materials (BOM), including the list of all parts, components, and sub-components as well as their exact and complete specifications and drawings and their suppliers including the commercial terms with these suppliers.

附件4：交易涉及的技术资料、原材料及原配件库存清单

Schedule 4: Technical Information, Raw Materials and OEM Parts

[***]

附件5: 专利

Schedule 5: Patents

[***]

附件6: 专有技术

Schedule 6: Know-How

[***]

附件7：过渡协议

Schedule 7: Transition Plan

[***]

Exhibit 10.7

AMENDED AND RESTATED CONSULTING AGREEMENT

THIS AGREEMENT (the "**Agreement**") is made on this 1st day of May, 2019 between Medigus Ltd., whose address is at Omer Industrial Park, No. 7A, P.O. Box 3030, Omer 8496500, Israel (the "**Company**") and L.I.A. Pure Capital Ltd., whose address is at 20 Raoul Wallenberg Street, Tel Aviv 6971916, Israel (the "**Consultant**"). The Company and together with the Consultant, each a "**Party**" and collectively, the "**Parties**".

WHEREAS: the Company wishes the Consultant to provide the Company with certain services and the Consultant wishes to render such services to the Company; and

WHEREAS: the Company and Consultant's Representative (as defined below) have entered into that certain Consulting Agreement, dated November 1, 2018 (the "**Prior Agreement**"); and

WHEREAS: the Parties wish to fully amend and restate the Prior Agreement by this Agreement as of the Effective Date (as defined below); and

WHEREAS: the Consultant represents to the Company that it is ready, qualified, willing and able to carry out its obligations and undertakings towards the Company pursuant hereto; and

WHEREAS: the Company and the Consultant desire to regulate their relationship in accordance to the terms and conditions set forth in this Agreement.

NOW THEREFORE, the parties hereto agree that the Prior Agreement shall be superseded and replaced in its entirety by this Agreement, and further agree as follows:

1. The Services

1.1. The Company hereby engages the Consultant as an independent consultant and the Consultant hereby agrees to serve as a consultant to the Company and provide business development and strategic consulting services, including ongoing consulting to the Company, its management and its chief executive officer in the following fields: M&A, investment activities, Company's position in the capital markets, as well as additional services as may be requested from time to time by the chief executive officer or chairman of the board of directors of the Company (the "**Services**"). The engagement hereunder shall commence effective March 1, 2019 (the "**Effective Date**").

1.2. The Consultant shall cooperate on an ongoing basis with such employees, consultants and contractors of the Company as determined by the Company from time to time; the person within the Company who shall be in charge of the engagement of the Consultant shall be the chairman of the board of directors of the Company or such other person as determined by the Company from time to time. The Company may require the Consultant to provide reports or other types of ongoing information concerning the Services as determined from time to time, whether or not set forth herein.

1.3. The Consultant undertakes that the Services shall be performed personally and exclusively by Kfir Zilberman ("**Consultant's Representative**"), the sole owner of the Consultant. Each employee, consultant, manager or any other representative of the Consultant, including the Consultant's Representative shall be deemed to be personally bound by all the obligations and liabilities of the Consultant as if he was the Consultant hereunder. All references to the term the Consultant hereunder shall be deemed to refer to the Consultant and the Consultant's Representative jointly and severally. Any breach of this Agreement by the Consultant's Representative or by any other employee, consultant, manager or representative of the Consultant shall be deemed a breach by the Consultant.

1.4. The Consultant's Representative shall devote all the necessary time in performing its duties and responsibilities under this Agreement, as shall be reasonably required by the Company.

1.5. The Consultant agrees to perform its duties described herein in a faithful, diligent and professional manner.

1.6. The Consultant shall be responsible for maintaining, at the Consultant's own expense, a place of work, any equipment and supplies necessary for the performance of the Services.

1.7. Nothing in this Agreement shall be interpreted as preventing or restricting the Company from obtaining or seeking from any other person services of the same nature as the Services, or otherwise from performing or seeking to perform any action or operation. Nothing in this Agreement shall be interpreted as preventing or restricting the Consultant from supplying services to any third party, as long as such services to third parties (i) do not conflict with any obligation or undertaking of the Consultant hereunder, and (ii) do not interfere with the performance of or restrict the ability of the Consultant to perform the Services hereunder.

2. <u>Term and Termination</u>

2.1. This Agreement shall commence upon the Effective Date and shall until terminated pursuant to Section 2.2 below.

2.2. Notwithstanding the above, this Agreement may be terminated at any time by the Consultant or by the Company by giving the other party 30 days' advance notice in writing (the "**Notice Period**"), provided that the Company may terminate this Agreement forthwith for Cause (as defined herein) without advance notice. A termination for "Cause" is a termination due to: (i) the Consultant's Representative's conviction or indictment of any felony; (ii) a material breach of any provision of this Agreement or its exhibits which is not cured (if deemed curable by the Company) within five (5) days of receipt of a written notice about such breach from the Company; (iii) the Consultant's continuously disregarding of instructions of the Company with respect to the Consultant's performance of the Services; (iv) a material breach of trust by the Consultant or embezzlement of funds of the Company or any Affiliate (as defined in Section 7.1 below) thereof; (v) involvement of the Consultant's Representative in sexual harassment of any employee of the Company or other party in connection with the performance of the Services; or (vi) causing grave injury to the business, assets, operations or reputation of the Company or any Affiliate thereof. Nothing herein shall derogate from the Company's rights with respect to such termination for Cause, including the right to set off damages against the Consultant's Consulting Fees (as defined in Section 3.1 below).

2.3. In the event of termination other than for Cause, the Consultant shall be entitled to Consulting Fees only to the extent that it provides Services to the Company during the Notice Period.

3. Consideration

3.1. **Consulting Fee**

3.1.1. In consideration for the Services rendered by the Consultant pursuant to this Agreement the Company shall pay the Consultant a monthly fee in the amount of NIS 40,000 (plus VAT, if required by law) (the "**Consulting Fee**").

3.1.2. All payments of Consulting Fees hereunder shall be made on a monthly basis, within 10 days from, and subject to, receipt by the Company of a duly issued tax invoice(s) and receipt(s) by the Consultant for the amount due together with the required reports.

3.1.3. The Consulting Fees are inclusive of any and all taxes, and the Consultant shall bear full responsibility for all tax obligations of any kind or nature relating, directly or indirectly, to the Consulting Fees and otherwise to the Services hereunder. To the extent that any such taxes may be imposed upon the Company, the Company may deduct such amounts from any payments due to the Consultant. The Company shall be entitled to withhold and deduct from payments due hereunder any and all amounts as may be required from time to time under any applicable law. VAT shall be charged on all amounts payable hereunder, including any stock options, as required by law.

3.1.4. The Consultant shall also be entitled to a fee of 5% (plus VAT, if required by law) on any investment of equity of debt introduced by him to the Company (such fee shall also apply to any exercise price paid to the Company upon exercise warrants issued in connection with the investment).

3.2. Reimbursement of Expenses

The Company shall reimburse Consultant for necessary and customary business expenses incurred by Consultant, in accordance with the Company's policy, as amended from time to time, up to $1,000 per month.

3.3. Bonus

Consultant may be entitled to a special bonus (i) upon the consummation of a business opportunity introduced to the Company by Consultant, as shall be determined by the board of directors of the Company upon consummation of such business opportunity or (ii) upon other occurrence of other value creating events achieved with the assistance of the Consultant.

3.4. Full Consideration

Other than the consideration specified in this Section 3, which consideration constitutes full consideration for the Services rendered hereunder, the Consultant will not be entitled to any other consideration for rendering the Services hereunder.

4. Confidentiality, Non-Competition and Invention Assignment Undertaking

Simultaneously with the execution of this Agreement, and a as condition hereto, the Consultant hereby executes the Undertaking attached hereto as **Schedule A**.

5. Relationship of Parties

5.1. The parties hereto hereby declare and approve, that this Agreement is a Contractors Agreement within the meaning of the Israeli Contractors Law – 1974 (the "**Contractors Law**"), and that nothing in this Agreement that shall be interpreted or construed as creating or establishing any partnership, joint venture, employment relationship, franchise or agency or any other similar relationship between the Company or its Affiliates and the Consultant or the Consultant's Representative, and it is specifically clarified that with respect to the Services, no employer-employee relationship will be formed between the Company or its Affiliates and the Consultant or the Consultant's Representative, and the Consultant is not entitled to any social or other benefits resulting from employer-employee relationship. Notwithstanding the above, the Consultant hereby waives any right to a lien in accordance with Section 5 of the Contractors Law or any other law. The Consultant hereby acknowledges that the Company is relying upon the truthfulness and accuracy of the representations set forth in this Section 5.2 in engaging the Consultant.

5.2. The Consultant shell bear and/or will defend, indemnify and hold the Company, or any third party on its behalf, harmless from and against all claims, all damages, losses and expenses, including reasonable fees and expenses of attorneys and other professionals, upon receipt of demand (i) relating to any obligation, future or past, imposed upon the Company to pay any withholding tax payments regarding consulting services, social security, unemployment or disability insurance or similar terms in connection with compensation received by the Consultant or, or which are based upon a stipulation by a competent judicial authority that an employer - employee relationship was created between the Company or its Affiliates and the Consultant's Representative; and (ii) resulting from any act, omission or negligence on the Consultant's or any of its employees' part in the performance or failure to perform the scope of work under this Agreement.

5.3. The Consultant acknowledges that the Consultant's Representative has read and fully understood the terms of this structure of the relationship between the parties as an independent contractor and that the Consultant's Representative has consulted and received advice of counsel regarding said structure of the relationship between the parties hereto and has had sufficient opportunity to do so.

5.4. It is hereby clarified that any right granted to the Company to instruct and/or oversee the Services by the Consultant is granted in order to ensure the performance of the Services in full and not to imply or justify an employer -employee relationship between the Company and the Consultant or the Consultant's Representative.

5.5. The Consultant shall be responsible to pay any and all payments, salary, taxes and all other benefits and any amounts due to any relevant social security or similar authority with respect to its employees and/or the Services provided by the Consultant's Representative pursuant to this Agreement. The Consultant undertakes to acquire for the Consultant's Representative pension coverage in a customary amount. The Consultant, hereby releases and forever discharges the Company and its Affiliates, from any and all claims, which it ever had, now has, or may claim to have against the Company and/or its Affiliates in connection with the existence of any employer - employee relationship between Company or its Affiliates and the Consultant or the Consultant's Representative.

5.6. In light of the above, should it be held by any competent judicial authority that the relationship between the Consultant or the Consultant's Representative, and the Company (or any of its Affiliates) in respect of the Services rendered by the Consultant pursuant to this Agreement is one of employer and employee, the parties agree that the "salary" that the Consultant would be entitled to as an "employee" (including for the purpose of social security and social benefits), for the provision of the Services within the framework of this Agreement, shall be 60% of the average monthly Consulting Fee (the "**Agreed Employee Compensation**").

5.7. The Consultant will be obligated to return to the Company all surplus payments that the Company paid beyond the Agreed Employee Compensation (the "**Surplus Sum**"), on the day that a demand and/or claim which contradicts this Agreement is filed or on the day that a decision under Section 5.6 is made, pursuant to which it is claimed or decided that the Consultant's Representative is a salaried employee of the Company.

5.8. Any Surplus Sum that the Consultant is obligated to return will be subject to interest linked to the last known Israeli Consumer Price Index on the date said Surplus Sum is to be returned to the Company.

5.9. The Company will be entitled to deduct from and set off against amounts due to the Consultant pursuant to this Agreement and/or pursuant to any other agreement, law, or otherwise, any amounts, which the Consultant is required to pay the Company pursuant to this Agreement (including the Surplus Sum), any other agreement, any law, or otherwise.

6. <u>Warranties</u>

The Consultant represents and warrants that:

6.1. The Consultant does not have currently and shall not have during the term of the provisions of the Services, any outstanding agreement or obligation that is or will be in conflict with any of the provisions of this Agreement, or that would preclude the Consultant from complying with the provisions hereof or otherwise restrict the Consultant in any way in performing the Services.

6.2. The execution and delivery of this Agreement, the performance of the Services and the fulfillment of the terms hereof will not: (a) constitute, in whole or in part, a default, violation or breach under or conflict in any way with any agreement, obligation, undertaking or commitment to which the Consultant is a party or by which it is bound, including without limitation, any confidentiality, invention assignment or non-competition agreement and (b) do not require the consent, permission or authorization of or notification to any person or entity.

6.3. The Consultant shall comply with all Company disciplinary regulations, work rules, policies, procedures and objectives, which are relevant to the performance of the Services or otherwise to consultants of the Company.

6.4. The Company may monitor the Consultant's use of its Systems (as defined below) and copy, transfer and disclose such electronic communications and content transmitted by or stored in such Systems, in pursuit of the Company's legitimate business interests, all in accordance with the Company's policies in place from time to time, and subject to applicable law. For the purposes of this Section, the term "**Systems**" includes all of the Company's owned or leased computers (including laptops), mobile phones and other mobile devices, keys, PDAs, credit cards, printers, card access to any company building, files, e-mails, tapes, programs, records and software, computer access codes or disks, and other similar systems.

6.5. The Consultant shall not solicit or accept in connection with the performance of the Services or in connection with the Company, any gift, benefit, favor, loan, or any other thing of monetary value, from a person who is or is possibly connected, directly or indirectly, to either the business of the Company, a competitor of the Company or a potential competitor of the Company.

6.6. The Consultant shall not make any representations or warranties to anyone with respect to any contract or otherwise without the Company's prior written authorization.

6.7. The Consultant shall at all times during the term of this Agreement continue to be wholly owned, exclusively by the Consultant's Representative.

6.8. The Consultant shall take all necessary precautions to prevent the occurrence of any bodily injury or property damage, to the Company, its employees or any third party, arising out of or resulting from the performance of the Services and shall be solely responsible, and liable, for any such bodily injury or property damage.

7. Miscellaneous

7.1. In this Agreement the term "**Affiliate**" shall mean, any person or entity that directly or indirectly controls, is controlled by, or is under common control with, a party to this Agreement. For purposes hereof, the term "control" means the power to direct the management or affairs of a person or entity through the ownership of voting securities, by contract, or otherwise.

7.2. The preamble and the schedules hereto shall form an integral part of this Agreement. All headings of the Sections and Subsections of this Agreement are intended for convenience of reference and shall not be used in interpreting this Agreement.

7.3. Assignment. Neither this Agreement nor any interest herein may be assigned by the Consultant without the prior written consent of the Company. The Company may assign or transfer this Agreement or any of its rights and/or obligations under this Agreement without the Consultant's consent.

7.4. Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the Consultant and the Company with respect to the subject matter hereof and supersedes any other arrangement, understanding or agreement, verbal or otherwise, including the Prior Agreement. No amendment of or waiver of, or modification of any obligation under this Agreement will be enforceable unless set forth in a writing signed by the parties hereto. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.

7.5. Law; Jurisdiction. This Agreement shall be governed by the laws of the State of Israel (excluding its conflict of law principles) and the competent courts/tribunals of Tel-Aviv shall have exclusive jurisdiction over any disputes arising hereunder.

7.6. No Waiver. No failure or delay on the part of any party hereto in exercising any right, power or remedy thereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver granted thereunder must be in writing and shall be valid only in the specific instance in which given.

7.7. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

7.8. Notices. Any notice or other communication in connection with this Agreement must be in writing to the address set forth in the preamble to this Agreement (or to such other address as shall be specified by like notice) and will be deemed given: (i) if sent by a delivery service, on the date confirmed as the actual date of delivery by such service; (ii) if sent by registered air mail, return receipt requested, within seven (7) days of mailing; or (iii) if sent by facsimile or email with electronic confirmation of transmission, on the next business day after transmission, if not transmitted on a business day, or on the day of transmission, if transmitted on a business day.

7.9. Survival. The provisions of Sections 4, 5, and 6 of this Agreement, including the provisions of **Schedule A**, shall continue and remain in full force and effect following the termination or expiration of this Agreement, for whatever reason.

-Signature Page Follows-

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date hereof.

/s/ Liron Carmel /s/ Tanya Yosef	/s/ Kfir Zilberman
Medigus Ltd.	L.I.A. Pure Capital Ltd.
By: Liron Carmel, Tanya Yosef	By: Kfir Zilberman
Title: CEO, CFO	Title: Chairman and Chief Executive Officer

I have read the provisions of the above Consulting Agreement and I agree to be bound by and comply with such terms and perform the Services (as defined above) as if I was the Consultant. I will be responsible towards Medigus Ltd. (the "**Company**") for the compliance by the Consultant with all its obligations under the Consulting Agreement and the Services and shall be further responsible and liable towards the Company for any breach by the Consultant of any of its obligations under the Consulting Agreement and for any other liability of the Consultant under the Consulting Agreement.

I hereby acknowledge that it is known to me that I am an employee of the Consultant and not of the Company. I hereby undertake not to make any claim asserting that I am an employee of the Company.

/s/ Kfir Zilberman

Kfir Silberman, the Consultant's Representative

Date: May 1, 2019

SCHEDULE A

UNDERTAKING

THIS UNDERTAKING ("**Undertaking**") is entered into as of the 1st day of May 2019 by L.I.A. Pure Capital Ltd., whose address is at 20 Raoul Wallenberg Street, Tel Aviv 6971916, Israel (the "**Consultant**").

WHEREAS, the Consultant wishes to be engaged by Medigus Ltd., whose address is at Omer Industrial Park, No. 7A, P.O. Box 3030, Omer 8496500, Israel (the "**Company**"); and

WHEREAS, it is critical for the Company to preserve and protect its Confidential Information (as defined below) and its rights in Inventions (as defined below) and in all related intellectual property, and the Consultant is entering into this Undertaking as a condition to the Consultant's engagement with the Company.

NOW, THEREFORE, the Consultant undertakes and warrants towards the Company as follows:

References herein to the term "**Company**" shall include any of the Company's direct or indirect parent, subsidiary and affiliated companies, and their respective successors and assigns.

1. Confidentiality.

1.1. the Consultant acknowledges that the Consultant may have access to information that relates to the Company, its business, assets, financial condition, affairs, activities, plans and projections, customers, suppliers, partners, and other third parties with whom the Company agreed or agrees, from time to time, to hold information of such party in confidence (the **"Confidential Information"**). Confidential Information shall include, without limitation, information, whether or not marked or designated as confidential, concerning technology, products, research and development, patents, copyrights, inventions, trade secrets, test results, formulae, processes, data, know-how, marketing, promotion, business and financial plans, policies, practices, strategies, surveys, analyses and forecasts, financial information, customer lists, agreements, transactions, undertakings and data concerning employees, consultants, officers, directors, and shareholders. Confidential Information includes information in any form or media, whether documentary, written, oral, magnetic, electronically transmitted, through presentation or demonstration or computer generated. Confidential Information shall not include information that: (i) has become part of the public domain not as a result of a breach of any obligation owed by the Consultant to the Company; or (ii) is required to be disclosed by law or the binding rules of any governmental organization, provided, however, that the Consultant gives the Company prompt notice thereof so that the Company may seek a protective order or other appropriate remedy, and further provided, that in the event that such protective order or other remedy is not obtained, the Consultant shall furnish only that portion of the Confidential Information which is legally required, and shall exercise all reasonable efforts required to obtain confidential treatment for such information.

1.2. The Consultant acknowledges and understands that the engagement by the Company and the access to Confidential Information creates a relationship of confidence and trust with respect to such Confidential Information.

1.3. During the term of the Consultant's engagement and at any time after termination or expiration thereof, for any reason, the Consultant shall keep in strict confidence and trust, shall safeguard, and shall not disclose to any person or entity, nor use for the benefit of any party other than the Company, any Confidential Information, other than with the prior express consent of the Company.

1.4. All right, title and interest in and to Confidential Information are and shall remain the sole and exclusive property of the Company or of the third party providing such Confidential Information to the Company, as the case may be. Without limitation of the foregoing, the Consultant agrees and acknowledges that all memoranda, books, notes, records, email transmissions, charts, formulae, specifications, lists and other documents (contained on any media whatsoever) made, reproduced, compiled, received, held or used by the Consultant in connection with the engagement by the Company or that otherwise relates to any Confidential Information (the "**Confidential Material**"), shall be the Company's sole and exclusive property and shall be deemed to be Confidential Information. All originals, copies, reproductions and summaries of the Confidential Material shall be delivered by the Consultant to the Company upon termination or expiration of the Consultant's engagement for any reason, or at any earlier time at the request of the Company, without the Consultant retaining any copies thereof.

1.5. During the term of the Consultant's engagement with the Company, the Consultant shall not remove from the Company's offices or premises any Confidential Material unless and to the extent necessary in connection with the duties and responsibilities of the Consultant and permitted pursuant to then applicable policies and regulations of the Company. In the event that such Confidential Material is duly removed from the Company's offices or premises, the Consultant shall take all actions necessary in order to secure the safekeeping and confidentiality of such Confidential Material and return the Confidential Material to their proper files or location as promptly as possible after such use.

1.6. During the term of the Consultant's engagement with the Company, the Consultant will not improperly use or disclose any proprietary or confidential information or trade secrets, and will not bring onto the premises of the Company any unpublished documents or any property, belonging to any former employer or any other person to whom the Consultant has an obligation of confidentiality and/or non-use (including, without limitation, any academic institution or any entity related thereto), unless generally available to the public or consented to in writing by that person.

2. <u>Ownership of Inventions.</u>

2.1. The Consultant will notify and disclose in writing to the Company, or any persons designated by the Company from time to time, all information, improvements, inventions, trademarks, works of authorship, designs, trade secrets, formulae, processes, techniques, know-how, and data, whether or not patentable or registerable under copyright or any similar laws, made or conceived or reduced to practice or learned by the Consultant, either alone or jointly with others, during the Consultant's engagement with the Company (all such information, improvements, inventions, trademarks, works, designs, trade secrets, formulae, processes, techniques, know-how, and data are hereinafter referred to as the "**Invention(s)**") immediately upon discovery, receipt or invention as applicable.

2.2. Consultant agrees that all the Inventions are, upon creation, Inventions of the Company, shall be the sole property of the Company and its assignees, and the Company and its assignees shall be the sole owner of all title, rights and interest in and to any patents, copyrights, trade secrets and all other rights of any kind or nature, including moral rights, in connection with such Inventions. the Consultant hereby irrevocably and unconditionally assigns to the Company all the following with respect to any and all Inventions: (i) all title, rights and interest in and to any patents, patent applications, and patent rights, including any and all continuations or extensions thereof; (ii) rights associated with works of authorship, including copyrights and copyright applications, Moral Rights (as defined below) and mask work rights; (iii) rights relating to the protection of trade secrets and confidential information; (iv) design rights and industrial property rights; (v) any other proprietary rights relating to intangible property including trademarks, service marks and applications thereof, trade names and packaging and all goodwill associated with the same; (vi) any and all title, rights and interest in and to any Invention; and (vii) all rights to sue for any infringement of any of the foregoing rights and the right to all income, royalties, damages and payments with respect to any of the foregoing rights. the Consultant also hereby forever waives and agrees never to assert any and all Moral Rights the Consultant may have in or with respect to any Inventions, even after termination of engagement on behalf of the Company. "**Moral Rights**" means any right to claim authorship of a work, any right to object to any distortion or other modification of a work, and any similar right, existing under the law of any country in the world, or under any treaty.

2.3. The Consultant further agrees to perform, during and after the term of the Consultant's engagement with the Company, all acts deemed reasonably necessary or desirable by the Company to permit and assist it, at the Company's expense, in obtaining, maintaining, defending and enforcing the Inventions in any and all countries. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. the Consultant hereby irrevocably designates and appoints the Company and its duly authorized officers and agents, as the Consultant's agents and attorneys-in-fact to act for and on the Consultant's behalf and instead of the Consultant, to execute and file any documents and to do all other lawfully permitted acts to further the above purposes with the same legal force and effect as if executed by the Consultant.

2.4. The Consultant shall not be entitled to any monetary consideration or any other consideration except as explicitly set forth in the Consulting Agreement. Without limitation of the foregoing, the Consultant irrevocably confirms that the consideration explicitly set forth in the Consulting Agreement is in lieu of any rights for compensation that may arise in connection with the Inventions under applicable law and waives any right to claim royalties or other consideration with respect to any Invention, including under Section 134 of the Israeli Patent Law - 1967. Any oral understanding, communication or agreement with respect to the matters set forth herein, not memorialized in writing and duly signed by the Company, shall be void.

3. **General**.

3.1. The Consultant represents that the performance of all the terms of this Undertaking and the Consultant's duties as a consultant of the Company does not and will not breach any invention assignment, proprietary information, non-compete, confidentiality or similar agreements with, or rules, regulations or policies of, any other party (including, without limitation, any academic institution or any entity related thereto). The Consultant acknowledges that the Company is relying upon the truthfulness and accuracy of such representations in its decision to engage with the Consultant.

3.2. The Consultant acknowledges that the provisions of this Undertaking serve as an integral part of the terms of the Consulting Agreement and reflect the reasonable requirements of the Company in order to protect its legitimate interests with respect to the subject matter hereof.

3.3. The Consultant recognizes and acknowledges that in the event of a breach or threatened breach of this Undertaking by the Consultant, the Company may suffer irreparable harm or damage and will, therefore, be entitled to injunctive relief to enforce this Undertaking (without limitation to any other remedy at law or in equity).

3.4. This Undertaking is governed by and construed in accordance with the laws of the State of Israel, without giving effect to its laws pertaining to conflict of laws. Any and all disputes in connection with this Undertaking shall be submitted to the exclusive jurisdiction of the competent courts or tribunals, as relevant, located in the city of Tel-Aviv-Jaffa, Israel.

3.5. If any provision of this Undertaking is determined by any court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Undertaking only with respect to such jurisdiction in which such clause or provision cannot be enforced, and the remainder of this Undertaking shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Undertaking. In addition, if any particular provision contained in this Undertaking shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing the scope of such provision so that the provision is enforceable to the fullest extent compatible with applicable law.

3.6. The provisions of this Undertaking shall continue and remain in full force and effect following the termination or expiration of the engagement between the Company and the Consultant, for whatever reason. This Undertaking shall not serve in any manner so as to derogate from any of the Consultant's obligations and liabilities under any applicable law.

3.7. This Undertaking constitutes the entire agreement between the Consultant and the Company with respect to the subject matter hereof and supersedes all prior agreements, proposals, understandings and arrangements, if any, whether oral or written, with respect to the subject matter hereof. No amendment, waiver or modification of any obligation under this Undertaking will be enforceable unless set forth in a writing signed by the Company. No delay or failure to require performance of any provision of this Undertaking shall constitute a waiver of that provision as to that or any other instance. No waiver granted under this Undertaking as to any one provision herein shall constitute a subsequent waiver of such provision or of any other provision herein, nor shall it constitute the waiver of any performance other than the actual performance specifically waived.

3.8. This Undertaking, the rights of the Company hereunder, and the obligations of the Consultant hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights under this Undertaking. The Consultant may not assign, whether voluntarily or by operation of law, any of the Consultant's obligations under this Undertaking, except with the prior written consent of the Company.

-Signature Page Follows-

IN WITNESS WHEREOF, the undersigned, has executed this Undertaking as of the date first mentioned above.

Printed Name: L.I.A. Pure Capital Ltd. Signature: /s/ Kfir Zilberman

I have read the provisions of the above Undertaking and I agree to be bound by such Undertaking and comply with such terms as if I was the Consultant. I will be responsible toward Medigus Ltd. (the "**Company**") or any of the Company's direct or indirect parent, subsidiary and affiliated companies, and their respective successors and assigns for the compliance by the Consultant of its obligations under the Undertaking and shall be further responsible and liable towards the Company for any breach by the Consultant of any of its obligations under the Undertaking and for any other liability of the Consultant under the Undertaking.

/s/ Kfir Zilberman
Kfir Silberman, the Consultant's Representative

Date: May 1, 2019

Exhibit 12.1

CERTIFICATION

I, Liron Carmel, certify that:

1. I have reviewed this annual report on Form 20-F of Medigus Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 21, 2020

By: /s/ *Liron Carmel*
Liron Carmel
Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Tatiana Yosef, certify that:

1. I have reviewed this annual report on Form 20-F of Medigus Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 21, 2020

By: /s/ Tatiana Yosef
Tatiana Yosef
Chief Financial Officer

Exhibit 13.1

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Medigus Ltd., a company organized under the laws of the State of Israel (the "Company"), does hereby certify that, to his knowledge:

1. This Annual Report on Form 20-F for the year ended December 31, 2019 (the "Form 20-F") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 21, 2020

By: /s/ Liron Carmel
Liron Carmel
Chief Executive Officer

This certification accompanies this annual report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 13.2

CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Medigus Ltd., a company organized under the laws of the State of Israel (the "Company"), does hereby certify that, to his knowledge:

1. This Annual Report on Form 20-F for the year ended December 31, 2019 (the "Form 20-F") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 21, 2020

By: /s/ Tatiana Yosef
Tatiana Yosef
Chief Financial Officer

This certification accompanies this annual report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-229429, 333-221019 and 333-206803) of Medigus Ltd. of our report dated April 21, 2020 relating to the financial statements, which appears in this Form 20-F.

Tel-Aviv, Israel
April 21, 2020

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

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P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

Exhibit 15.2

Deloitte.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-221019, 333-206803 and 333-229429) of Medigus Ltd. of our report dated April 21, 2020, which appears in this Form 20-F, relating to the consolidated financial statements of Algomizer Ltd. for the period from September 4, 2019 through December 31, 2019.

By: /s/ Brightman Almagor Zohar & Co.
Brightman Almagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

Date: April 21, 2020

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