FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

Filing Date: **2017-03-23** | Period of Report: **2016-12-31**
SEC Accession No. 0001178913-17-000881

FILER

Syneron Medical Ltd.
CIK:**1291361**| IRS No.: **000000000**
Type: **20-F** | Act: **34** | File No.: **001-34559** | Film No.: **17709658**
SIC: **3845** Electromedical & electrotherapeutic apparatus

Mailing Address
INDUSTRIAL ZONE
P.O.B. 550
YOKNEAM ILLIT L3 20692

Business Address
972-4-909-6200

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, 2016

OR

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

For the transition period from ____ to _____

OR

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

Date of event requiring this shell company report: Not applicable

Commission file number **000-50867**

SYNERON MEDICAL LTD.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

ISRAEL
(Jurisdiction of incorporation or organization)

Industrial Zone, Yokneam Illit, 2069200, Tavor Building P.O.B. 550, Israel
(Address of principal executive offices)

Hugo Goldman, CFO
Telephone: 972-732-442200
Email: CFO@syneron.com
Facsimile: 972-732-442202
Industrial Zone, Yokneam Illit, 2069200, Tavor Building P.O.B. 550, Israel
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class	Name of Each Exchange on which Registered
Ordinary Shares, par value NIS 0.01 per share	**Nasdaq Global Select Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2016, the Registrant had 34,730,185 Ordinary Shares outstanding (excluding treasury shares).

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

U.S. GAAP ☒ International Financing 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

In this Annual Report on Form 20-F, unless the context suggests otherwise, the terms "Syneron", "the Company", "we", "us", "our" or "ours" refer to Syneron Medical Ltd. and its consolidated subsidiaries as of December 31, 2016. All references in this Annual Report on Form 20-F to "U.S. dollars", "dollars" or "$" are to the legal currency of the United States of America, and all references in this Annual Report on Form 20-F to "NIS" or "New Israeli Shekel" are to the legal currency of Israel. In addition, we use the following acronyms: "PAD" (Professional Aesthetics Devices); "EBU" (Emerging Business Units); "FTZ" (Focal Treatment Zones) and "PDP" (Practice Development Partners).

Cautionary Note Regarding Forward-Looking Statements

Any statements contained in this Annual Report on Form 20-F regarding future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Further, any statements that are not statements of historical fact (including statements containing the words "believes," "anticipates," "plans," "expects," "may," "will," "would," "intends," "estimates" and similar expressions) should also be considered to be forward-looking statements. The forward-looking statements included herein are based on current expectations and beliefs that involve a number of known and unknown risks and uncertainties. Forward-looking statements include, but are not limited to, statements about:

- *our expectation that our product and recurring revenue, including our services and consumables revenue, will increase over time;*
- *our anticipation that we will generate higher revenues and attractive margins as we introduce our new product launches and expand our recurring revenue business model;*
- *our belief that the demand for energy-based aesthetic treatments will continue to expand;*
- *our expectation that market opportunities for our fat reduction and body-shaping business will grow and that the expansion of such business, including through our VelaShape and UltraShape® Power product families, will increase our future revenues;*
- *our expectation that raising consumer awareness of our UltraShape® Power product will be successful and our anticipation to launch UltraShape® Power in additional international markets in 2017;*
- *our belief that market opportunities for our emerging products, including PicoWay, Profound, and CO_2RE Intima will grow and increase our future revenues;*
- *our belief that there are significant opportunities to leverage our strong global customer base and our marketing initiatives to accelerate UltraShape Power sales outside of North America;*
- *our expectations regarding consolidation among companies in the industry;*
- *our belief that an increasing number of non-core physicians, such as family practitioners, internists and OB/GYNs, will expand their practice into aesthetic procedures;*
- *our ability to make novel product introductions and upgrades, acquire new products, expand our recurring revenue and consumables business, and identify new markets for our products, including our UltraShape Power, VelaShape III, PicoWay, CO_2RE Intima and Profound products;*
- *our belief that our body shaping products UltraShape Power and VelaShape III, as well as our PicoWay, CO_2RE Intima, and Profound products, will be revenue drivers in the future;*
- *our expectation that we will be successful in realizing the benefits and synergies arising out of our acquisitions, joint ventures, and other strategic initiatives;*

- *our expectation that we will expand our revenues in North America, including through the addition of new senior management leadership in North America and the growth of our North American sales force;*

- *our belief that the additions to our senior management team in North America, the reorganization of our North American sales and marketing personnel, and the increase in our North American sales force will leverage the expected growth in the North American aesthetic products market;*

- *the timing of, and our ability to, receive, maintain, and comply with governmental regulatory approvals, clearances and licenses for our products and new product initiatives;*

- *our expectations regarding our research and development expenses, including our expectations regarding the development of product initiatives;*

- *the timing of the international launches of UltraShape products under our recurring business model in 2017;*

- *our beliefs regarding emerging growth market opportunities for our products, including PicoWay and CO2RE Intima, and our ability to capitalize on such opportunities;*

- *our beliefs regarding the importance of relationships with customers and the provision of comprehensive multi-disciplined support;*

- *our beliefs regarding the future of barriers to entry into the markets that we serve;*

- *Medical Insights study which forecasts (i) for sales of global aesthetic products, an annual compound growth rate of 11% from 2015 through 2020, with North America being the largest single regional market growing at 10.9%, Europe at 9.6% and APAC at 12.3%, and (ii) for the body shaping segment of the aesthetics medical industry, an approximate 16% compound annual growth rate from 2015 through 2020; and*

- *our plans to launch in 2017 an upgraded version of UltraShape, introduce Gentle Touch and bring a new Vbeam offering to market.*

These forward-looking statements are based on certain assumptions, including, but not limited to, the following: the assumption that we will not lose a significant customer or customers or experience increased fluctuations of demand or postponing of purchase orders; that our products will be approved by appropriate regulatory authorities; that we will launch new products or discontinue to market old products; that our markets, including the market for our UltraShape Power, VelaShape III and PicoWay, CO2RE, and Profound products and the recurring revenue market from our products, will continue to grow; that our products will remain accepted within their respective markets and will not be replaced by new technologies; that competitive conditions within our markets will not change materially or adversely; that we will retain key technical and management personnel; that our forecasts will accurately anticipate market demand and that there will be no material adverse change in our operations or business. Assumptions relating to the foregoing involve judgment with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. If one or more of these assumptions proves incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These forward-looking statements do not reflect the potential impact of any future dispositions or strategic transactions that may be undertaken. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Factors that could cause actual results to differ from our expectations or projections include the risks and uncertainties relating to our business described in this Annual Report on Form 20-F at Item 3.D. "Key Information – Risk Factors".

In addition, the statements in this document reflect our expectations and beliefs as of the date of this Annual Report. However, while we may elect to update these forward-looking statements publicly in the future, we specifically disclaim any obligation to do so, unless otherwise required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report on Form 20-F might not occur.

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ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following selected consolidated financial data is qualified by reference to and should be read in conjunction with our audited consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 20-F.

The selected consolidated balance sheet data as of December 31, 2016 and 2015 and the selected consolidated statement of operations data for each of the years ended December 2016, 2015, and 2014 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F, which have been prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP) and audited by Kost, Forer, Gabbay & Kasierer, an independent registered public accounting firm and a member firm of Ernst & Young Global. The selected consolidated balance sheet data as of December 31, 2014, 2013, and 2012, and the selected consolidated statement of operations data for the fiscal years ended December 31, 2013 and 2012 have been derived from our audited financial statements not included in this Annual Report on Form 20-F.

	Year ended December 31,				
	2016	2015	2014	2013	2012
	(U.S. Dollars in thousands except per share and weighted average shares data)				
Consolidated Statement of Operations Data:					
Revenues	$ 298,102	$ 277,849	$ 255,750	$ 256,915	$ 263,622
Cost of revenues (*)	142,469	128,884	119,771	126,838	127,182
Gross profit	155,633	148,965	135,979	130,077	136,440
Operating expenses, net					
Research and development (*)	23,043	25,270	24,619	29,996	29,936
Selling and marketing (*)	95,889	97,163	80,741	82,445	77,795
General and administrative (*)	28,490	30,061	28,368	28,378	34,188
Other expenses (income), net	4,983	(913)	3,283	(4,623)	1,839
Impairment of goodwill	-	3,843	1,185	-	450
Total operating expenses, net (*)	152,405	155,424	138,196	136,196	144,208
Operating income (loss) (*)	3,228	(6,459)	(2,217)	(6,119)	(7,768)
Financial income (expenses), net	764	167	(688)	26	925
Income (loss) before taxes on income	3,992	(6,292)	(2,905)	(6,093)	(6,843)
Taxes on income (tax benefit)	3,813	48	2,295	(7,640)	(4,502)
Consolidated net income (loss)	179	(6,340)	(5,200)	1,547	(2,341)
Net loss attributable to non-controlling interest	-	-	-	100	998
Net income (loss) attributable to Syneron's shareholders	179	(6,340)	(5,200)	1,647	(1,343)
Net earnings (loss) per share attributable to Syneron's shareholders:					
Basic	$ 0.01	$ (0.17)	$ (0.14)	$ 0.04	$ (0.04)
Diluted	$ 0.01	$ (0.17)	$ (0.14)	$ 0.04	$ (0.04)
Weighted-average number of shares used in actual per share calculations (in thousands):					
Basic	34,745	36,416	36,703	35,922	35,475
Diluted	34,945	36,416	36,703	36,204	35,475

(*) Includes the following stock based compensation charges:

	Year ended December 31,				
	2016	2015	2014	2013	2012
	(U.S. Dollars in thousands except per share and weighted average shares data)				
Cost of revenues	$ 160	$ 197	$ 160	$ 288	$ 205
Research and development	341	332	370	766	616
Selling and marketing	1,227	1,284	1,093	1,258	1,258
General and administrative	1,983	1,962	2,077	2,177	2,656
Consolidated Balance Sheet Data:					
Cash and investments portfolio	$ 86,421	$ 86,656	$ 110,443	$ 108,540	$ 135,981
Working capital	120,726	114,332	133,022	127,656	145,662
Investments in affiliated companies	15,730	19,800	20,130	24,720	1,000
Total assets excluding investments in affiliated companies	261,455	266,992	286,704	280,757	318,098

Total assets	277,185	286,792	306,834	305,477	319,098
Total liabilities	69,765	77,579	78,869	73,688	96,969
Retained earnings	43,473	43,294	49,634	54,834	53,187
Equity	207,420	209,213	227,965	231,789	222,129
Number of outstanding ordinary shares, par value NIS 0.01 per share	34,730,185	35,274,577	36,748,244	36,630,586	35,608,730

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

This Annual Report on Form 20-F contains certain statements that are intended to be, and are hereby identified as, "forward-looking statements." We have based these "forward-looking statements" on our current expectations and projections about future events, which are subject to risks and uncertainties. The Company's actual future results may differ significantly from those stated or implied in any forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed below. See "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this Annual Report on Form 20-F. An investor should carefully consider the risks and uncertainties described below and the other information in this Annual Report on Form 20-F before making an investment in our ordinary shares. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and, as a result, the market price of our ordinary shares could decline, and an investor could lose all or part of its investment.

Risks Related to Our Business and Industry

Our success depends upon market acceptance of our products, our ability to develop and commercialize new products and generate recurring revenues, and our ability to identify new markets for our technology.

We have developed products for the treatment of a wide variety of cosmetic and medical indications including hair removal on all skin types; skin rejuvenation, skin resurfacing and wrinkle reduction; vascular lesions such as rosacea, facial spider veins, leg veins, port wine stains, angiomas and hemangiomas; tattoo removal, skin resurfacing scars, stretch marks and warts; removal of benign pigmented lesions such as sun spots, age spots, freckles, and Nevus of Ota/Ito; acne and acne scars; sebaceous hyperplasia; pseudofolliculitis barbae (beard bumps or PFB); treatment for the temporary reduction in the appearance of cellulite; reduction in thigh and abdomen circumference and fat removal; treatment of varicose veins; and skin brightening topical products. A failure to continue to penetrate our current market and new markets with our products, or manage the manufacturing and distribution of multiple products, could negatively impact our business, financial condition and results of operations.

Our success depends in part on acceptance of our new products and growth segments, including our body shaping product families (Ultrashape Power and Velashape), face and skin products (PicoWay and Profound), and women's wellness products (CO2RE Intima). The rate of adoption and acceptance of these and other of our products may be adversely affected by actual or perceived issues relating to quality, reliability and safety, customers' reluctance to invest in new technologies, widespread acceptance of other technologies and changes in the competitive landscape. Our business strategy is based, in part, on an expectation that we will continue to make novel product introductions and upgrades or acquire new products, especially products with a recurring revenue component, that we can sell to new and existing users of our products, and that we will be able to identify new markets for our products.

To increase our revenues, we must:

- develop or acquire new products and treatment modules that either add to or improve our current products and treatment protocols;
- develop and grow sales of our consumables business, treatment modules and recurring revenue streams and business;
- realize the expected benefits of our investment in adding new senior management in North America, expanding our sales force in North America, and expanding sales of our body shaping and face and skin products, and additional new products, internationally;
- convince our target customers that our products or product upgrades would be an attractive revenue-generating addition to their practices, and help our customers convince consumers that they would benefit from treatments by our products;
- sell our products to customers who have traditionally not engaged in aesthetics procedures, including primary care physicians, obstetricians, ENT specialists, other specialists and non-medical professionals;
- become a valued, strategic vendor to our customers by providing them with clinical and marketing support to attract consumers and to increase their revenues from treatments and consumables;
- identify new markets and emerging technological trends in our target markets, and react effectively to technological changes and market needs;
- maintain effective sales and marketing strategies;
- differentiate our products, consumables, and services from those of our competitors; and
- optimize our sales force by creating effective business alliances with partners.

We may be unable, however, to continue to develop or acquire new products or technologies, or develop new upgrades and treatment modules, develop or acquire businesses with consumables and recurring revenues, or increase recurring revenue streams at the rate we expect or at all, which could adversely affect our expected growth rate and result in the loss of funds invested in product development and marketing. In addition, the market for aesthetic devices is highly competitive and dynamic, and marked by rapid and substantial technological development and product innovations. We can provide no assurances that our efforts to promote and market our products, including our strategic investments in our North American management team and our marketing consumer awareness campaigns, will be successful. Furthermore, to be successful, we must be responsive to new technological developments and new applications of existing technologies. Demand for our products could be diminished by equivalent or superior products and technologies offered by competitors, and recurring revenues may not increase even if unit sales of our products grow.

Our financial results may fluctuate from quarter to quarter.

Demand for our products varies from quarter to quarter, and these variations may cause our revenue to fluctuate significantly. As a result, it is difficult for us to accurately predict sales for subsequent periods. In addition, we base our production, inventory and operating expenditure levels on anticipated orders and sales forecasts. If orders are not received when expected in any given quarter, or if our forecasts for product unit sales or for the mix of products to be sold are not met, then expenditure levels could be disproportionately high in relation to revenue for that quarter. A number of additional factors over which we have limited control may contribute to fluctuations in our financial results, including:

- the willingness of individuals to pay directly for aesthetic medical procedures, due to the general lack of third-party reimbursement for our treatments;
- availability of attractive equipment financing terms for our customers;
- changes in our ability to obtain and maintain regulatory approvals;
- increases in the length of our sales cycle;
- performance of our independent distributors;
- delays in, or failures of, product and component deliveries by our subcontractors and suppliers;
- competitive product pricing and/or financing from our competitors for products similar or equivalent to ours;
- a general industry shift from a pure capital equipment business model to a combination of capital equipment, services and consumables business model;
- changes in demand for our products due to seasonal buying patterns and other factors, which tend to increase our revenues in the second and fourth quarters and decrease our revenues in the first and third quarters compared to other periods during the year;
- delays in new product introductions; and
- exchange rate fluctuations among the various currencies in which we do business.

If we are unable to protect our intellectual property rights, our competitive position could be harmed.

Our success and ability to compete depends in large part upon our ability to protect our proprietary technology and products, including patents and patent applications in the U.S. and internationally. Our pending and future patent applications may not be granted, or, if issued, may not be in a form that will be advantageous to us. Any issued patents may be challenged, invalidated or legally circumvented by third parties. We cannot be certain that our patents will be upheld as valid and enforceable or will prevent the development of competitive products by third parties. Consequently, competitors could develop, manufacture and sell products that directly compete with our products, which could decrease our sales and affect our ability to compete. In addition, competitors could attempt to reverse engineer our products to replicate some or all of the competitive advantages we derive from our development efforts, design around our protected technology, or develop their own competitive technologies that fall outside the scope of our patents. In addition, the laws of certain countries in which we develop, manufacture or sell our products may not protect our intellectual property rights to the same extent as the laws of the U.S. or Israel. If our intellectual property does not adequately protect us from our competitors' products and methods, our business and competitive position could be adversely affected.

We rely on a combination of patent, trade secret, and other intellectual property laws as well as confidentiality, non-disclosure and assignment of inventions agreements and contractual clauses, as appropriate, with our employees, consultants and customers to protect confidentiality and control access and distribution of our proprietary information. However, these measures may not be adequate to protect our technology from unauthorized disclosure, third party infringement or misappropriation. In addition, third parties may breach their agreements with us, and we may not have adequate remedies for any such breach. Additionally, others may learn of our trade secrets through a variety of methods. For a description of our intellectual property, see Item 4.B. "Key Information – Business Overview – Intellectual Property".

We are currently and may in the future become involved in litigation to protect the patents associated with our products. On January 28, 2016, Syneron brought an action for patent infringement against Invasix, Inc. and InMode MD, Ltd. in the U.S. District Court for the Central District of California alleging, among other things, that the defendants' Fractora face and skin treatment platforms, devices and methods which comprise energy delivery systems to ablate or coagulate the skin infringe Syneron's U.S. Patent Nos. 6,148,232; 6,615,079; 8,496,654; 8,579,896 and 9,108,036.

An increasing amount of intangible assets, goodwill and investments in an affiliated company on our books have led to and may in the future lead to additional significant impairment charges.

The total amount of goodwill, intangible assets and investments in an affiliated company on our consolidated balance sheet is significant. We regularly review our intangible and tangible assets, including investments in affiliated companies and goodwill, for impairment. Goodwill and acquired research and development not yet ready for use are subject to impairment review at least annually. Other intangible assets are reviewed for impairment when there is an indication that impairment may have occurred. Impairment testing has led to and may in the future lead to significant additional impairment charges. For example, during the years ended December 31, 2015 and 2014, the Company recorded impairment charges in the total amount of $7.1 million and $2.9 million, respectively following such impairment testing. In 2015, $0.2 million and $1.3 million of the total impairment charge were attributed to developed technology and goodwill, respectively, associated with RBT, and $3.1 million and $2.5 million were attributed to customer relationships and goodwill, respectively, associated with CoolTouch. In 2014, $1.0 million and $1.2 million of the total impairment charges were attributed to developed technology and goodwill, respectively, associated with RBT and $0.7 million related to Primaeva's intangible asset. In 2016 no impairment charges were recorded. Future impairment charges, were they to occur, could have a material adverse effect on our results of operations.

For a description of how we determine whether impairment has occurred, what factors could result in impairment and the impact of impairment charges on our results of operations, see Item 5.A. "Operating and Financial Review and Prospects – Operating Results – Critical Accounting Policies and Estimates – Impairment of Goodwill and Intangible Assets" and Notes 2.j, 2.m, 9 and 10 of our audited consolidated financial statements included in this Annual Report on Form 20-F.

We will need to continue to incur significant expenses, which could impact our future profitability.

In order to grow our business and increase our revenues, we need to introduce and commercialize new products, grow our sales and marketing force, implement new software systems, as well as identify and penetrate new markets. Such endeavors have in the past, and may continue to in the future, increase our expenses, including sales and marketing, and research and development. We will have to continue to increase our revenue while effectively managing our expenses in order to achieve sustained profitability. Our failure to control expenses could reduce or eliminate our profitability. Moreover, we cannot provide any assurances that our expenditures will result in the successful development and introduction of new products in a cost-effective and timely manner or that any such new products will achieve market acceptance and generate revenues for our business.

Exchange rate fluctuations could have a material adverse impact on our results of operations.

A majority of our revenues and a substantial portion of our expenses are denominated in U.S. dollars. However, a portion of our revenues and a portion of our costs, including personnel and some marketing and facilities expenses, are incurred in New Israeli Shekels, Euros, Japanese Yen, Australian Dollars, Canadian Dollars, British Pounds Sterling, and Chinese Yuan. Inflation in Israel, Europe or Japan, or a weakening of the U.S. dollar against the Euro, the Japanese Yen, or other currencies, may have a material adverse impact on our results of operations and financial results. During 2016, the U.S. dollar depreciated against the New Israeli Shekel by approximately 0.09%, appreciated against the Euro by approximately 0.68%, appreciated against Japanese Yen by approximately 3.97%, appreciated against the Australian Dollar by approximately 3.51%, appreciated against the Canadian Dollar by approximately 0.17%, appreciated against the British Pound Sterling by approximately 0.82% and appreciated against the Chinese Yuan by approximately 0.73%. If the New Israeli Shekel were to strengthen in value in relation to the U.S. dollar, it will become more expensive for us to fund our operations.

Although we use forward contracts and options to reduce the risk associated with fluctuations in currency exchange rates, we may not be able to eliminate the effects of currency fluctuations. Thus, exchange rate fluctuations could have a material adverse impact on our results of operations.

Third-party claims of infringement or other claims against us could require us to redesign our products, seek licenses, or engage in future costly intellectual property litigation, which could impact our future business and financial performance.

Third parties have claimed, and may in the future claim, that our current or future products infringe on their intellectual property or trade secret rights, and may seek to interfere with our ability to make, use, sell or import our products. Patent applications are latent for the first 18 months after filing and cannot be discovered until they are published. Accordingly, we can conduct only limited searches to determine whether our technology infringes any patents or patent applications of others. Infringement claims in the past have, among other things, led to license agreements pursuant to which we were required to pay license fees to third-party claimants.

We may also become involved in intellectual property litigation in the future. Following any successful third-party action for infringement, we may be required to settle the matter or pay substantial damages. In such cases, if we cannot obtain a license or redesign our products, we may have to stop manufacturing, selling and marketing our products, and our business could suffer significantly as a result. Infringement and other intellectual property claims, either against us or to protect our own intellectual property rights, can be expensive and time-consuming to litigate, and could divert management's attention from our business. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

We may in the future become involved in litigation to protect the trademark rights associated with our company name or the names of our products. In addition, names we choose for our products may be claimed to infringe upon names held by others. If we have to change the name of our products, we may experience a loss in goodwill associated with our brand name, customer confusion and a loss of sales.

Please see Item 8.A. "Financial Information – Consolidated Statements and Other Financial Information" for further details regarding legal proceeding and the risk arising under those proceedings.

If we are not successful in coordinating our business with that of our acquired subsidiaries, then the benefits of our acquisitions will not be fully realized and our business and our share price may be negatively affected.

In the last several years, we have acquired various companies. As of December 31, 2016, we and our subsidiaries had approximately 817 employees in a number of countries around the world. As a result, our management teams are facing challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs.

We entered into these acquisitions with the expectation that they will result in benefits arising out of the business and product synergies between acquired companies and the Company. We have incurred and expect to continue to incur significant costs and commit significant management time to coordinating our subsidiaries' business operations, technology, development programs, products and personnel with our business. We may experience difficulties integrating the operations of the businesses we have acquired, due to:

- their diverse geographic locations;
- inconsistent standards, controls, procedures, system software, and policies, any of which could adversely affect either company's ability to maintain relationships with licensors, collaborators, partners, suppliers, customers and employees;
- consolidating the subsidiaries' business into our financial reporting system;
- implementing internal controls over financial reporting in accordance with section 404 of the Sarbanes-Oxley Act of 2002;
- coordinating sales, distribution and marketing functions;
- regulatory issues; and
- cultural differences.

As a result of these and other factors, we may not successfully integrate our business with that of our subsidiaries or establish efficient arrangements and agreements with them in a timely manner, or at all, and we may not realize the benefits and synergies of these acquisitions to the extent, or in the timeframe, anticipated. It is also possible that such integration could lead to the loss of key employees, or the disruption, interruption, or loss of momentum in our ongoing business or that of our subsidiaries. Any of these possible outcomes could affect our ability to maintain our research and development, supply, distribution, marketing, customer and other relationships and could affect our business and financial results and, ultimately, the market price of our ordinary shares.

From time to time, we evaluate potential strategic acquisitions of additional companies, technologies and products. We may not be able to identify appropriate targets or strategic partners, or successfully negotiate, finance or integrate any such companies, products or technologies. Any acquisition that we pursue could diminish our cash position and divert management's time and attention from our core operations.

We compete against companies that also have established products and significant resources, which may prevent us from maintaining or increasing market share or operating results.

Our products compete against products offered by public companies, including Cutera, Inc., Cynosure, Inc. (which was acquired by Hologic Inc. in February 2017), and Zeltiq Aesthetics Inc. (which was acquired by Allergan Inc. in February 2017), as well as by private companies such as Sciton, Inc., Alma Lasers Ltd., Lumenis Ltd. and several other smaller specialized companies such as Lutronic, Inc. In the past few years, several large pharmaceutical and medical device companies have also entered the aesthetic device market, including Valeant Pharmaceuticals International Inc., Merz Pharma Group, and recently Allergan Inc. and Hologic Inc. These players have significant resources and capabilities and can offer physicians a broad spectrum of services, including special loyalty programs. We also face competition from medical products, including neurotoxins, hyaluronic acid injections, and aesthetic procedures, such as face lifts, liposuction, sclerotherapy, electrolysis, chemical peels and microdermabrasion, that are unrelated to energy-based devices. We also may face competition from manufacturers of pharmaceutical and other products that have not yet been developed. Competition with these companies and with products that do not rely on technologies that we utilize could result in reduced prices and profit margins and loss of market share, which could harm our business, financial condition and results of operations.

Our ability to compete effectively depends upon our ability to differentiate our Company's products and services from our competitors and their products, and includes the following factors:

- product performance (procedure outcome and time required to achieve results);
- quality of customer support and service;
- clinical education of our customers and distributors in the use and efficacy of our products;
- marketing support to help build our customers' practices;
- success and timing of new product development and introductions;
- intellectual property protection;
- development of successful distribution channels; and
- our ability to maintain effective loyalty programs and our existing customer relationships and to develop new customer relationships.

Some of our competitors have well-established products and customer relationships, which could inhibit our market penetration efforts. If we are unable to achieve continued market penetration, we will be unable to compete effectively and our business will be harmed. In addition, some of our current and potential competitors have greater financial, research and development, manufacturing, and sales and marketing resources than we do. Our competitors could use their greater financial resources to acquire other companies, to gain enhanced name recognition and market share, as well as to acquire or develop new technologies or products that could effectively compete with our existing product lines.

We outsource a significant portion of the manufacturing of our products to a small number of manufacturing subcontractors. If our subcontractors' operations are interrupted or if our orders exceed our subcontractors' manufacturing capacity, we may not be able to deliver our products to customers on time.

We outsource the manufacturing of products under the brand name of Syneron to three subcontractors located in Israel, and some of our consumable products to a subcontractor in China. Some of our subsidiaries also outsource the manufacturing of their products to various subcontractors. The manufacturing capacity of these subcontractors may be inadequate if our customers place orders for unexpectedly large quantities of our products. If the operations of any of these subcontractors were halted or limited, even temporarily, or if they were unable or unwilling to fulfill large orders, we could experience business interruption, increased costs, damage to our reputation and loss of our customers. In addition, even if we were able to obtain new subcontractors to supplement our manufacturing needs, qualifying such subcontractors could take several months, and there may be a learning curve until such new subcontractors manufacture products of the required quality.

We manufacture, assemble and test our Candela line of products in our U.S. manufacturing facility. If our facility is damaged or becomes inoperative, we may not be able to deliver our products to customers on time.

We operate an approximately 38,000 square-foot manufacturing facility in Wayland, Massachusetts at which we manufacture, assemble and test our Candela line of products. The products from this facility constitute a substantial portion of our total product revenue. Our inability to utilize this manufacturing facility due to damage or for any other reason may adversely affect our ability to deliver our products to our customers on time, which could significantly impair sales of Candela products and negatively impact our financial condition.

We depend upon third-party suppliers, making us vulnerable to supply shortages, price fluctuations, and quality control issues, which could harm our business.

Many of the components of our products are currently manufactured by a limited number of suppliers, and we do not have the ability to manufacture these components ourselves. Any interruption in the supply of components or materials or increase in demand beyond current suppliers' capabilities, or our inability to obtain substitute components or materials from alternate sources at acceptable prices and in a timely manner, could impair our ability to meet the demand of our customers, which would have an adverse effect on our business.

Contract manufacturers or suppliers may fail to comply with regulatory requirements, which could result in defective products or the failure to produce our products on a timely basis and in the required quantities, if at all. In addition, contract manufacturers or suppliers experience quality control issues, which could negatively affect the efficacy or safety of our products or cause delays in shipments of our products.

In addition, our indirect subsidiary, Candela Corporation (Candela), uses Alexandrite rods to manufacture the GentleMax™, GentleLASE PRO™, PicoWay®, and the AlexTriVantage™ systems, which together account for a significant portion of Candela's total revenues. Candela depends exclusively on its contract manufacturer to supply these rods, and we are not aware of any alternative supplier meeting its quality standards. We cannot be certain that Candela's contract manufacturer will be able to meet Candela's future requirements for such rods at current prices or at all. To date, Candela has been able to obtain adequate supplies of Alexandrite rods in a timely manner, but any extended interruption in its supplies could hurt its results.

We sell our products in a number of countries and therefore our results of operations could suffer if we are unable to manage our international operations effectively.

We are headquartered in Israel and have offices in two locations in the U.S., five locations in Japan, and offices in Canada, Hong Kong, China, Australia, Spain, Germany, Italy, France and the United Kingdom. We primarily depend on third-party distributors in territories in which we do not have offices, and on direct sales operations to sell our products in North America and in parts of Europe and Asia Pacific. Approximately 99% of our revenues were attributable to operations outside of Israel in 2016, of which 35% were generated from sales in North America, mainly attributable to sales in the U.S. Part of our strategy is to expand our sales in existing markets and to enter new foreign markets. Expansion of our international business will require significant management attention and financial resources.

Our international sales and operations subject us to many risks inherent in international business activities, including:

- foreign certification and regulatory requirements;
- lengthy payment cycles and difficulty in collecting accounts receivable;
- distribution center and warehousing logistics, customs clearance, and shipping delays;
- import and export controls;
- multiple and possibly overlapping tax structures;

- changes in tax laws, including those imposing customs duties, and other laws;
- regulatory practices and tariffs;
- difficulties staffing and managing our international operations;
- regional political and economic instability;
- currency fluctuations; and
- our third party distributors' stability.

If our international sales do not continue at the expected pace or suffer from greater challenges than expected, or unexpected events happen in overseas countries, then we will not experience our projected growth or will have decreased revenue and our financial results will suffer.

Global rollout of a new enterprise resource planning system could disrupt our operations and cause unanticipated increases in our costs.

In 2014, we commenced a project for a company-wide enterprise resource planning, or ERP, system. During 2015, the ERP system was rolled out at many of our major subsidiaries, and we completed the global rollout during 2016. We have invested and will continue to invest significant capital and human resources to ensure proper ERP functionality. Any major disruptions or deficiencies in the design and implementation of the ERP system, particularly those that impact our operations, could adversely affect our ability to process customer orders, ship products, provide services and support to our customers, bill and track our customers, timely report our financial results and otherwise run our business.

If we fail to obtain and maintain necessary U.S. Food and Drug Administration clearances, if clearances for future products, product modifications or enhancements, and indications are delayed or not issued, or if there are U.S. federal or state level regulatory changes, our commercial operations could be harmed.

Most of our products are medical devices subject to extensive regulation in the U.S. by the Food and Drug Administration, or FDA, and also by corresponding state regulatory agencies and authorities, for product development, evaluation, manufacturing, labeling, sale, advertising, promotion, distribution, shipping and servicing. These entities regulate and oversee record-keeping procedures, recalls and other field safety corrective actions, post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury, and product import and export.

The regulations to which we are subject are complex and have tended to become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales. For example, in the United States, state laws, including relevant state regulations governing the medical spas in which certain of our products may be targeted for marketing and use, may vary by state, and may affect who may purchase and use such products. Such regulations, and interpretations thereof, may limit our ability to market our products. Further, the FDA and U.S. state agencies have broad enforcement powers, and our failure to comply with U.S. federal and state regulations could lead to the issuance of warning letters or untitled letters, the imposition of injunctions, suspensions or loss of regulatory clearance or approvals, product recalls, termination of distribution, product seizures, civil penalties or import detention. In the most extreme cases, criminal sanctions or closure of our manufacturing facilities are possible.

In particular, before we can commercially distribute a new medical device, product or a significant modification to an existing product in the United States, we must obtain either clearance under Section 510(k) of the Federal Food, Drug and Cosmetics Act, or the FDCA, or approval of a premarket approval, or PMA, application from the FDA, unless an exemption from premarket review applies. In the 510(k) clearance process, the FDA must determine that a proposed device is "substantially equivalent" to a legally marketed "predicate" device with respect to indications for use, technology and safety and effectiveness. Clinical data is sometimes required to support substantial equivalence.

The PMA pathway requires an applicant to demonstrate the safety and effectiveness of the device based, in part, on extensive data, including but not limited to preclinical, clinical trial, and manufacturing data, as well as device labeling data. The PMA process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. In certain limited circumstances, FDA marketing authorization may be obtained via a de novo petition. Any of these regulatory processes can be expensive and lengthy and may require the payment of significant fees. The FDA's 510(k) clearance process usually takes from three to 12 months, but may last longer. The process of obtaining a *de novo* classification or PMA approval is much more costly and uncertain. PMA approval generally takes from one to three years, or even longer, from the time the application is submitted to the FDA until approval. The process of obtaining regulatory clearances or approvals to market a medical device can be costly and time-consuming, and we may not be able to obtain these clearances or approvals on a timely basis, if at all.

Our currently commercialized products have either received premarket clearance under Section 510(k) of the FDCA or are exempt from FDA clearance or approval. For example, we have received 510(k) clearance for a focused ultrasound system for aesthetic use. Per FDA regulations, the scope of marketing claims we can make about the cleared device is limited to the indications that were previously 510(k)-cleared. If the FDA determines that any of our marketing claims exceed the cleared indications, we may be subject to enforcement action, and/or be required to cease making the challenged marketing claims, issue corrective communications, pay fines or stop selling products until the incorrect claims have been corrected. As another example, under the FDCA, with the exception of color additives, cosmetic products and ingredients do not require FDA approval before they go on the market. Companies and individuals who market cosmetics have the legal responsibility to ensure the safety of their products. Our topical skin brightening products are marketed in the U.S. without an FDA-approved marketing application, and we believe that these products are not currently subject to FDA pre-market approval because they are classified as cosmetics and are generally regarded as safe and effective. However, FDA regulations limit the type of marketing claims we can make about our topical skin brightening products. If the FDA determines that any of our marketing claims are false or misleading, or suggest a clinical benefit that is not supported in the studies we have done, we may be required to cease making the challenged marketing claims, issue corrective communications, pay fines or stop selling products until the objectionable claims have been corrected. If the FDA determines that a cosmetic is not safe, the FDA may ask a federal court to issue an injunction, request that U.S. marshals seize the products, initiate criminal action, refuse entry of an imported cosmetic, or request that a company recall the relevant product.

We may be unable to obtain or maintain international regulatory qualifications or approvals or CE Certificates of Conformity for our current or future products, for product modifications or enhancements, or for changes to our products' intended purposes, which could harm our business.

Sales of our products outside the U.S. are subject to foreign regulatory requirements that vary widely from country to country, and such regulatory requirements have been changing and increasing in some countries. For example, medical device regulations in China have become more demanding, including a recent requirement for software validation documentation. Complying with international regulatory requirements can be an expensive and time-consuming process and obtaining regulatory clearance, approvals or CE Certificates of Conformity is not certain. The time required to obtain foreign regulatory clearance, approvals or CE Certificates of Conformity may be longer than that required for FDA clearance or approvals, and related requirements may significantly differ from FDA requirements. Although we have affixed the CE mark to our products in the European Economic Area (EEA) and obtained regulatory approvals in other countries outside the U.S., we may be unable to maintain regulatory qualifications, clearances, approvals or CE Certificates of Conformity in these countries or to obtain approvals in other countries. We also may incur significant costs in attempting to obtain, renew, or modify foreign regulatory approvals, qualifications or CE Certificates of Conformity. If we experience difficulties in receiving, maintaining, renewing or modifying necessary qualifications, clearances, approvals or CE Certificates of Conformity to market our products outside the U.S., or if we fail to receive, renew, modify or maintain those qualifications, clearances, approvals or CE Certificates of Conformity, we may be unable to market our products or enhancements in certain international markets effectively, or at all.

Modifications to our products may require new 510(k) clearances, premarket approvals or new or amended CE Certificates of Conformity, and may require us to cease marketing or recall the modified products until clearances, approvals or the relevant CE Certificates of Conformity are obtained.

Any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, requires a new 510(k) clearance or, possibly, a PMA. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review such determinations and may not agree with our decisions regarding whether new clearances or approvals are necessary. We have modified some of our 510(k)-cleared products, and have determined based on our review of the applicable FDA guidance that in certain instances new 510(k) clearances or PMAs are not required. If the FDA disagrees with our determination and requires us to submit new 510(k)s or PMAs for modifications to our previously cleared products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified products until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties.

In the EEA, we must inform the Notified Body that carried out the conformity assessment of the medical devices that we market or sell in the EEA of any planned substantial changes to our quality system or substantial changes to our medical devices that could affect compliance with the Essential Requirements laid down in Annex I to the Medical Devices Directive or cause a substantial change to the intended use for which the device has been CE marked. The Notified Body will then assess the planned changes and verify whether they affect the products' ongoing conformity with the Medical Devices Directive. If the assessment is favorable, the Notified Body will issue a new CE Certificate of Conformity or an addendum to the existing certificate attesting compliance with the Essential Requirements and quality system requirements laid down in the Annexes to the Medical Devices Directive.

Consistent with regulatory requirements, we often seek FDA clearance and conformity assessment review by our Notified Body for additional indications for use. Clinical trials in support of such clearances and submissions for conformity assessment by our Notified Body may be costly and time-consuming. In the event that we do not obtain additional FDA clearances or a CE Certificate of Conformity from our Notified Body, our ability to market products in the U.S. and in the EEA and revenue derived therefrom may be adversely affected. Medical devices subject to premarket review may be marketed only for the indications for which they are approved, cleared, or assessed, and if we are found to be marketing our products for off-label or non-approved uses we might be subject to FDA and other competent authorities' enforcement action or have other resulting liability. In addition, if the FDA or the competent authorities in the EEA countries determine that our promotional materials or training constitute promotion of a use which is unapproved or not covered by the CE mark, they could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, an injunction, product seizures, civil fines, criminal penalties or import detention.

Clinical trials may be necessary to support a 510(k) notice or CE Certificate of Conformity. Such trials may require the enrollment of large numbers of patients, and suitable patients may be difficult to identify and recruit. Delays or failures in our clinical trials may prevent us from commercializing modified or new products and may adversely affect our business, operating results and prospects.

Initiating and completing the clinical trials necessary to support our current and future products will be time consuming and expensive and the outcome of any such clinical trials is uncertain. Moreover, the results of early clinical trials are not necessarily predictive of future results, and any product we advance into clinical trials may not have favorable results in later clinical trials.

Conducting successful clinical studies will require the enrollment of large numbers of patients, and suitable patients may be difficult to identify and recruit. Patient enrollment in clinical trials and completion of patient participation and follow-up depends on many factors, including the size of the patient population, the nature of the trial protocol, the attractiveness of, or the discomforts and risks associated with, the treatments received by enrolled subjects, the availability of appropriate clinical trial investigators and support staff, the proximity of patients to clinical trial sites, the availability of patients meeting the eligibility and exclusion criteria for participation in the clinical trial and patient compliance with the trial protocol. For example, patients may be discouraged from enrolling in our clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the performance of our products, or if they determine that the treatments received under the trial protocols are not attractive or involve unacceptable risks or discomforts. Patients may also not participate in our clinical trials if they choose to participate in contemporaneous clinical trials of competitive products. In addition, patients participating in clinical trials may die before completion of the trial or suffer adverse medical events unrelated to the products being tested.

Development of sufficient and appropriate clinical protocols to demonstrate safety and efficacy profiles of a device is required and we may not adequately develop such protocols to support clearance approval, or the CE mark of our products, as applicable. Further, the FDA, foreign competent authorities, or our Notified Body may require us to submit data on a greater number of patients than we originally anticipate and/or for a longer follow-up period, or may change the data collection requirements or data analysis applicable to our clinical trials. Delays in patient enrollment or failure of patients to continue to participate in a clinical trial may cause an increase in costs and delays in the regulatory clearance process for the approval, clearance or CE mark of our products or attempted commercialization of our products or may result in the failure of the clinical trial. In addition, despite considerable time and expense invested in our clinical trials, the FDA, foreign competent authorities, or our Notified Body may not consider our data adequate to support regulatory clearance, approval, or the CE mark of our products, as applicable. Such increased costs and delays or failures to complete our clinical trials or obtain the results we expect could adversely affect our business, operating results and prospects.

If the third parties on which we rely to conduct our clinical trials and to assist us with pre-clinical development do not perform as contractually required or expected, we may not be able to obtain regulatory clearance, approval, or CE Certificates of Conformity for or commercialize our products.

We do not have the ability to independently conduct all of our pre-clinical and clinical trials for our products without the participation of third parties. We must rely on third parties such as medical institutions, clinical investigators, contract research organizations and contract laboratories to conduct such trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if these third parties need to be replaced, or if the quality or accuracy of the data they obtain is compromised due to a failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our pre-clinical development activities or clinical trials may be extended, delayed, suspended or terminated. Furthermore, our third party clinical trial investigators may be delayed in conducting our clinical trials for reasons outside of their control. In the event of such extensions, delays, suspensions or terminations, we may not be able to obtain regulatory clearance, approval and CE Certificates of Conformity for, or successfully commercialize, our products on a timely basis, if at all, and our business, operating results and prospects may be adversely affected.

The results of our clinical trials may not support our product claims or may result in the discovery of adverse side effects.

Even if our clinical trials are completed as planned, we cannot be certain that their results will support our product claims or that the FDA, other regulatory authorities, or our Notified Body will agree with our conclusions regarding such trials. The clinical trial process may fail to demonstrate that our products are safe and effective for the proposed indicated uses, or patients enrolled in the clinical trials may experience unanticipated adverse side effects, either of which could cause us to abandon or delay further development of a proposed product and may delay the development of other products. Furthermore, any delay or termination of our clinical trials will delay the filing of our product submissions to the relevant regulatory authorities or to our Notified Body and, ultimately, our ability to commercialize such product and generate revenues. Delays in our ability to commercialize our products or the abandonment of proposed product lines in response to clinical trial results could adversely affect our business, operating results and prospects.

Even after clearance or approval for our products is obtained, we and our subcontractors are subject to extensive post-market regulation by the FDA, foreign competent authorities, and our Notified Body. Our failure to meet strict regulatory requirements could result in our being required to stop sales of our products, conduct voluntary or mandatory product recalls, pay fines, incur other costs or even close our facilities.

Even after a device is cleared, approved, or CE marked, there are significant post-market regulations with which we must comply. For example, we are required to comply with the FDA's Quality System Regulation, or QSR, which covers the methods used in, and the facilities and controls used for, the design, manufacture, quality assurance, labeling, packaging, sterilization, storage, shipping, installation, distribution and servicing of our marketed products, as well as applicable laser performance standards. The FDA enforces the QSR through periodic announced and unannounced inspections of manufacturing facilities. Any failure by us or our subcontractors to take satisfactory corrective action in response to an adverse QSR inspection or to comply with applicable laser performance standards could result in enforcement actions against us or our subcontractors.

Later discovery of previously unknown problems with our products, including unanticipated adverse events, adverse events of unanticipated severity or frequency, or manufacturing problems, may result in changes to labeling, restrictions on such products or manufacturing processes, withdrawal of the products from the market, voluntary or mandatory recalls, a requirement to repair, replace or refund the cost of any medical device that we manufacture or distribute, fines, suspension variation or withdrawals of regulatory approvals, or CE Certificates of Conformity, import refusals, product seizures, injunctions or the imposition of civil, administrative or criminal penalties, each of which could adversely affect our business, operating results and prospects.

In the EEA, we are also required to demonstrate compliance with similar quality system requirements which are laid down in the relevant Annexes to the Medical Devices Directive. Such compliance can be supported by, among other things, a certificate of compliance with ISO 13485:2003. Demonstration of compliance with the ISO 13485:2003 standard permits manufacturers to benefit from a presumption of conformity with the corresponding quality system requirements laid down in such Annexes to Medical Devices Directive. Failure to comply with such standards could adversely impact our business. The FDA and similar foreign governmental authorities, such as the authorities of the EEA countries, also have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Moreover, notified bodies have the power to suspend, vary or withdraw our CE Certificates of Conformity in such circumstances. Manufacturers may, on their own initiative, recall a product if any material deficiency in a device is found. A government-mandated or voluntary recall by us or one of our distributors could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, or other problems with design or labeling.

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

Further, under the FDA's regulations, we are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury.

In the EEA, we must comply with the EU Medical Device Vigilance System. Under this system, incidents must be reported to the relevant authorities of the EEA countries, and manufacturers are required to take Field Safety Corrective Actions, or FSCAs, to reduce a risk of death or serious deterioration in the state of health associated with the use of a medical device that is already placed on the market. An incident is defined as any malfunction or deterioration in the characteristics and/or performance of a device, as well as any inadequacy in the labeling or instructions for use or an unanticipated adverse reaction or side effect which, directly or indirectly, might lead to or might have led to the death of a patient, user or other person or to a serious deterioration in their health. An FSCA may include the recall, modification, exchange, destruction or retrofitting of the device. FSCAs must be communicated by the manufacturer or its legal representative to its customers and/or to the end users of the device through Field Safety Notices. Repeated product malfunctions may result in a voluntary or involuntary product recall, which could divert managerial and financial resources, impair our ability to manufacture our products in a cost-effective and timely manner and have an adverse effect on our reputation, results of operations and financial condition.

U.S. legislative or FDA regulatory reforms and EEA legislative regulations may make it more difficult and costly for us to obtain regulatory approval of our new and modified products and to manufacture, market and distribute our products after approval is obtained.

From time to time, legislation is drafted and introduced in the U.S. Congress and EEA legislative bodies to revise the process for regulatory approval, manufacture and marketing of regulated products or the reimbursement thereof.

On September 26, 2012, the European Commission adopted a package of legislative proposals designed to replace the existing regulatory framework for medical devices in the EEA. On October 13, 2015, discussions between the European Commission, the European Parliament and the Council of Ministers started with the aim of agreeing to the final text of such regulatory reform. The revised regulation of medical devices was adopted in July 2016. Although the general principle in the revised regulation remains that the manufacturer must use clinical data to demonstrate compliance with relevant essential requirements, there were a number of changes, including the frequency of updates to the Company's Clinical Evaluation Reports (CER), specific requirements for expertise and length of experience of the CER authors and evaluators, and scientific validity of data. The new legislation may prevent or delay the CE marking of our products under development or impact our ability to modify our currently CE marked products to ensure compliance with such regulations on a timely basis.

In addition, FDA and EEA regulations and guidance are often revised or reinterpreted by the FDA and the competent authorities of the EEA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of future products. It is impossible to predict whether legislative changes will be enacted or if regulations, guidance or interpretations will change, and what the impact of such changes, if any, may be.

New regulations may limit our ability to sell to non-physicians.

We sell our products to physicians and "qualified practitioners" and, outside the U.S., also to aestheticians. International regulations could change at any time, disallowing sales of our products to aestheticians and other non-physician providers, and limiting the ability of aestheticians and non-physicians to operate our products. We cannot predict the impact or effect of changes in U.S., state or international laws or regulations.

Regulations related to "conflict minerals" may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

Regulations of the U.S. Securities and Exchange Commission, or SEC, require certain disclosure by public companies that use specified minerals (tin, tantalum, gold and tungsten), known as conflict minerals, in their products. The rules require companies to annually perform due diligence (and report on the results of such due diligence on Form SD) regarding whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country ("Covered Countries"), with substantial supply chain verification requirements in the event that the minerals come from, or could have come from, the Covered Countries. Since our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in components manufactured by third parties through the due diligence procedures that we implement, which may harm our reputation. In 2016, we reported on Form SD that the results of our due diligence were inconclusive and, accordingly, we were unable to determine with a reasonable degree of certainty that the conflict minerals contained in our products did not originate in the Covered Countries or are from recycled or scrap sources.

A portion of our product sales are made through independent distributors and sales agents whom we do not control.

A portion of our product sales are made through independent sales representatives and distributors. Because independent distributors often control customer relationships (and, in certain countries outside the U.S., the regulatory relationship), there is a risk that if our relationship with a distributor ends, our relationship with end customers associated with the relevant distributor (or our relationship with regulators, as applicable) will be lost. Also, because we do not control a distributor's field sales agents, there is a risk we will be unable to ensure that our sales processes, compliance and other priorities will be consistently communicated and executed by the distributor. If we fail to maintain relationships with our key distributors, or fail to ensure that our distributors adhere to our sales processes, compliance and other priorities, this could have an adverse effect on our operations.

Because many of the users of our products may lack training, and because we also sell our products to non-physicians, our products may be misused, which could harm our reputation and our business.

In the U.S., federal regulations allow us to sell our products to, or on the order of, "qualified practitioners." The definition of "qualified practitioners" varies from state to state. As a result, depending on state law, our products may be purchased or operated by physicians or other qualified practitioners, including nurse practitioners, chiropractors and technicians. Outside the U.S., many jurisdictions do not require specific qualifications or training for purchasers or operators of our products. Although we provide training to the practitioners and, in the event a user error is detected, provide retraining to the practitioners, we do not supervise the procedures performed with our products, and we have no way to confirm that adequate supervision occurs. The lack of required training and the purchase and use of our products by non-physicians may result in product misuse and adverse treatment outcomes, which could harm our reputation and expose us to product liability claims and costly product liability litigation.

Product liability suits could be brought against us due to defective material or design, incorrect product descriptions, claims or labeling, or due to misuse of our products, and could result in expensive and time-consuming litigation, payment of substantial damages and an increase in our insurance rates.

If our products are defectively designed, manufactured or labeled, contain defective components or incorrect product descriptions, claims or labeling or are misused, we may become subject to substantial and costly litigation by our customers or their patients. Misusing our products or failing to adhere to operating guidelines could cause significant eye and skin damage, as well as underlying tissue or organ damage. In addition, if our operating guidelines are found to be inadequate, we may be subject to liability. Since inception, we have been involved, and may in the future be involved, in a number of disputes or legal claims between our customers and their patients related to the use, functionality, and efficacy of our products. Product liability claims could divert management's attention from our core business, be expensive to defend and result in sizable damage awards against us. We may not be able to obtain insurance in amounts or scope sufficient to provide us with adequate coverage against all potential liabilities. Product liability claims in excess of our existing insurance coverage would be paid out of cash reserves, harming our financial condition and reducing our operating results. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continued coverage, harm our reputation in the industry and reduce product sales. In addition, product liability claims could increase our product liability insurance rates.

Components used in our products are complex in design and defects may not be discovered prior to shipment to customers, which could result in increased warranty and service obligations, reducing our revenue and increasing our costs.

In manufacturing our existing and/or new products, we and our subcontractors depend upon third-party suppliers for various components. Many of these components require a significant degree of technical expertise to produce. If our suppliers fail to produce components to specification, or if the suppliers, our subcontractors, or we use defective materials or workmanship in the manufacturing process, the reliability and performance of our existing and/or new products will be compromised.

If our existing and/or new products contain defects that cannot be easily and inexpensively identified and repaired, we may experience:

- loss of customer orders and delay in order fulfillment;
- damage to our brand reputation;
- increased cost of our warranty program due to product repair or replacement;
- inability to attract new customers;
- diversion of resources from our manufacturing and research and development departments into our service department;
- product recalls; and
- legal actions.

The occurrence of any one or more of the foregoing could materially harm our business.

We forecast sales to determine requirements for our products and, if our forecasts are incorrect, we may experience shipment delays and the inability to meet demand, or increased costs and surplus inventory.

We and our subcontractors keep limited materials and components on hand. To assist in management of manufacturing operations and in order to minimize inventory costs, we forecast anticipated product sales to predict our inventory needs up to six months in advance and enter into purchase orders on the basis of these forecasts, subject to limitations on the lead time of our product components and items with long lead times. We also accept safety stock of long lead time items in addition to the usual lead time. If our business expands more than anticipated, our demand would increase, and we and our suppliers may be unable to meet our demand. If we overestimate our requirements, we and our subcontractors will have excess inventory, increasing our costs. If we underestimate our requirements, we and our subcontractors may have inadequate components and materials inventory, which could interrupt, delay or prevent delivery of our products to our customers. Any of these occurrences would negatively affect our financial performance and the level of satisfaction our customers have with our business.

The expense and potential unavailability of insurance coverage for our customers could adversely affect our ability to sell our products and negatively impact our financial condition.

Some of our customers and prospective customers have had difficulty in procuring or maintaining liability insurance to cover their operation and use of our products. Medical malpractice carriers are withdrawing coverage in certain jurisdictions or substantially increasing premiums. If this trend continues or worsens, our customers may discontinue using our products and, industry-wide, potential customers may opt against purchasing laser and other light-based products due to the cost of or inability to procure insurance coverage.

Were we to lose our status as a foreign private issuer under the rules and regulations of the SEC, the costs incurred and management time required in fulfilling the additional regulatory requirements of a U.S. domestic company could be substantial.

As a foreign private issuer we are exempt from certain rules under the Exchange Act, including the proxy rules, which impose certain disclosure and procedural requirements for proxy solicitations. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies with securities registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which imposes certain restrictions on the selective disclosure of material information. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act related to purchases and sales of our ordinary shares. If we lose our status as a foreign private issuer, we will no longer be exempt from such rules and, among other things, will be required to file periodic reports and financial statements as if we were a company incorporated in the U.S. The costs incurred and management time required in fulfilling these additional regulatory requirements could be substantial.

The failure to attract and retain key personnel could adversely affect our business.

Our success also depends in large part on our ability to continue to attract, retain, develop and motivate highly skilled technical and professional personnel. Competition for certain employees, particularly sales representatives and development engineers in North America and other parts of the world, is intense. We may be unable to continue to attract and retain sufficient numbers of highly skilled employees. Our inability to attract and retain additional key employees or the loss of one or more of our current key employees could adversely impact our business, financial condition and results of operations.

Adverse conditions in the global economy and disruptions of financial markets could negatively impact our results of operations.

Our results of operations are affected by the level of business activity of our customers, which in turn is affected by global economic conditions and market factors impacting the industries and markets that they serve. Decreased demand by our customers or their patients for our products and services can be especially pronounced during periods of economic contraction or low levels of economic growth, and certain global economies and markets continue to experience significant uncertainty and volatility. In addition, tax rates can influence demand for our products. Adverse economic conditions or lack of liquidity in various markets may adversely affect our revenues and operating results. Were such instability and uncertainty to occur globally or in certain regions or countries, our customers (and their patients) and suppliers may experience financial difficulties or be unable to obtain financing to fund their operations, which may adversely impact their ability or decisions to purchase our products or to pay for our products that they do purchase on a timely basis, if at all. Such economic instability may have a material adverse effect on our business and our ability to borrow money or raise additional capital.

In various jurisdictions in which we operate, we may not be able to enforce covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We have entered into non-competition arrangements with substantially all of our professional employees. These agreements prohibit our employees from competing with us or, if they cease working for us, working for our competitors for a limited period following the expiration of their employment with us. In various jurisdictions in which we operate, we may be unable to enforce these agreements, in whole or in part. For example, Israeli courts have required former employers seeking to enforce non-compete undertakings to demonstrate, among others, that employment by a competitor would result in damage that would threaten the existence of such former employer, that the employee received special compensation in return for such employee's non-compete undertaking, or that the employee action is based on material lack of good faith and use of commercial secrets of the employee's former employer. If we are unable to enforce these non-competition agreements, in whole or in part, we may be unable to prevent our competitors from benefiting from the expertise of our former employees, which could harm our business.

We may not be able to generate sufficient taxable income to fully realize our deferred tax asset, which would also have to be reduced if income tax rates are lowered.

As of December 31, 2016, we have recognized a net deferred tax asset balance of $17.6 million. If we are unable to generate sufficient taxable income, we will not be able to fully realize the recorded amount of the net deferred tax asset. If we are unable to generate sufficient taxable income prior to the expiration of our net operating losses (NOL), the NOLs would expire unused. The Company’s projections of future taxable income required to fully realize the recorded amount of the net deferred tax asset reflect numerous assumptions about our operating businesses and investments, and are subject to change as conditions change specific to our business units, investments or macroeconomics conditions that may cause the Company to not meet its projections. Changes that are adverse to the Company could result in the need to increase the deferred tax asset valuation allowance, resulting in a charge to results of operations and a decrease to total shareholders’ equity. In addition, if income tax rates are lowered, the Company would be required to reduce its net deferred tax asset with a corresponding reduction to earnings during the period.

Additional tax liabilities could materially adversely affect our results of operations and financial condition.

As a global corporation, we are subject to income and other taxes both in Israel and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid or accrued is subject to our interpretation of applicable laws in the jurisdictions in which we do business. From time to time, we are subject to income and other tax audits in various jurisdictions, the timing of which is unpredictable. While we believe, we comply with applicable tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. If we are assessed additional taxes, it could have a material adverse effect on our results of operations and financial condition.

In recent years, we have seen changes in tax laws resulting in an increase in applicable tax rates, especially increased liabilities of corporations and limitations on the ability to benefit from strategic tax planning, with these laws particularly focused on international corporations. Such legislative changes in one or more jurisdictions in which we operate may have implications on our tax liability and have a material adverse effect on our results of operations and financial condition.

The Organization for Economic Cooperation and Development has recently introduced the base erosion and profit shifting ("BEPS") project. The BEPS project contemplates changes to numerous international tax principles, as well as national tax incentives, and these changes, if adopted by individual countries, could adversely affect our provision for income taxes.

Risks Related to Our Operations in Israel

Political, economic and military instability in Israel may impede our ability to operate and harm our financial results.

We are incorporated under the laws of the State of Israel, and our principal executive offices and research and development facilities are located in Israel. In addition, a number of the subcontractors for our Syneron product line are located in Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. The Israeli economy has suffered in the past and may suffer in the future from instability, which may adversely affect our financial condition and results of operations. If economic conditions deteriorate in Israel, it may adversely affect our financial conditions and results of operations.

In addition, since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Any hostilities involving Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could affect adversely our operations. Ongoing and revived hostilities or other Israeli political or economic factors could harm our operations and product development and cause our sales to decrease. Furthermore, several countries restrict business with Israel and Israeli companies. These restrictive laws and policies may seriously limit our ability to sell our products in these countries.

Shareholders may have difficulties enforcing a U.S. judgment against us and/or our executive officers and directors or asserting U.S. securities laws claims in Israel.

A significant portion of our assets and the assets of our directors and executive officers are located outside the U.S. Therefore, a judgment obtained against us or our directors and executive officers in the U.S., including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the U.S. and may not be enforced by an Israeli court. Further, if a foreign judgment is enforced by an Israeli court, it will be payable in Israeli currency. It also may be difficult for shareholders to assert U.S. securities law claims in original actions instituted in Israel.

Our operations may be disrupted by the obligation of our personnel to perform military service.

Many of our employees in Israel are obligated to perform annual military reserve duty in the Israeli Defense Forces and may be called to active duty under emergency circumstances at any time. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. Our operations could be disrupted by the absence for a significant period of one or more of our executive officers or key employees or a significant number of our other employees due to reserve duty. Any disruption in our operations may harm our business.

The tax benefits available to us require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs and taxes.

We have generated income and are able to take advantage of tax incentives and reductions in corporate taxes resulting from the "Approved Enterprise" and "Privileged Enterprise" statuses of our facilities in Israel. To remain eligible for these tax benefits, we must continue to meet certain conditions. If we fail to meet these conditions in the future, the tax benefits would be canceled and we could be required to refund any tax benefits we might have already received. In addition, these tax benefits may not be continued in the future at their current levels or at all. The termination or reduction of these tax benefits may increase our tax expenses in the future, which would reduce our expected net profits or increase our net losses. Additionally, if we increase our activities outside of Israel, for example by future acquisitions, such increased activities generally will not be eligible for inclusion in Israeli tax benefit programs.

Provisions of our articles of association and Israeli law may delay, prevent or make it difficult to acquire us, which could prevent a change of control and negatively affect the price of our ordinary shares.

Israeli corporate law regulates mergers, tender offers for acquisitions of shares above specified thresholds, special approvals for transactions involving directors, officers or significant shareholders, and other matters that may be relevant to these types of transactions. Our articles of association also contain provisions that may make it more difficult to acquire our company, such as a classified board structure. In addition, the transfer of our technology funded by the Israel Innovation Authority (formerly known as the Israeli Office of Chief Scientist) (including by acquisition) is subject to certain restrictions and requires certain approvals of the Innovation Authority, which provided grants for the development of certain of our technology.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to some of our shareholders. See Item 10.B. "Additional Information – Memorandum and Articles of Association" for additional discussion about some anti-takeover effects of Israeli law.

These provisions of Israeli law and our articles of association may delay, complicate or prevent our acquisition, which could prevent a change of control and therefore depress the price of our shares.

The rights and responsibilities of our shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

The rights and responsibilities of holders of our ordinary shares are governed by our articles of association and by the Israeli Companies Law, 5759-1999. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, pursuant to the Companies Law, each shareholder of an Israeli company must act in good faith and in a customary manner in exercising his or her rights and in fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his or her power over the company in such capacity, including, among other things, when voting at the general meeting of shareholders and class meetings regarding amendments to a company's articles of association, increases in a company's authorized share capital, mergers and approval of transactions and acts requiring shareholders' approval under the Companies Law. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that he/she possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company, or has other powers toward the company, has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness, and there is currently little case law available to assist in understanding the implications of the provisions that govern shareholder behavior.

We are subject to various tax audits in multiple countries, the results of which could adversely affect our financial condition.

We operate our business in a number of countries, and we attempt to utilize an efficient operating model to optimize our tax payments based on the tax laws of the countries in which we operate. From time to time, there may be differences of interpretation of applicable tax laws between us and the relevant tax authorities in the countries in which we operate due to tax positions that we have taken. Not all of our tax returns are final and may be subject to further audit and assessment by applicable tax authorities. There can be no assurance that the applicable tax authorities will accept our tax positions, and if they do not, we may be required to pay additional taxes, as a result of which, our future results may be adversely affected.

Risks Related to Our Ordinary Shares

The price of our ordinary shares has fluctuated substantially, and we expect will continue to do so.

The market price for our ordinary shares, which has been, and may continue to be, volatile, is affected by a number of factors, including:

- the gain or loss of significant orders or customers;
- recruitment or departure of key personnel;
- the announcement of new products or service enhancements by us or our competitors;
- possible delays in market acceptance of our new products;
- potential increases in the level and intensity of price competition between our competitors and us;
- announcements regarding clearance or non-clearance of regulatory approval;
- quarterly variations in our or our competitors' results of operations;
- material litigation in which we are involved;
- changes in earnings estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' earnings estimates;
- developments in our industry and among our competitors;
- absence of significant product backlogs;
- effectiveness in our manufacturing processes and other operations;
- fluctuations in revenues due to, among other factors, the performance of our direct sales force, distribution channels, service providers, or customer support organizations, as well as changes in collection cycles for accounts receivable;
- timing of any acquisitions and related costs;
- increase in sales of our consumable offerings and recurring revenues paid to us by our customers as a result of the growth in patient treatments; and
- general market conditions, share performance in our industry, and other factors unrelated to our operating performance or the operating performance of our competitors.

The stock prices of many companies in the medical device industry have experienced wide fluctuations that often have been unrelated to the operating performance of those companies. These factors and price fluctuations may materially and adversely affect the market price of our ordinary shares. In the past, following periods of market volatility, public company shareholders have often instituted

securities class action litigation in the United States. If we were involved in securities litigation, it could impose a substantial cost upon us and divert the resources and attention of our management from our business.

We have not paid dividends in the past and there are no assurances that any dividends will be paid in the future so any return on investment may be limited to the value of our ordinary shares.

We have never paid cash dividends on our ordinary shares. There are no assurances that any dividends will be paid in the future. The declaration and payment of dividends is subject to the discretion of our board of directors, and will depend on our earnings, financial condition and other business and economic factors deemed relevant by our board of directors. In any case, under the Companies law we may only pay dividends in any fiscal year out of "profits", as defined by the Companies Law and provided that the distribution is not reasonably expected to impair our ability to fulfill our outstanding and expected obligations. In addition, Israeli law may subject such payments to Israeli withholding taxes. If we do not pay dividends, our ordinary shares may be less valuable because a return on a shareholder's investment will only occur if our share price appreciates.

U.S. investors in our company could suffer adverse tax consequences if we were to be characterized as a passive foreign investment company.

If, for any taxable year, our passive income or our assets that produce passive income exceed levels provided by law, we generally would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. If we are characterized as a PFIC, our U.S shareholders could suffer adverse U.S. tax consequences, including increased tax liability upon the sale or other disposition of ordinary shares or upon the receipt of amounts treated as "excess distributions". For a discussion of how we might be characterized as a PFIC and related tax consequences, please see Item 10.E. "Additional Information – Taxation – United States Federal Income Tax Considerations – Passive Foreign Investment Company Considerations (PFIC)".

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our History

Syneron Medical Ltd. was incorporated in the State of Israel in July 2000. Our headquarters are located at Industrial Zone, Yokneam Illit, 2069200, Tavor Building P.O.B. 550, Israel. Our phone number is +972 (73) 24-42200. The agent for service of process in the U.S. is National Corporate Research, Ltd. Our website address is www.syneron-candela.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, and the reference to our website in this Annual Report on Form 20-F is an inactive textual reference only.

We completed our initial public offering of our ordinary shares on Nasdaq in August 2004. We design, develop and market innovative aesthetic medical products based on our various technologies, including our proprietary Electro-Optical Synergy, or ELOS, technology, which uses the synergy between electrical energy, including radiofrequency, or RF energy, and optical energy to provide effective, safe and affordable aesthetic medical treatments. Our products, which we sell primarily to physicians and other qualified practitioners, target a wide array of non-invasive aesthetic medical procedures, including hair removal, wrinkle reduction, rejuvenation of the skin's appearance through the treatment of superficial benign vascular and pigmented lesions, acne treatment, treatment of leg veins, treatment for the temporary reduction in the appearance of cellulite and thigh circumference, ablation and resurfacing of the skin, and laser-assisted lipolysis. We believe ELOS provides performance advantages over other technologies that rely solely on optical energy. We believe using optical energy alone limits the safety and efficacy of many aesthetic medical procedures due to limited skin penetration and unwanted epidermal absorption. Our proprietary ELOS technology, which combines optical and electrical energy, enhances the user's ability to accurately target the tissue to be treated and enables real-time measurement of skin temperature, resulting in increased patient safety and comfort and improved treatment results.

During 2000 and 2001, our primary activity was development of and seeking approval for our first product platform, the Aurora, which utilized our ELOS technology. In subsequent years, we launched additional product platforms that received 510(k) clearance, including products that utilize our ELOS technology that have been distributed worldwide. For a list of current products, see Item 4.B. "Information on the Company – Business Overview – Our Syneron Candela Products".

In 2005, we introduced the VelaSmooth product platform in the U.S. Products utilizing this platform addressed traditional applications and were the first to also address the temporary reduction in the appearance of cellulite and the reduction of body circumference. In June 2005, the FDA granted 510(k) clearance to our VelaSmooth platform for the temporary reduction in the appearance of cellulite and for the relief of minor muscle aches, pain and spasms, as well as the temporary improvement of local blood circulation. As a result of this 510(k) clearance, we were permitted to sell the VelaSmooth in the U.S. to physicians.

In 2008, we made our first investment in Rakuto Bio Technologies Ltd. (RBT), an Israeli-based start-up that develops a skin complexion brightening treatment, and we currently hold 100% of RBT's issued and outstanding share capital. For more information, see Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions" and Item 10.C. "Additional Information – Material Contracts".

In November 2008, we entered into an agreement with Inlight Corp. (Inlight), a San Diego, California-based research and development company, whereby we purchased 100% of Inlight Corp.'s outstanding capital stock. Inlight has developed a carbon dioxide laser for fractional skin rejuvenation, which was launched in the U.S. and internationally in 2010.

In November 2008, we entered into a joint venture agreement for the formation of Syneron China, an entity now wholly-owned by the Company. In addition, in January 2014 a business license was approved for a separate entity called Syneron/Candela (Beijing) Medical Technologies Co., Ltd., an indirect wholly-owned subsidiary of the Company. This entity conducts sales, provides training to medical providers who use our products, and performs after sales services and support for the Chinese market.

On October 26, 2009, we acquired Primaeva Medical, Inc. (Primaeva), an aesthetic technology firm based in Pleasanton, California. Primaeva developed a minimally invasive radiofrequency aesthetic device called ePrime for the treatment of skin wrinkles and laxity. Launched in 2011, ePrime received 510(k) clearance for wrinkle treatment that employs an innovative micro-needle electrode array housed in an advanced single-patient use applicator tip to deliver bipolar fractional radiofrequency energy directly within the reticular dermis. For a description, see Item 4.B. "Information on the Company – Business Overview – Our Syneron Candela Products".

On January 5, 2010, we acquired Candela Corporation (Candela), which became our indirect wholly-owned subsidiary. Candela shareholders received 0.2911 shares of our ordinary shares for each share of Candela common stock they owned. We issued approximately 6.7 million shares to acquire Candela. Candela's current product line offers comprehensive and technologically sophisticated cosmetic and aesthetic lasers and light-based systems used by physicians and personal care practitioners to treat a wide variety of cosmetic and medical conditions. For a description of Candela products, see Item 4.B. "Information on the Company – Business Overview – Our Syneron Candela Products".

In November 2010, we formed a wholly owned subsidiary, Syneron Beauty, to which we transferred our non-professional aesthetic device activities related to our consumer market initiatives, including our ELOS based consumer hair removal mē product. In addition, following the acquisition of Tanda Health and Beauty, Inc. (the acquisition of which is described below), Tanda Health and Beauty, Inc. became a direct wholly owned subsidiary of Syneron Beauty. Tanda Health and Beauty, Inc., which holds the intellectual property dedicated to our home-use initiative, also received a license to some of our other technologies used for other home-use products. Following a joint venture with Unilever Ventures in December 2013, Tanda Health and Beauty Inc. is now a subsidiary of Iluminage Beauty.

On December 7, 2010, we acquired privately-held Pharos Life Corporation (which later changed its name to Tanda Beauty Canada Inc.), a leading manufacturer of home-use light therapy for aesthetic procedures. Under the terms of the agreement, we acquired Tanda Beauty Canada Inc. through potential performance-based, earn-out payments of up to $15.75 million (the Company was not required to make any earn-out payments because the milestones were not met), and the assumption of $2.7 million in net debt.

On February 13, 2012, we acquired 100% of the outstanding shares of Ultrashape Ltd. (Ultrashape), a leading developer, manufacturer and marketer of innovative non-invasive technologies for fat cell destruction and body sculpting, for $12.0 million in cash. Ultrashape was the sole operating entity of Ultrashape Medical Ltd., which traded on the Tel Aviv Stock Exchange (symbol: ULSP), and owned all rights and interests in the fat cell reduction and body sculpting business. Ultrashape's products are approved and commercially available in Europe, Canada, Latin America and Asia. In October 2014, the Company began a full commercial launch of Ultrashape® in the U.S. after receiving FDA approval in April 2014. Revenues from UltraShape are from both product sales and recurring revenues. For a description of Ultrashape® products, see Item 4.B. "Information on the Company – Business Overview – Our Syneron Candela Products". We believe that our UltraShape product has been well received by key industry opinion leaders and customers in the body-shaping fat destruction market, and that UltraShape will be one of our growth engines going forward.

On March 14, 2012, we acquired substantially all the assets of TransPharma Medical Ltd. (TransPharma), a specialty pharmaceutical company focused on the development and commercialization of drug-products utilizing an innovative active transdermal drug delivery technology, including its patent portfolio, for approximately $3.6 million in cash. TransPharma has developed an innovative transdermal drug delivery technology based on RF-MicroChannels™ that create microscopic channels across the skin. Its first product, the Viador system, is a handheld device with an RF-needle array. It is CE Mark approved for use in transdermal delivery of biologic drug-products via a system-specific skin patch, and may in the future provide a commercial opportunity within the professional and home-use aesthetic device markets.

On December 9, 2013, we and Unilever Ventures formed a joint venture in home beauty devices: "Iluminage Beauty". The joint venture combined the global business and expertise of Syneron’s aesthetic home-use subsidiary, Syneron Beauty Ltd., and Unilever’s luxury beauty subsidiary, Iluminage™ Inc. The aim of the joint venture is to develop and bring to consumers innovative, high performance beauty solutions for at-home use. Under the joint venture, we sold and transferred our Syneron Beauty subsidiary and related home-use businesses to Iluminage Beauty, including Tanda Health and Beauty Inc. In addition, pursuant to the agreement, Iluminage Beauty will enjoy any royalties earned as a result of our Procter & Gamble initiative. Syneron Beauty continues to operate as a subsidiary of Iluminage Beauty. At the same time, Unilever Ventures, the venture capital and private equity arm of Unilever, undertook to invest up to $25 million in Iluminage Beauty, and Unilever sold and transferred its luxury beauty subsidiary Iluminage to the joint venture. Unilever Ventures holds 51% of the equity interest in Iluminage Beauty, and we hold the remaining 49%. For a description of the effects of this joint venture on our financial reporting, see Item 4.B. “Information on the Company – Business Overview – Overview”. During 2016, we invested an additional $2.9 million in Iluminage Beauty, which represents 49% of the $6 million invested in 2016 by us and Unilever together in Iluminage Beauty.

On March 5, 2014, we acquired New Star Lasers, Inc., which conducts business as CoolTouch ("CoolTouch"), for approximately $11.0 million in cash and an earn-out of up to $4 million based on certain milestones to be achieved in 2014 and 2015. The relevant milestones were not achieved in 2014 and 2015, and as a result no earn-out payments were made. During the third quarter of 2015, CoolTouch lost a major OEM customer due to an unforeseen change in ownership of the customer, which adversely impacted our revenue, contributed, among other elements, to a reduction of CoolTouch's operating results in 2015 compared to projections, and to a goodwill and intangible assets impairment of approximately $5.6 million for 2015. Given this development, we are evaluating alternatives for the CoolTouch OEM and overall business. CoolTouch develops, manufactures and markets the CoolTouch family of products. For a description of CoolTouch products, see Item 4.B. "Information on the Company – Business Overview".

On February 22, 2016, we entered into a share purchase agreement whereby we sold 100% of the Company's shares of Light Instruments Ltd. (Light Instruments), which specializes in the development of advanced dental laser devices, to Sino Ita International Trading Co. Ltd. for $5.9 million. The Company initially invested $1.5 million in Light Instruments in 2005 for approximately 51% of the outstanding share capital. Light Instruments became wholly owned by the Company after additional share purchases totaling $6.3 million were made in 2007 and 2008.

Principal Capital Expenditures

We had capital expenditures (including investments in an affiliated company) of approximately $6.8 million in 2016, $4.9 million in 2015, and $2.8 million in 2014. We expect our capital expenditures in 2017 to be approximately $4.0 million, and to consist of purchase of general equipment. We have financed our capital expenditures with our cash and investments portfolio.

B. BUSINESS OVERVIEW

Overview

Syneron, which is both the parent company and an operating company, is principally engaged in the manufacture, research, development, marketing and sales worldwide, directly to end-users and also to distributors, of advanced equipment for the aesthetic medical industry and systems for dermatologists, plastic surgeons and other qualified practitioners. Our products consist principally of professional aesthetic devices. Our revenues are comprised of product sales, product-related services, and consumables. These services and consumables comprise our recurring revenue model. Our recurring revenue model is based on the sale of consumables, mainly associated with our growth engine platforms, including UltraShape Power, Profound, CO2RE Intima, and PicoWay brand names, and patient treatment fees. We have a number of new projects and products under development, focusing mainly on additional non-invasive aesthetic treatments, which will have recurring revenue and consumables components.

Syneron has a number of subsidiaries, the largest of which is Candela Corporation. Candela is also an operating company with products sold mainly under the Candela brand name. Syneron sells its products to the medical aesthetic market, which is mainly privately paid. On a global basis, it is estimated that the medical aesthetic market will generate approximately $8 billion in global revenues in 2017, and is expected to experience 11% compound annual growth from 2015 through 2020, according to Medical Insights 2016 Global Aesthetic Market Study XIV. This expanding market, together with Syneron's core technological capabilities and strategic plan to focus on its growth engines products including body shaping and recurring revenues, are expected to contribute to our growth.

Until January 1, 2014, we broke out our financial results into two segments: our traditional combined Syneron and Candela business, which we labeled Professional Aesthetic Devices, or PAD, and our Emerging Business Unit, or EBU. Our PAD segment included research, development, marketing and sales of aesthetic medical equipment for the treatment of body and face for dermatologists, plastic surgeons and other practitioners worldwide. Our EBU segment consisted primarily of our non-professional aesthetic devices products, which were targeted at home-use consumers, and other emerging businesses.

As a result of the joint venture with Unilever Ventures creating Iluminage Beauty, the Company started reporting as one business segment for financial reporting purposes on January 1, 2014 and no longer reports the results of the EBU segment separately. The Company's financial reporting segment information was prepared in accordance with ASC 280, "Segment Reporting," and the Company considered this accounting standard when it determined to report as a single business unit. Operating segments are defined as components of an enterprise engaging in business activities about which separate financial information is available that is evaluated regularly by the Company's senior management in deciding how to allocate resources and assess performance. Upon the closing of the joint venture agreement with Unilever Ventures, we recorded an asset of $24.7 million as the fair value of our 49% equity interest in Iluminage Beauty joint venture on our balance sheet. For additional information on our Iluminage Beauty joint venture, please see Item 4.A. "Information on the Company – History and Development of the Company – Our History". See Item 5.A. "Operating and Financial Review and Prospects – Operating Results – Year Ended December 31, 2016 and 2015" and Note 7 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F for further details.

Our Products

We have strong core technological capabilities in all segments of the aesthetic energy based devices marketplace and in all energy modalities. This wide range of technologies, together with extensive clinical work that we perform both internally and at key industry opinion leader locations, enables us to choose the right energy and protocol for each application. Our core technological capabilities cover ultrasound, radio frequency (RF), laser and electrical-optical (ELOS) energy.

Our ELOS technology is embedded in some of our aesthetic product platforms, which consist of multiple hand pieces and a console that incorporates the RF energy and optical energy sources, sophisticated software and a simple, user-friendly interface. The key benefits of our technology to our customers include enhanced control of treatment depth and selectivity for enhanced safety and increased patient comfort, and continuous temperature measurement and automated parameter adjustment to reduce the risk of burns.

Our products, which we sell primarily to physicians and other qualified practitioners, are used for a wide array of non-invasive aesthetic medical procedures, including fat reduction, hair removal, wrinkle reduction, tattoo removal, rejuvenation of the skin's appearance through the treatment of superficial benign vascular and pigmented lesions, acne treatment, treatment of leg veins, treatment for the temporary reduction in the appearance of cellulite and thigh circumference, fat destruction, circumference reduction and gynecological and genitourinary treatment in the vaginal and vulva areas. Changes in demand for our products due to seasonal buying patterns and other factors tend to increase our revenues in the second and fourth quarters and decrease our revenues in the first and third quarters compared to other periods during the year.

New Products and Growth Initiatives

A number of products that we launched since the middle of 2013 are designed to support the Company's strategy to move toward a business model that emphasizes recurring revenues and ongoing partnerships with physicians. These products carry a disposable component or have embedded pay per procedure features.

Body Shaping

Body shaping is one of the fastest growing segments of the aesthetic medical industry, according to Medical Insight, Inc., which estimates that it will experience an approximately 16% CAGR from 2015-2020. With UltraShape and VelaShape technology, we are well positioned to offer a wide range of solutions for practitioners looking to provide body shaping procedures to our customers.

UltraShape Product. UltraShape develops innovative products for fat cell destruction and body shaping intended for non-invasive reduction in abdominal circumference. UltraShape is a body shaping platform that delivers fat destruction results using "non-thermal" focused ultrasound technology. UltraShape is indicated outside of the U.S. market for non-invasive aesthetic body contouring, and inside the U.S. for delivery of focused ultrasound energy that can disrupt subcutaneous adipose tissue (SAT) to provide a non-invasive approach to achieve a desired aesthetic effect. UltraShape is approved and commercially available in the U.S., Canada, Europe, Latin America, and parts of Asia. After receiving FDA clearance in April 2014, a full commercial launch of UltraShape took place in the U.S. in the fourth quarter of 2014. Additional transducer (U-Sculpt) and energy enhancement of 25% for both transducers were cleared by the FDA in October 2014. The U-Sculpt transducer also delivers focused ultrasound treatment and is smaller and 50% lighter than the previous full-size transducer. In November 2016, we received FDA clearance for a new indication for treatment of flanks and thighs using lipolysis and we continue to improve our ultrasound technology. We continue to work on enhancements to this product, and plan to launch an upgraded version and new indications in 2017.

We launched a new generation ultrasound product, UltraShape Power, in the international and U.S. markets during the second and third quarters of 2016, respectively. The device received FDA clearance in July 2016. This new platform has 20% more power with faster treatment time and increased acoustic power compared to its predecessor.

VelaShape Product. In September 2013, we announced FDA clearance and CE mark approval for VelaShape III, which provides an effective solution for non-invasive body contouring for a wide range of patients and treatment areas. VelaShape III builds on the original VelaShape technology in non-invasive body contouring and cellulite reduction, and is designed to reduce the number of necessary treatments while increasing the percentage of patients who respond to treatment. In August 2007, our original VelaShape® platform received FDA 510(k) pre-market clearance in the U.S. and CE Mark certification in the European Union for the reduction of thigh circumference (FDA) and body contouring (CE). This announcement marked the first FDA clearance and CE mark certification for a product designed to reduce the circumference of the body. In June 2009, we launched VelaShape II for cellulite and circumferential reduction resulting in body contouring. In May 2013, we announced enhancements to the VelaShape II system, which included a new treatment protocol and disposable cover for circumferential reduction, which offers patients the same efficacy with 50% fewer treatment sessions.

Face and Skin

Facial rejuvenation and anti-aging treatments are two of the largest segments of the aesthetic medical industry. Our Profound, elos Plus, and eTwo products target the area of facial rejuvenation, and our PicoWay product targets tattoo removal.

PicoWay. PicoWay is an innovative three wavelength (1064 nm, 785 nm and 532 nm) Picosecond laser which enables removal of multi-colored tattoos, recalcitrant tattoos and benign pigmented lesions on any skin type. PicoWay's unique system is based on delivering ultra-short Picosecond pulses of energy to the tissue. These bursts of energy create a photo-mechanical impact which breaks up the tattoo ink or pigmentation into smaller, more easily eliminated particles. PicoWay received CE mark in July 2014 and international marketing began in November 2014. FDA clearance was received in October 2014 and the U.S. launch began in November 2014. In November 2015, we launched our Resolve module for PicoWay, a fractional Picosecond capability in two wavelengths (1064 nm and 532 nm) which enables anti- aging and skin irregularities treatments at two different levels in the skin with zero downtime. In September 2016, PicoWay received FDA clearance for the wavelength 785 nm for full beam delivery to treat blue and green tattoos.

Profound. In the second quarter of 2015, we launched our Profound product, a minimally invasive radiofrequency aesthetic device for the treatment of skin wrinkles based on our Primeava technology. Profound employs an innovative five-paired micro-needle electrode array housed in an advanced single-patient use applicator cartridge to deliver bipolar fractional radiofrequency energy directly within the reticular dermis. In February 2016, we launched Profound's SubQ module which enables treatment in the subcutaneous layer utilizing a seven-paired micro-needle electrode array housed in an applicator cartridge to treat cellulite with long term results. In September 2016, Syneron received FDA clearance to market the Profound system for use in dermatologic and general surgical procedures for electrocoagulation and hemostasis. Specifically, the 25º Dermal handpiece and cartridge are used for percutaneous treatment of facial wrinkles, and the 75º SubQ handpiece and cartridge are used to improve the appearance of cellulite in patients with Fitzpatrick Skin Types I-III as supported by long-term clinical data.

elōs Plus® Product. elōs Plus is a multi-platform system featuring our proprietary elōs technology. FDA clearance for elōs Plus™ in July 2012 followed the international launch of this system in Europe and Asia. This system is customizable or upgradable utilizing up to 10 in-demand aesthetic applicators, which also includes the Sublative™ and Sublime™ applications. A fifteen-inch touch screen offers ease-of-use through guided treatment modes for all applications. In July 2015, we launched Enhanced Energy capabilities for elos Plus' Sublative and Sublime applications, enabling providers to use higher energies for treatment, if needed. In August 2015, we launched the triniti Plus combination therapy for elos Plus, featuring the SR/SRA applicators, the Sublative applicator and the Sublime applicator, which allows providers to combine the benefits of these three applications in one treatment session. In September 2015, we launched the Motif Vantage module for elos Plus, a large spot size hair removal applicator with diode + RF technology.

eTwo Product. The eTwo™ platform, together with its Sublime™ and Sublative™ applications, have FDA and CE mark approval for dermatological procedures requiring ablation and resurfacing in addition to non-invasive wrinkle treatment. The eTwo platform offers several features which maximize treatment options, including the Sublime application utilizing the ELOS combination of infrared light and bipolar radio frequency energies, and the Sublative application with Sublative iD™ tips. In July 2015, we launched the Enhanced Energy capabilities for eTwo's Sublative and Sublime applications enabling providers to use higher energies for treatment, if needed.

CO_2RE Intima. CO_2RE is a carbon dioxide system that offers the unique ability to treat both superficial and deep skin layers simultaneously with precision-control over the intensity, pattern and depth of ablation. In 2015, we received FDA clearance for a new CO_2RE Intima application for gynecological and genitourinary indications. The CO_2RE Intima system was launched in the United States in March 2016 for various gynecological and genitourinary conditions, reaching a new customer target audience and enabling us to address a growing market segment. CO_2RE Intima is based on our CO_2RE product.

Together the above key growth drivers for the Company contributed approximately $83 million of our 2016 revenues, or 28% of the Company's consolidated revenue for 2016.

Our Products

Hair Removal Products

GentleMax Pro™. GentleMax Pro is our flagship laser workstation for hair removal and other treatment indications. Optimized for speed and reliability, it provides two treatment wavelengths, improved delivery system ergonomics over previous generation lasers, and a smart user interface that minimizes errors associated with the operator learning curve. With pulse durations from 0.25ms to 300ms, a 2Hz repetition rate, dynamic cooling device (DCD) epidermal protection and treatment spots from 1.5 mm to 24 mm, GentleMax Pro is one of the fastest and most versatile aesthetic laser workstations in the market today.

The Gentle Pro-U series. This series includes two upgradable, single-wavelength variants of the GentleMax Pro system. The 755 nm GentleLase Pro-U and the 1064 nm GentleYAG Pro-U provide high treatment energies and offer the advantages of the GentleMax Pro™ in single wavelength formats. The GentleLase Pro-U is an alexandrite laser for hair removal, vascular and pigmented lesions. The GentleYAG Pro-U is an Nd:YAG laser for hair removal, vascular lesions, and skin rejuvenation. Both of the Pro-U configurations feature pulse durations from 0.25 ms to 300 ms, high repetition rate operation and are compatible with optional specialty delivery systems which add additional treatment capabilities. Both can be upgraded to the complete GentleMax™ Pro configuration for optimum flexibility. In 2017, we intend to introduce Gentle Touch, the latest offering from our Gentle family of products, which features RF technology in addition to laser technology.

eLase Product. The eLase™ system with Motif™ laser hair removal system is available in select European and Asian markets. The eLase system combines our proprietary ELOS bipolar radio frequency energy with diode laser energy. This combination allows the system to utilize less optical energy during treatments, increasing patient safety for all skin types. The system features the Motif™ LHR hair removal applicator with Motif™ mode that leverages the energy combination to allow high frequency, lower energy treatments with less pain and with shorter treatment times than competitive devices. The system also includes a Motif™ IR applicator that can be used for fractional facial rejuvenation procedures with zero patient downtime, expanding the capabilities of the eLase system beyond hair removal procedures**.**

Face and Skin Products and Platforms

Vbeam Perfecta™. Vbeam Perfecta uses pulsed-dye laser technology to treat vascular and pigmented lesions, including port wine stains, birthmarks, rosacea, leg and facial veins, and post-operative bruising, provides skin rejuvenation by the reduction of diffuse redness and treats pigmentation, scars, warts, psoriasis and hemangiomas. The Vbeam Perfecta uses micro-pulse technology for purpura-free results and includes DCD cooling for epidermal protection and a smart user interface which provides recommended treatment parameters to reduce the operator learning curve. We anticipate bringing a new Vbeam offering to market towards the end of 2017.

eMatrix Product. The eMatrix™ treatment system is a portable touch-screen device that allows physicians to program dermatological procedures requiring skin resurfacing. The eMatrix utilizes our Matrix RF technology for fractional tissue heating to provide ablation and effective resurfacing. With the Select Pulse feature, our customers can “tune” eMatrix to any of three resurfacing programs, customizing the depth of ablation and degree of skin resurfacing to each patient’s needs.

CO_2RE Product. CO_2RE is a carbon dioxide system that offers the unique ability to treat both superficial and deep skin layers simultaneously with precision-control over the intensity, pattern and depth of ablation. In September 2015, we received expanded FDA clearances for CO_2RE which include new indications for a variety of medical specialties including plastic surgery, dermatology, gynecology and genitourinary, among others. In 2015, we received FDA clearance for approximately 90 additional indications for use for our CO_2RE platform including the new CO_2RE Intima application for gynecological and genitourinary indications. The CO_2RE Intima system was launched in the United States in March 2016 for various gynecological and genitourinary conditions, reaching a new customer target audience and enabling us to address a growing market segment.

eLight, eLaser and eMax Products. The eLight™ platform combines broad spectrum light with bipolar radio frequency energy. The system provides a full facial solution for skin rejuvenation, including the treatment of superficial vascular and pigmented lesions, and acne applications. It also supports hair removal applications. The eLaser™ platform combines diode laser technology with bipolar radio frequency and offers ultra-fast hair removal. In addition, it can be upgraded to our leg vein and wrinkle reduction treatments. Finally, the eMax™ platform combines bipolar radio frequency with multiple forms of broad spectrum light energy and diode laser energy to deliver the complete range of our ELOS modalities in one multi-platform system. All the applications on the eLight, eLaser and eMax have received 510(k) clearance from the FDA.

Sublative Technology. In April 2013, we announced the market launch of our proprietary Sublative technology for the removal or modification of the appearance of acne scars. The acne scar treatment is available on all of the Syneron Sublative compatible systems, which includes elōs Plus™, eTwo™ and eMatrix™. Syneron's Sublative technology uses bi-polar fractional radiofrequency (RF) energy to effectively treat acne scars. Due to its unique design, energy can be delivered beneath the surface of the skin to maximize collagen production while preserving the top layer of skin intact.

AlexTriVantage™ . AlexTriVantage is a Q-switched, all-color tattoo and pigmented lesion solution providing multi-wavelength output through "laser-pumped-laser" hand piece technology. It also includes a long pulse mode which offers advanced rejuvenation treatments for a wider variety of pigmented lesions, particularly in the Asian skin type where post-treatment hyper pigmentation is a problem. AlexTriVantage also has a smart touch-screen user interface which provides recommended treatment parameters to reduce the operator learning curve.

Dynamic Cooling Device (DCD). DCD is a device featured on many of our lasers which cools the top layer of the skin while leaving the targeted underlying hair follicle, vein or other structure at normal temperature. By providing this type of epidermal protection, higher levels of laser energy can be delivered during treatment, while minimizing thermal injury, pain, and the inconvenience associated with anesthetic treatments. The design of the DCD enabled hand pieces allow the practitioner to clearly see the area being treated, while the combined efficiency of the lasers and DCD reduces the risks of overtreatment. Currently, DCD is available as an option on our Gentle Pro and Vbeam Perfecta laser systems.

CoolTouch Products

CoolTouch Products include lasers that utilize CoolTouch's signature 1320 nm wavelength laser, along with other wavelengths and complementary technology, to address a variety of medical and aesthetic indications. The product family also includes a variety of single-use disposable fiber optics, hand pieces and accessories. CoolTouch products have been approved for use by the FDA and are exclusively made at CoolTouch's Roseville, California facility. CoolTouch has an ISO 13485 certified quality system, is GMP qualified and select CoolTouch products bear the CE mark. CoolTouch products include:

The CTEV(TM) Micro-Pulsed Laser. This laser is used for endovenous ablation of varicose veins. The Nd:YAG laser with high peak power (up to 4000 watts) and micro-pulsing nature provides less thrombus formation and vein perforations than comparable treatments. In addition, the 1320nm wavelength provides appropriate depth of penetration and water absorption for uniform vein coagulation, resulting in better long-term outcomes for patients.

The StoneLight30™ Holmium Laser. This laser is used in urological treatments. At 30 watts and 3.0 joules and featuring Burst Mode Technology, the StoneLight30 delivers the power and energy necessary to fragment most kidney stones. The laser delivers four pulse widths – 150µs, 300µs, 700µs and 800µm – offering better control of retropulsion and multiple settings for treating stones as well as soft tissue.

RBT Products

eLure Products. Available in the U.S. and some locations internationally, eLure™ topical skin brightening products received regulatory approvals in Korea and registration notification in Japan in August 2013 and February 2014, respectively. In July 2014, eLure received clearance from the Chinese Food and Drug Administration. As of December 31, 2016, eLure products were available in China and South Korea through distribution by physicians and aesthetic medical chains. To the Company's knowledge, eLure is the only clinically proven range of skin brightening products developed with the natural enzyme formulation Melanozyme® to diminish the appearance of existing discoloration and dark spots while correcting uneven skin tones. Unlike several other skin brightening products in the market, the eLure product line does not contain Hydroquinone, which may have certain unwanted side effects.

Product Details

Our products, which address a wide variety of treatment alternatives, generally consist of one or more hand pieces and a console that incorporates multiple energy sources, software and a user-friendly interface. In order to deliver to our professional users the ability to generate increased revenue through additional service offerings, many of our products can be easily upgraded by the user to perform other applications by adding additional hand pieces and installing a software module in the console. We also seek to provide predictable costs of ownership by minimizing maintenance expenses and providing a parts and services warranty. The products that we currently market or service as of March 1, 2017 are summarized in the table below.

Product Platform	Applications (1)	Intended Users	Energy Sources	Market Introduction
UltraShape Contour I V3	Non- invasive fat reduction for body contouring	Physicians	Ultrasound	U.S.: Third quarter 2014. Rest of the World: First quarter 2010.
UltraShape Power	Non- invasive fat reduction for body contouring	Physicians	Ultrasound	U.S.: Third quarter 2016. Rest of the World: Second quarter 2016.
VelaShape II & III	Appearance of cellulite, Reduction of thigh circumference, Body contouring	Physicians Aestheticians Medical Spas	Light + RF+ Vacuum + Massage	U.S.: Third quarter 2009. Rest of World: Third quarter 2009. VS III – Introduced globally in the third quarter of 2013, and commercially launched in the U.S. in the fourth quarter of 2013.
VelaSmooth Pro	Appearance of cellulite, Thigh circumference reduction, Body contouring	Aestheticians Medical Spas	Light + RF+ Vacuum + Massage	Rest of the World: Fourth quarter 2009.
CO_2RE	Skin resurfacing, Wrinkles & scar reduction CO2RE Intima for gynecological and genitourinary treatments in the vaginal and vulva areas.	Physicians	Laser	U.S.: Fourth quarter 2010. Rest of World: Fourth quarter 2010. CO2RE Intima U.S.: First quarter 2016.

Product Platform	Applications (1)	Intended Users	Energy Sources	Market Introduction
eLase	Traditional fractional ablative treatments, Hair removal, Wrinkles treatment	Aestheticians Medical Spas	Laser + RF	U.S.: Fourth quarter 2010. Rest of World: Fourth quarter 2011.
eLaser	Hair removal, Wrinkles treatment, Leg veins treatment, Other vascular lesions treatment	Physicians	Laser + RF	U.S.: First quarter 2006. Rest of World: First quarter 2006.
eLight	Hair removal, Improving the skin's appearance (2), Acne treatment, Wrinkles reduction (ST), Vascular + pigmented lesions (SR/SRA)	Physicians	Light + RF	U.S.: First quarter 2006. Rest of World: First quarter 2006.
eMatrix	Ablation and resurfacing of the skin, Wrinkle treatment	Physicians	Sublative Fractional RF	U.S.: Fourth quarter 2008. Rest of World: Fourth quarter 2008.
eMax	Hair removal, Improving the skin's appearance (2), Acne treatment, Wrinkles reduction, Leg veins treatment, Other vascular lesions treatment, and Treatment of wrinkles with the ST applicator, Vascular + pigmented lesions (SR/SRA)	Physicians	Light + RF / Laser + RF	U.S.: First quarter 2006. Rest of World: First quarter 2006.
Profound	Facial wrinkles, Skin Laxity	Physicians	RF Needle Array	U.S.: First quarter 2011. Rest of World: First quarter 2011.
eStyle with Motif	Motif hair removal, Improving the skin's appearance, Acne treatment, Wrinkle reduction, Skin tightening (ST) Vascular + pigmented lesions (SR/SRA)	Aestheticians Medical Spas	Light + RF	Rest of World: First quarter 2006. Motif applicator - Second quarter 2012.
eTwo	Ablation and resurfacing of the skin, Wrinkles treatment, Skin laxity / contouring (ST)	Physicians	Sublative Fractional RF	U.S.: Fourth quarter 2011. Rest of World: Fourth quarter 2011.
elōs Plus	Hair removal, Improving the skin's appearance (2), Acne treatment, Wrinkles reduction, Leg veins treatment, Other vascular lesions treatment, and Treatment of wrinkles with the ST applicator, Vascular + pigmented lesions (SR/SRA)	Physicians	Sublative Fractional RF	U.S.: Second quarter 2012. Rest of World: Second quarter 2012.

Product Platform	Applications (1)	Intended Users	Energy Sources	Market Introduction
Adeline Star	Ablation and resurfacing of the skin, Wrinkles reduction, Skin laxity / contouring (ST)	Aestheticians Medical Spas	Sublative Fractional RF	Rest of the World: Fourth quarter 2014.
Adeline V	Appearance of cellulite, Reduction of thigh circumference, Body contouring	Aestheticians Medical Spas	Light + RF+ Vacuum + Massage	Rest of the World: First quarter 2015.
AlexTriVantage	Tattoo and pigmented lesion solution	Physicians	Laser	U.S.: First quarter 2007. Rest of World: First quarter 2007.
GentleLase Pro™	Hair removal, Benign vascular lesions, Benign pigmented lesions, Wrinkles reduction	Physicians	Laser	U.S.: Second quarter 2011.
GentleLase Pro™ LE	Hair removal, Benign vascular lesions, Benign pigmented lesions, Wrinkles reduction	Physicians	Laser	Rest of World: Third Quarter 2012.
GentleLase Pro-U	Hair removal, Benign vascular lesions, Benign pigmented lesions, Wrinkles reduction	Physicians	Laser	U.S.: Third quarter 2012.
GentleMax/Pro	Hair removal, Benign vascular lesions, Facial telangiectasia, Leg telangiectasia, Leg veins, Benign pigmented lesions, Wrinkles reduction	Physicians	Laser	U.S.: Second quarter 2007. Rest of World: Second quarter 2007. Pro: U.S.: Fourth quarter 2011.
GentleYAG	Hair removal, Benign vascular lesions, Facial telangiectasia, Leg telangiectasia, Leg veins, Wrinkles reduction	Physicians	Laser	U.S.: First quarter 2004. Rest of World: First quarter 2004.
GentleYAG Pro-U	Hair removal, Benign vascular lesions, Facial telangiectasia, Leg telangiectasia, Leg veins, Wrinkles reduction	Physicians	Laser	U.S.: Third quarter 2012.
Mini GentleLASE™	Hair removal, Vascular lesions, Wrinkles reduction, Treatment of pigmented lesions	Physicians	Laser	U.S.: First quarter 2003. Rest of World: First quarter 2003.

Product Platform	Applications (1)	Intended Users	Energy Sources	Market Introduction
PicoWay	Pigmented lesions and tattoos of various types and colors on any skin type	Physicians	Laser	U.S.: Fourth quarter 2014 for tattoo removal, second quarter 2015 for pigmented lesions and Resolve handpiece, Rest of the World: Fourth quarter 2014 for tattoo removal and pigmented lesions.
Vbeam Perfecta	Vascular lesions elimination including port wine stain birthmarks, Rosacea, leg and facial veins, Post-operative bruising, Skin rejuvenation treatment	Physicians	Laser	U.S.: Second quarter 2005. Rest of World: Second quarter 2005.
Elure	Skin brightening	Physicians	N/A	U.S.: Fourth quarter, 2010. Rest of World: Fourth quarter, 2010.

(1) Regulatory clearance has been received in the U.S. and Europe for each indicated application for all products. In each market in which our products are sold, other than the U.S. and most European countries, our distributors are responsible for obtaining regulatory approvals.

(2) Improving the skin's appearance through the treatment of superficial benign vascular and pigmented lesions.

Sales and Marketing

We market our devices primarily to dermatologists, plastic surgeons, other cosmetic physicians and qualified practitioners. We also focus on aestheticians and medical spas throughout the world. We believe our products represent a significant opportunity for practitioners to deliver improved patient treatment results and increase their ability to generate additional revenue.

We sell our products using our direct sales forces in our subsidiaries in the U.S., Canada, Spain, France, Germany, Austria, Portugal, Italy, United Kingdom, Israel, China, Hong Kong, Japan and Australia, and indirectly through distributors in a total of approximately 90 countries throughout Europe, the Middle East, Africa, the Asia Pacific region, and South and Central America. Our U.S. and Canadian sales efforts are both headquartered in the United States in Irvine, California and Wayland, Massachusetts.

With body shaping being the fastest growing segment of the aesthetic device market, we created a separate sales force in 2014 for the body shaping business in North America, consisting of capital equipment representatives that sell our devices to our customers, and our practice development partners (PDPs) that provide post-sale support to our customers. Our PDPs were deployed to help our customers plan and initiate various marketing campaigns to drive utilization of our UltraShape, such as through open houses, mini-sites for the customers, and billboard advertising. During 2016, we had a team of 47 direct sales representatives in North America focused on our aesthetic business and a team of 38 capital equipment representatives and PDPs focused on our body shaping business. In early 2017, we reorganized our sales force in North America to better cover all territories and enhance efficiency. As part of this effort, we merged previously-separate Aesthetics and Body shaping sales forces into one sales force and strengthened our inside sales group. Our PDP group is now supporting all growth products with post-sale activities.

Our customer support strategy worldwide is to offer our customers predictable cost of ownership, including minimal ongoing maintenance. For Candela products sold in North America, we offer a standard, one-year parts and services warranty with services provided through field service engineers. For Syneron products sold in North America, we offer a three-year warranty for disposable applicator, parts and regular system maintenance. The small size and weight of Syneron products enable us to complement our warranty programs with a product maintenance program that offers next-day delivery of replacement products in North America in the event of any problems with the machine. This unique overnight delivery program eliminates unnecessary downtime at the user's office and results in minimal loss of revenue for our customers. For Candela and Syneron products sold outside of North America, we offer a standard, one-year parts and services warranty with services provided through field service engineers. For Syneron applicators outside of North America, we offer a one-year warranty or a warranty based on the number of pulses (the number of pulses varies for each applicator), whichever comes first, which includes product maintenance that offers next-day delivery of replacement products.

Our gross sales and marketing expenditures were $80.7 million in 2014, $97.2 million in 2015, and $95.9 million in 2016. The decrease in 2016 in comparison to 2015 was mainly due to lower commissions expenses due to a higher distributor mix in revenues as well as lower marketing expenses, while the increase in 2015 in comparison to 2014 was mainly due to the Company's investments in sales and marketing expenses related to the significant expansion of the Company's North American sales force, including the establishment of a dedicated body shaping sales team.

Company Consolidated Revenues by Geographic Region

	Year ended December 31,					
	2016		2015		2014	
Region	***USD in thousands***	***Percentage***	***USD in thousands***	***Percentage***	***USD in thousands***	***Percentage***
North America	$105,727	35.47%	$107,527	38.70%	$91,825	35.90%
Europe and Middle East (excluding Israel)	84,020	28.18%	79,615	28.65%	82,786	32.30%
Asia-Pacific (excluding Japan)	63,978	21.46%	62,324	22.43%	44,406	17.40%
Japan	30,968	10.39%	16,193	5.83%	25,460	10.00%
Israel	2,853	0.96%	4,461	1.61%	3,217	1.30%
Other	10,556	3.54%	7,729	2.78%	8,056	3.10%
Total	$298,102	100.00%	$277,849	100.00%	$255,750	100.00%

Approximately 99% of our revenues were attributable to operations outside of Israel in 2016, of which 35% were generated from sales in North America, mainly attributable to sales in the U.S. While a significant part of our revenues and expenses are denominated in U.S. dollars, a portion of our revenues and costs are incurred in various other currencies, which can cause fluctuations in our results of operations and financial results. For example, we believe that the decrease of the Euro compared with the U.S. dollar in 2016 had an adverse effect on our results of operations, although we are unable to quantify such adverse effect.

Manufacturing

Syneron's products are mainly outsourced to third-party manufacturers, while Candela and CoolTouch mainly manufacture their own products.

Syneron's Product Line

We outsource manufacturing of our Syneron devices while maintaining control over each step of the production process. We believe that outsourcing allows us to manage our inventory levels more efficiently and maintain fixed unit costs with minimal infrastructure and without incurring significant capital expenditures. We use three principal manufacturers to produce our products. We believe their manufacturing processes are in compliance with all pertinent U.S. and international quality and safety standards, such as ISO 9001:2000, ISO 13485:2003 and EN46001, as well as the FDA's quality system regulations. We conduct in-house prototype development and present detailed manufacturing documentation to our subcontractors, who then purchase most of the necessary components and manufacture the product on a fully-assembled, turnkey basis. We control and monitor the quality of our products by testing each product and through extensive involvement in the production process at the facilities of our subcontractors.

The contracts we have with these manufacturers do not have minimum purchase requirements and allow us to purchase products from the manufacturers on a purchase-order basis. The contracts have initial one-year terms that automatically renew for successive one-year terms. Either we or the manufacturer may terminate the contract by giving the other party three months written notice prior to the expiration of the term.

We procure the diode laser component of our products on behalf of our third-party manufacturers from a limited number of suppliers. We have flexibility to adjust the number of diode lasers we procure as well as the delivery schedules. The forecasts we use are based on historical demands and future plans. Lead times may vary significantly depending on the size of the order, time required to fabricate and test the components, specific supplier requirements and current market demand for the components. We reduce the potential for delays by maintaining relationships with multiple suppliers of diode lasers. To date, we have not experienced significant delays in obtaining our diode laser components.

Candela's Product Line

Our indirect subsidiary Candela designs, manufactures, assembles and tests its branded products at its Wayland, Massachusetts facility.

Candela's facility has ISO 13485 certification and has established and maintains a quality system that meets the requirements of ISO 13485:2003 according to both EC Directive 93/42/EEC and Canadian Medical Devices Regulation. The ISO 13485 certification demonstrates that Candela conforms to quality system requirements for the design, development, production, servicing and distribution of medical lasers and accessories.

Candela's products are manufactured with standard components and subassemblies supplied by third party manufacturers to its specifications. Candela purchases certain components and subassemblies from a limited number of suppliers. If Candela's suppliers are unable to meet its requirements on a timely basis, Candela's production could be interrupted until it is able to obtain an alternative source of supply.

Candela uses Alexandrite rods to manufacture the GentleMax™, GentleLASE™, Mini GentleLASE™, GentleLASE Pro™, PicoWay® and the AlexTriVantage™ systems, which account for a significant portion of Candela's total revenues. Candela depends exclusively on its contract manufacturer to supply these rods. To date, Candela has not experienced significant delays in obtaining dyes, optical and electro-optical components, electronic components, Alexandrite rods and other raw materials for its products. Candela believes that over time alternative component and subassembly manufacturers and suppliers can be identified if its current third party manufacturers and suppliers fail to fulfill its requirements.

CoolTouch's Product Line

Our subsidiary CoolTouch designs, manufactures, assembles and tests its branded products at its Roseville, California facility. The CoolTouch family of products utilizes New Star Lasers' 1320 nm wavelength laser, along with other wavelengths and complementary technology, to address a variety of medical and aesthetic indications. The product family includes several laser console systems and associated single-use disposable hand pieces and accessories, each of which has received FDA clearance. The CoolTouch facility is ISO 13485 certified and GMP qualified. Select CoolTouch products bear the CE mark.

Research and Development

Our internal research and development activities are conducted by a staff consisting of 104 employees (including employees of Candela, Ultrashape, CoolTouch and other subsidiaries) as of December 31, 2016. Our research and development efforts are focused on the development of new products, as well as the extension of our existing products to new applications in the aesthetic medical market. The technologies used to develop such new products and applications are based on both ELOS technology and other aesthetic applications. We have a number of new projects and products under development, mainly focusing on additional non-invasive aesthetic treatments. We launched new products in 2016 and expect to develop several major product initiatives in 2017 and 2018.

Our gross research and development expenditures were $24.6 million in 2014, $25.3 million in 2015 and $23.0 million in 2016. The decrease in expenditures in 2016 was mainly due to lower costs of clinical trials in accordance with our product launch schedule. We estimate our gross research and development expenditures for 2017 will be approximately $24 million.

Each research and development team works with the marketing group to create and respond to market opportunities and with the operations group to design its products for ease of manufacturing and assembly. This interaction between functional groups facilitates the introduction of new products with a balance of features, clinical benefits, performance, quality, and cost. To accelerate new product development, our research and development efforts rely on both internal development and the services of independent engineering and development firms. An example of technology developed through such joint research is Candela's Dynamic Cooling Device, which was developed in conjunction with the Beckman Laser Institute at the University of California, Irvine. In addition, our Profound device contains treatment methods licensed from Massachusetts General Hospital. When we discover new technologies or applications with commercial potential, we assemble a team to develop the new product or application in cooperation with leading physicians and medical and research institutions.

Intellectual Property

We rely on a combination of patent, copyright, trademark, trade secret laws and confidentiality and invention assignment agreements and contractual clauses to protect our intellectual property rights. As of March 1, 2017, our patent portfolio (including patents held by our subsidiaries) consisted of 169 issued U.S. patents, 128 patent applications pending in the U.S., 216 issued international patents, and 215 patent applications pending internationally. We expect to file future patent applications in the U.S. In addition, we have filed, or intend to file, foreign counterpart applications in Europe, certain countries in South America, Canada, Israel, Australia, China, Korea, Japan, and certain other countries in Asia for certain applications.

In addition to Syneron's portfolio of issued patents and patent applications, the Company licenses certain patented technology from third parties. Syneron's subsidiary, Candela, uses its patented Dynamic Cooling Device (DCD) under a license agreement from August 2000 regarding patent rights owned by the Regents of the University of California (Regents). The exclusive license rights to the DCD are subject to limited license rights provided to New Star Lasers, Inc. d.b.a CoolTouch (CoolTouch) in the following fields of use: procedures that involve skin resurfacing and rejuvenation, vascular skin lesions, and laser hair removal. Candela is entitled to one-half of all royalty income payable to the Regents from CoolTouch. In addition, Candela is entitled to one-half of all royalties due from any other entity that licenses the DCD technology from the Regents in other fields of use. On March 5, 2014, we acquired CoolTouch (for additional information on this acquisition, please see Item 4.A. "Information on the Company – History and Development of the Company – Our History").

Our registered trademarks include among others SYNERON, ELOS, CANDELA, ULTRASHAPE, VelaShape, VelaSmooth, SUBLATIVE, eTwo, eMax, ePRIME, eLase, elosPlus, ELURE, MOTIF, CO2RE INTIMA, eMatrix, MATRIX IR, MATRIX RF, REFIRME, SCIENCE.RESULTS.TRUST, TRINITI, TRANSCEND, ALEX TRIVANTAGE, SMOOTHBEAM, VBEAM, GentleMax, GentleYAG, GentleLASE , PICOWAY, PROFOUND, and COOLTOUCH. All other trademarks, trade names and service marks appearing in this Annual Report on Form 20-F are the property of their respective owners. We have a policy of seeking to register our trademarks in the U.S., Canada, Europe and other key regions.

In most cases, our consultants and employees are required to execute confidentiality agreements in connection with their employment and consulting relationships with us. We also require them in most cases to agree to disclose and assign to us all inventions conceived in connection with their services to us. However, there can be no assurance that these confidentiality and assignment agreements will be enforceable or that they will provide us with adequate protection.

Competition

Although we are a global leader in the medical aesthetic device market, our industry is subject to intense competition and technological developments are expected to continue at a rapid pace. We historically competed against products offered by companies that were mainly active in the aesthetic device market, including Cutera, Inc., Cynosure, Inc. (which was acquired by Hologic Inc. in February 2017), Lumenis Ltd., Zeltiq Aesthetics Inc. (which was acquired by Allergan Inc. in February 2017), Sciton, Inc., Alma Lasers Ltd., and Lutronic, Inc., and several other smaller specialized companies. In the past few years, several large pharmaceutical and medical device companies have also entered the aesthetic device market, including Valeant Pharmaceuticals International Inc., Merz Pharma Group, and recently Allergan Inc. and Hologic Inc. In addition to competing against laser and other light-based products, our products compete against conventional non-light based treatments, including botulinum toxin (neurotoxins) and hyaluronic acid injections, face lifts, sclerotherapy, electrolysis, liposuction, chemical peels and microdermabrasion. In our efforts to enter new markets or expand our market share in foreign markets, including in the U.S., we may compete with companies that have well-established products and customer relationships, which could inhibit our market penetration efforts.

Competition among providers of laser, other light-based or other energy-based products in the aesthetic medical market is characterized by extensive research and clinical efforts and rapid technological progress. While we attempt to protect our products through patents and other intellectual property rights, there are few barriers to entry that would prevent new entrants or existing competitors from developing products that would compete directly with ours. There are many companies, both public and private, that are developing innovative devices that use laser, light-based and alternative technologies. Many of these competitors have significantly greater financial and human resources than we do and have established reputations, as well as worldwide distribution channels that are more effective than ours. To compete effectively, we have to demonstrate that our products are attractive alternatives to other devices and treatments by differentiating our products on the basis of performance, brand name, reputation and price. We have encountered and expect to continue to encounter potential customers who, due to existing relationships with our competitors, are committed to or prefer the products offered by these competitors. We expect that competitive pressures may over time result in price reductions and reduced margins for our products.

We believe that many factors will affect our competitive position in the future, including our ability to:

- develop and manufacture new products that meet the needs of our markets;
- respond to competitive developments and technological changes;
- manufacture our products at lower cost;
- retain a highly qualified research and engineering staff;
- provide sales and service to a worldwide customer base;
- maintain and improve product reliability;
- develop and implement marketing support and loyalty programs; and
- respond to dynamics and consolidations in the marketplace.

Government Regulation

Our products are medical devices and cosmetics subject to extensive and rigorous regulation by the FDA, as well as other U.S. and foreign regulatory bodies. The FDA's regulations govern, among other things, product development, testing, manufacturing, labeling, storage, premarket clearance (referred to as 510(k) clearance), premarket approval (referred to as PMA approval), promotion (and advertising of restricted devices), and sales and distribution. If the FDA finds that we have failed to comply with the agency's requirements, the agency can institute a wide variety of enforcement actions, including for example issuance of warning letters or untitled letters; fines and civil penalties; delays in clearing or approving, or refusal to clear or approve, products; withdrawal or suspension of clearance or approval of products or those of our third-party suppliers; product recall or seizure; orders for physician notification or device repair, replacement or refund; interruption of production; operating restrictions; injunctions; import detention; and criminal prosecution.

Access to U.S. Market. Each medical device that we wish to commercially distribute in the U.S. will, unless exempt, likely require premarket authorization (as more fully described below) from the FDA prior to commercial distribution. Devices deemed to pose relatively less risk are placed in either class I or II, which, unless considered 510(k)-exempt by FDA, generally requires the manufacturer to submit a premarket notification requesting 510(k) clearance or de novo marketing authorization. Some low risk devices are exempt from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously 510(k) cleared device or to a "preamendment" class III device (in commercial distribution before May 28, 1976) for which PMA applications have not been required, are placed in class III, requiring PMA approval. Reclassification of a product with no direct predicate device to class II may be possible through a de novo petition.

510(k) Clearance Process. To obtain 510(k) clearance, we must submit a premarket notification demonstrating that the proposed device is substantially equivalent in intended use and in safety and effectiveness to a "predicate device", i.e. a legally marketed class I or class II device or a preamendment class III device for which the FDA has not called for PMA applications.

The FDA's 510(k) clearance process usually takes from three to 12 months, but it can take longer. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance, de novo clearance, or could even require a PMA approval. The FDA requires that each manufacturer make this determination in the first instance, but the FDA can review any such decision. If the FDA disagrees with that decision, for example, if the FDA determines that the modification(s) to the previously cleared products (for which the company concluded that new clearances or approvals are unnecessary) require a new premarket submission to FDA, the agency may retroactively require the manufacturer to seek 510(k) clearance or PMA approval. The FDA also can require the manufacturer to cease marketing and/or recall the modified device until 510(k) or de novo clearance or PMA approval is obtained. The FDA may not approve or clear our future products for the indications that are necessary or desirable for successful commercialization. Indeed, the FDA may refuse our requests for 510(k) or de novo clearance or premarket approval of new products, new intended uses or modifications to existing products. Failure to receive clearance or approval for our new products would have an adverse effect on our ability to expand our business. We may also be subject to significant regulatory fines, penalties, import detention and/or other enforcement actions.

Laser devices used for aesthetic procedures, such as hair removal and treatment of wrinkles, have generally qualified for clearance under 510(k) procedures.

We received FDA clearance to market the ePlus Skin Treatment system with 10 applicators in 2012 for dermatological procedures including permanent hair reduction (DS, DSL applicators), treatment of vascular lesions (LV, LVA applicators), non-invasive wrinkles treatment (WRA, Sublime applicators), benign vascular and pigmented lesions treatment (SR, SRA applicators), treatment of moderate inflammatory acne vulgaries (AC applicator), dermatological procedures requiring ablation and resurfacing of the skin, and for treatment of facial wrinkles (Sublative RF applicator). We received FDA clearance to market the eTwo Skin Treatment system with two applicators in 2011 for dermatological procedures including non-invasive wrinkles treatment (WRA, Sublime applicators), ablation and resurfacing of the skin, and treatment of facial wrinkles (Sublative RF applicator) and received an FDA clearance in 2014 for enhanced energies for both Sublative RF and Sublime applicators.

We received FDA clearance to market the VelaSmooth Shaper system in 2005 for the relief of minor muscle aches and pain, relief of muscle spasm, temporary improvement of local blood circulation, temporary reduction in the appearance of cellulite. The VelaSmooth Shaper and the VelaShape system were also cleared for the indication for temporary reduction of thigh circumference in 2007. We received FDA clearance to market the Transcend system in 2013 for temporary reduction in the circumference of the abdomen.

We received FDA clearance to market the UltraShape (Contour I V3.1) system with an ultrasound transducer in April 2014 for delivery of focused ultrasound energy that can disrupt subcutaneous adipose tissue (SAT) to provide a non-invasive approach to achieve a desired aesthetic effect. Contour I V3.1 is intended for non-invasive reduction in abdominal circumference. Syneron received FDA clearances for marketing the modified UltraShape system with an additional transducer (U-Sculpt) and energy enhancement of 25% for both transducers in October 2014. We received FDA clearance to market the UltraShape system for additional areas of treatment, flanks and thighs, in November 2016.

We received FDA clearance in July 2016 to market the UltraShape Power system to provide a non-invasive reduction in abdominal circumference.

We received FDA clearance to market the LipoLite (eLipo) system in 2007 for dermatological procedures requiring incision, excision, vaporization, ablation and coagulation of soft tissue and for laser-assisted lipolysis. LipoLite was discontinued in 2015, and was succeeded by CoolLipo, our next-generation product for this market. We received FDA clearance to market the eMatrix CO2 in 2010 for dermatological procedures requiring ablation, coagulation and resurfacing of soft tissue, including skin. In 2015, we received FDA clearance for approximately 90 additional indications for use with our CO2RE product.

Primaeva received FDA clearance in February 2008 to market Miratone system for dermatologic and general surgical procedures for electrocoagulation and hemostasis. In September 2009 the Primaeva Medical Miratone system received FDA clearance and percutaneous treatment of facial wrinkles were added.

In September 2016, we received FDA clearance for the Profound system (previously known as ePrime and Miratone) with additional indications for improvement of the appearance of cellulite.

Our indirect subsidiary, Candela, received FDA clearance to market the GentleLASE™ family of products for the treatment of dermatological vascular lesions in 1997, hair removal in 1998, permanent hair reduction in 2000, treatment of wrinkles in 2003, and benign pigmented lesions in 2011. Candela received clearance to market Smoothbeam mid-IR diode laser in 2002 for dermatological procedures relating to the ablation, incision, excision, and vaporization with hemostasis of soft tissue and the treatment of periorbital wrinkles, and for back acne indications also in 2002, atrophic acne scars and wrinkles in 2003 and sebaceous hyperplasia in 2004. Candela received its first clearance on the GentleYAG family of products in 2001 for hair removal from all skin types and treatment of vascular and pigmented lesions and hemostasis of soft tissue, for the treatment of pseudofolliculitis barbae (PFB) in 2002, facial wrinkles in 2003, benign pigmented lesions and the reduction of red pigmentation in hypertrophic and keloid scars where vascularity is an integral part of the scar, vascular lesions, and the coagulation and hemostasis of soft tissue in 2003. Candela received clearance to market the VBeam pulsed dye laser family in 2002 for treating vascular lesions, cutaneous lesions and periorbital wrinkles, although previous generations of Candela pulsed dye lasers had been cleared and on the market since 1986. Also, in December 2006, Candela received FDA clearance to market its GentleMAX™ product for the treatment of temporary and permanent hair reduction for all skin types including tanned skin, benign pigmented lesions, PFB, vascular lesions, and wrinkles. In October 2014, we received FDA clearance to market its PicoWay system for tattoo removal. In April 2015, we received FDA clearance to market its PicoWay product with the additional intended use of removal of benign pigmented lesions. In March 2016, the PicoWay system was cleared by FDA for increased range of spot sizes and pulse repetition rates. In July 2016, we received FDA clearance to market the PicoWay system with the additional wavelength of 785nm.

Under the Food, Drug, and Cosmetic Act, with the exception of color additives, cosmetic products and ingredients do not require FDA approval before they go on the market. Companies and individuals who market cosmetics have the legal responsibility to ensure the safety of their products. Our topical skin brightening product line, eLure, is marketed in the U.S. without an FDA-approved marketing application. We believe that these products are not currently subject to FDA pre-market approval because they are classified as cosmetics and are generally regarded as safe and effective.

PMA Approval Process. A PMA application must be submitted to the FDA if the device cannot be cleared through the 510(k) or de novo process and is not exempt from premarket review. A PMA application must be supported by extensive data, including, but not limited to, technical, preclinical and clinical trials, and by appropriate manufacturing and labeling to demonstrate to the FDA's satisfaction the safety and effectiveness of the device.

Clinical Studies. A clinical study is generally required to support a PMA approval application and is sometimes required for a 510(k) premarket notification or a de novo petition. Studies of "significant risk" devices require submission of an application for an Investigational Device Exemption, or IDE. The IDE application must be supported by appropriate data, such as animal and laboratory test results, showing that there is reason to believe that the risks to human subjects from the proposed investigation are outweighed by the anticipated benefits to human subjects, the importance of the knowledge to be gained is scientifically sound, and that there is reason to believe that the device as proposed for use will be effective. Clinical studies may begin once the IDE application is approved by the FDA for a specified number of patients and by the appropriate institutional review boards at the study sites. For "nonsignificant risk" devices, one or more institutional review boards must review and approve the study prior to initiation, but submission of an IDE application to the FDA for approval is not required. Both types of studies are subject to informed consent record keeping, reporting and other IDE regulation requirements.

Post-Market Regulation. After the FDA clears a device to enter commercial distribution, numerous regulatory requirements apply, including:

- Quality System Regulation, or QSR, which requires manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process;

- Labeling regulations, including the FDA's general prohibition against promoting products for un-cleared, unapproved or "off-label" uses; and

- Medical Device Reporting regulations, which require that a manufacturer report to the FDA if its device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur. Manufacturers of finished medical devices also are subject to inspection and market surveillance by the FDA to determine compliance with all regulatory requirements. Compliance with these requirements can be costly and time-consuming. Furthermore, marketed products could be subject to voluntary recall if the manufacturer or the FDA determines, for any reason, that those products pose a risk of injury, gross deception, or are otherwise defective. Moreover, the FDA can order a mandatory recall if, after providing the appropriate person with an opportunity to consult with the agency, there is a reasonable probability that a device intended for human use would cause serious adverse health consequences or death. Failure to comply could subject a manufacturer to FDA enforcement action and sanctions.

We also are regulated under the Electronic Product Radiation Control Provisions of the Federal Food, Drug and Cosmetic Act, which requires laser products to comply with performance standards, including design and operation requirements, and manufacturers to certify in product labeling and in reports to the FDA that their products comply with all such standards. The law also requires laser manufacturers to file new product and annual reports, maintain manufacturing, testing and sales records, and report product defects. Various warning labels must be affixed and certain protective devices installed, depending on the class of the product.

FDA regulations limit the type of marketing claims we can make about our topical skin brightening products. If the FDA determines that any of our marketing claims are false or misleading, or suggest a clinical benefit that is not supported in the studies we have done, we may be required to cease making the challenged marketing claims, issue corrective communications, pay fines or stop selling products until the objectionable claims have been corrected. If FDA determines that the cosmetic is not safe, FDA may ask a federal court to issue an injunction, request that U.S. marshals seize the products, initiate criminal action, refuse entry of an imported cosmetic, or request that a company recall a product. In addition, the Federal Trade Commission (FTC) regulates the advertising of most medical devices under sections 12-15 of the Federal Trade Commission Act, which prohibit false or misleading advertising of certain products that FDA regulates.

We also are subject to a wide range of federal, state and local laws and regulations, including those related to the environment, health and safety, land use and quality assurance. We believe that we are in compliance with these laws and regulations as currently in effect, and our compliance with such laws will not have a material adverse effect on our capital expenditures, earnings and competitive and financial position.

U.S. federal anti-kickback laws and several similar state laws prohibit offers, solicitation, payments, or the receipt of any remuneration that directly or indirectly is intended to induce physicians or others to refer patients to acquire or arrange for or recommend the acquisition of healthcare products or services. Laws also prohibit remuneration intended to induce the purchasing of or arranging for or recommending the purchase or order of any item, good, facility or service for which payment may be made under federal health care programs. These laws affect our sales, marketing and other promotional activities by limiting the kinds of financial arrangements and sales programs we may have with hospitals, physicians or other potential purchasers or users of our medical devices. In particular, these laws influence how we structure our sales, customer support, education and training programs and physician consulting and other service arrangements. Although we seek to structure such arrangements in compliance with applicable requirements, these laws are broadly written and it is difficult to determine precisely how these laws will be applied in specific circumstances. We could be subject to a claim under these anti-kickback laws for our consulting arrangements with surgeons, grants for training and other education, grants for research and other interactions with doctors. Anti-kickback laws prescribe civil, criminal and administrative penalties for noncompliance, which can be substantial. Due to the breadth of the statutory provisions and the lack of guidance in the form of regulations or court decisions addressing some industry activities, it is possible that our sales, marketing or promotional activities or practices might be challenged under anti-kickback or related laws. Even an unsuccessful challenge to or investigation into our practices could cause adverse publicity and thus could harm our business and results of operations.

Foreign sales of our products also subject us to similar fraud and abuse laws, including application of the U.S. Foreign Corrupt Practices Act. If our operations, including any consulting arrangements we may enter into with physicians who use our products, are found to be in violation of any of these laws, we or our officers may be subject to civil or criminal penalties, including large monetary penalties, damages, fines, imprisonment and exclusion from Medicare and Medicaid program participation. If enforcement action were to occur, our business and financial condition would be harmed.

International Regulations. International sales of medical devices are subject to foreign governmental regulations, which vary substantially from country to country. The time required to obtain clearance or approval by a foreign country or to obtain a CE Certificate of Conformity from a Notified Body for a medical device may be longer or shorter than that required for FDA clearance or approval, and the requirements may be different.

The primary regulatory environment in Europe is that of the European Economic Area (EEA), which is comprised of the twenty-eight Member States of the European Union (EU), Iceland, Liechtenstein and Norway. Applicable rules for the design, manufacture, clinical investigations, labeling and adverse event reporting for medical devices in the EU is set forth in Directives, guidelines and harmonized standards. Many countries, including those in the EEA, as well as Japan, China and Brazil, accept reliance by manufacturers on harmonized standard to demonstrate compliance with applicable requirements.

In the EEA, our devices are required to comply with the Essential Requirements set forth in Annex I to the Council Directive 93/42/EEC concerning medical devices, commonly referred to as the Medical Devices Directive. Compliance with these requirements entitles us to affix the CE mark to our medical devices, without which they cannot be commercialized. To demonstrate compliance with the Essential Requirements of Annex I of the Medical Devices Directive and to obtain the right to affix the CE mark to our medical devices, we must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low risk medical devices (Class I with no measuring function and which are not sterile), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the Essential Requirements set forth in the Medical Devices Directive. For all other classes of medical devices, a conformity assessment procedure requires the participation of a Notified Body, which is an organization designated by the competent authorities of an EU member state to conduct conformity assessments. Depending on the relevant conformity assessment procedure, the Notified Body would typically audit and examine the Technical File for our medical devices and the quality system for the manufacture, design and final inspection of our devices before issuing a CE Certificate of Conformity demonstrating compliance with the relevant Essential Requirements and the relevant quality system requirements laid down in the Medical Devices Directive. This Certificate entitles the manufacturer to affix the CE mark to its medical devices after having prepared and signed a related EC Declaration of Conformity.

In the EEA, companies compliant with EN ISO 13485: 2012 “Medical devices - Quality management systems - Requirements for regulatory purposes” benefit from a presumption of conformity with the corresponding quality system requirements set forth in the Annexes to the Medical Devices Directive. This certification process requires that the company’s quality system and facilities be inspected by a Notified Body to verify compliance with the EN ISO 13485:2012 requirements. In the second quarter of 2013, both we and our subsidiary Candela received ISO 13485:2003 certification. Our ISO 13485 certificate is valid until November 2016 and Candela's ISO 13485 certificate is valid until January 2018. Compliance with the ISO requirements can also facilitate market access in other jurisdictions. For example, Health Canada, the regulatory body in Canada, relies on CAN/CSA ISO 13485:2003 for product approvals. Japan and China have elaborate application and product testing requirements before an application is accepted for review. Typically, product approval may require an additional two or more years after an application has been accepted for review.

In addition, many foreign governments have adopted anti-bribery statutes similar to the U.S. Foreign Corrupt Practices Act.

Governmental agencies in the U.S. and elsewhere govern the use of radio frequency energy. Our products generate and use radio frequency energy and therefore may be subject to technical, equipment authorization and other regulatory requirements in the countries and regions where they are marketed or distributed. In the U.S., our products are subject to the Federal Communications Commission’s equipment verification procedures, under which the manufacturer is required to determine, or verify, that the equipment complies with the applicable technical standards and to keep a record of test measurements demonstrating compliance before the equipment can be marketed or sold in the U.S. Any modifications to our products may require re-verification before we are permitted to market and distribute the modified devices. Other countries have equivalent regulatory procedures with which we must comply before we can market our products in their territory.

We seek to obtain regulatory approvals or CE Certificates of Conformity in countries requiring advance clearance of our products before they are marketed or distributed in those countries. Our failure to comply with the technical, equipment authorization, or other regulatory requirements of a specific country or region could impair our ability to commercially market and distribute our products in that country or region.

C. ORGANIZATIONAL STRUCTURE

We conduct business through a number of subsidiaries which are 100% directly or indirectly owned by us, including the following:

Name	Jurisdiction	Percentage Ownership
Candela Corporation	Delaware	100%*
Syneron Inc.	Delaware	100%
Syneron Canada Corp.	Canada	100%
Syneron Candela Corp. Australia PTY. Ltd.	Australia	100%*
Candela Laser (Deutschland) GmbH	Germany	100%*
Candela France SARL	France	100%*
Candela Iberica S.A.	Spain	100%*
Candela Italia	Italy	100%*
Candela KK	Japan	100%*
Candela Portugal, Unipessoal Lda.	Portugal	100%*
Candela (U.K.) Limited	United Kingdom	100%*
Inlight Corp.	California	100%*
Medical Holdings (BVI) Inc.	British Virgin Islands	100%*
Medical Holdings (Cayman) Inc.	Cayman Islands	100%*
Primaeva Medical Inc.	Delaware	100%*
Rakuto Bio Technologies Ltd.	Israel	100%
Syneron (Beijing) Medical & Cosmetics Enterprise Ltd.	China	100% *
Syneron/Candela (Beijing) Medical Technologies Co., Ltd.	China	100%*
Syneron Switzerland GmbH	Switzerland	100%
Syneron Holdings LLC	Delaware	100%*
Syneron GmbH	Germany	100%
Syneron Medical (HK) Ltd.	Hong Kong	100%
UltraShape Europe B.V.	Netherlands	100%*
UltraShape Ltd.	Israel	100%
New Star Lasers, Inc. (CoolTouch)	California	100%*

* Indirectly owned.

D. PR OPERTY, PLANTS AND EQUIPMENT

We lease our main office and research and development facilities, occupying 4,429 square meters, in the Tavor Building, Industrial Zone, Yokneam Illit, Israel, pursuant to a lease that expires in December 2017 with an option to renew. Our U.S. subsidiary also leases a 15,204 square foot facility in Irvine, California pursuant to a lease that expires in December 2017. Our Canadian subsidiary leases an 11,751 square foot facility in Richmond Hill, Ontario, Canada, pursuant to leases that expire in September 2017. CoolTouch leases a 19,074 square foot facility in Roseville, California pursuant to a lease agreement that expires on March 1, 2018. Our Hong-Kong subsidiary leases a 3,816 square foot facility pursuant to a lease that expires in June 2018. Our Chinese subsidiary leases a 229 square meter facility in Beijing, China pursuant to a lease that expires in August 2017. In addition, the Company leases a 150 square meter office in the Netherlands pursuant to a lease which expires on April 30, 2018.

Candela leases two premises for its operations in Wayland, Massachusetts. The first is for approximately 38,000 square feet pursuant to a lease that expires in December 2017 with an option to renew, and the second is for approximately 10,000 pursuant to a lease that expires in October 2022.

Candela's subsidiaries currently lease the following facilities:

- Candela KK – leases seven offices in Japan (two in Tokyo and one each in Osaka, Nagoya, Sapporo, Okayama and Fukuoka prefectures). These leases expire between May 2017 and March 2022.
- Candela Iberica, S.A. – leases locations in Lisbon, Portugal and Madrid, Spain. The lease in Spain expires in March 2022, and the lease in Portugal expires in August 2017.
- Candela Deutschland GmbH – leases a facility in Neu-Isenberg, Germany expiring in October 2018.
- Candela France SARL – leases a facility in Les Ulis, France expiring in January 2018.
- Candela Italia – leases a facility in Formello, Italy expiring in September 2022.
- Candela (U.K.) Limited – leases a facility in Heathrow expiring in April 2018.
- Candela Corporation Australia PTY, Ltd. – leases facilities in Oakleigh and Artarmon, Australia expiring in June 2019 and June 2022, respectively.

We believe that our properties are adequate to meet our current needs.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None

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.A. "Key Information – Selected Financial Data" and our consolidated financial statements and the related notes to those statements included elsewhere in this Annual Report on Form 20-F. 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.D. "Key Information – Risk Factors" and elsewhere in this Annual Report on Form 20-F.

A. OPERATING RESULTS

Overview

We generate our revenues primarily from the sales of our professional aesthetic devices. We also generate a portion of our revenues from a recurring revenue model based on the sale of services and consumable components, which include pulses used in patient treatments, cryogen, micro-needles, and other disposables. We expect service revenue to increase over time as our installed base continues to grow. We also plan to introduce additional products with consumable components. We intend to grow the sales of those products with a consumable component, and we expect this will drive our growth and increase margins over time.

In recent years we introduced several products and product platforms, such as the eMatrix, eTwo, elosPlus, eLase, VelaShape III, PicoWay Resolve, CO_2RE Intima and UltraShape, under a recurring-revenue business model, which we believe offers our customers an attractive total cost of ownership, a lower entry system cost and a better clinical outcome due to replaceable treatment modules. The recurring business model delivers attractive operating margins from both system sales and consumable sales. We intend to offer this recurring-revenue business model on some of our future product introductions and to increase our recurring-revenue stream proportionally as the installed base for our newer products increases. Historically, we also generated a portion of our revenues from the sale of products targeted at the home-use consumer market by our subsidiary, Syneron Beauty Ltd.

The Company is organized into one reportable segment as management uses one measurement of profitability and does not segregate its business for internal financial reporting purposes. Prior to January 1, 2014, we broke out our financial results between our traditional combined Syneron and Candela business, which we labeled Professional Aesthetic Devices, or PAD, and the results of our Emerging Business Unit, or EBU. Our PAD segment included research, development, marketing and sales of aesthetic medical equipment for the treatment of body and face for dermatologists, plastic surgeons and other qualified practitioners worldwide (professional market). Our EBU segment included Syneron Beauty (which following a joint venture with Unilever Ventures is now a subsidiary of Iluminage Beauty), Fluorinex, RBT and Light Instruments. EBU products included mē hair removal system, Tanda Acne Solution, Tanda Anti-Aging Solution, Pearl teeth whitening devices, elure skin brightening, and Light Instruments' dental laser devices, along with several pipeline products. As a result of a joint venture with Unilever Ventures creating Iluminage Beauty, we eliminated the EBU segment effective January 1, 2014 and recorded an asset of $24.7 million as the fair value of our 49% equity interest in the Iluminage Beauty joint venture on our balance sheet. As of January 1, 2014, we operate as a single business unit for financial reporting purposes. For additional information, please see Item 4.A. "Information on the Company – History and Development of the Company – Our History".

Revenues

We recognize revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred or services have been rendered, the fee is fixed and determinable and collectability is reasonably assured. See Note 2.n to our consolidated financial statements included elsewhere in this Annual Report on Form 20-F for further details.

We generate revenues primarily from the sales of our medical aesthetic equipment. We also generate a portion of our revenue from the recognition of service revenue and from the sale of consumables. For the year ended December 31, 2016, our revenues totaled $298.1 million, and we derived approximately 25% of our revenues from the recognition of recurring revenue (including service and consumables). We expect product service and consumables revenue to increase over time as our installed base continues to grow. We primarily sell our products and services directly in the U.S., Canada, Portugal, Spain, United Kingdom, France, Germany, Italy, Japan, China, Hong Kong, Australia and Israel, and we use distributors to sell our products and services in countries where we do not have a direct presence or to complement our direct sales force. For the year ended December 31, 2016, we derived approximately 35% of our revenues from sales in North America, and 65% of our revenues from sales outside North America through a combination of direct and distributor sales. See Note 20 to our consolidated financial statements for revenues and assets data by geographic regions. As of December 31, 2016, we had approximately 142 sales people (not counting sales management and support personnel) and distributors in approximately 90 countries.

Cost of Revenues

Our cost of revenues consists of the cost of manufacture and assembly of our products by third-party manufacturers of the Syneron product line, and in-house manufacture and assembly of the Candela and CoolTouch product lines.

For Syneron products, these costs primarily include materials, components and costs of our third-party manufacturers. We have been able to negotiate competitive terms with the subcontractors that manufacture our products. Also, due to the nature of Syneron product technology, design and engineering do not require highly sophisticated, time-intensive labor for assembly and testing, and because these products use off-the-shelf discrete components, Syneron products have relatively low manufacturing costs. For Candela and CoolTouch products, these costs primarily include materials, components and labor costs. Cost of revenues also includes, among other, royalties to third parties, service, charges for obsolete and slow moving inventories and warranty expenses, as well as salaries and personnel-related expenses for our operations management team, which includes subcontractor management (for Syneron products), purchasing and quality control.

To increase our gross margins, we are focused on sales of high gross margin products like UltraShape and PicoWay, as well as high margin recurring revenue business model through FTZ sales.

Research and Development Expenses

Our research and development expenses consist of salaries and other personnel-related expenses of employees primarily engaged in research and development activities, regulatory expenses, clinical studies, external engineering fees and materials used and other overhead expenses incurred in conjunction with the design and development of our products. We expense all of our research and development expenses.

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of salaries, commissions and other personnel-related expenses for those engaged in the sales, marketing and support of our products and trade show, promotional and public relations expenses, shipping and handling cost of our products, as well as management and administration expenses in support of sales and marketing in our subsidiaries. In 2015 and in 2016, we invested in our North America sales and marketing infrastructure to support new product launches and build stronger partnership relationship with our customers. As a result, we grew our sales team in North America to 47 direct sales representatives focused on our aesthetic business, including a small team focused on Profound, and 38 capital equipment representatives and PDPs focused on our Body Shaping business. During 2016, we launched UltraShape Power in certain select international markets, and we expect to launch it across a number of additional international markets in 2017.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and other personnel-related expenses, accounting and administrative personnel, professional fees and other general corporate expenses.

Other Expenses (Income), Net

Our other expenses (income), net consist mainly of adjustments in the fair market value of our investment in Iluminage Beauty, changes in the fair value of contingent consideration and gain from the sale of our Light Instruments subsidiary.

Financial Income (Expenses), Net

Financial income (expenses), net consists primarily of interest earned on cash, cash equivalents, deposits and marketable securities, as well as exchange differences resulting from re-measurement of our foreign currency transactions and balances into U.S. dollars.

Taxes on Income

Our operations in Israel were granted “Privileged Enterprise” status under the Law for the Encouragement of Capital Investments, 1959, entitling us to an exemption from Israeli corporate tax on undistributed income for a certain period of time. The “Privileged Enterprise” status only allows corporate tax exemptions on profits generated from such operations but requires regular Israeli corporate tax on income generated from other sources. We will seek to maintain the “Privileged Enterprise” status by meeting the necessary conditions and consider obtaining benefits as a "Preferred Enterprise" with respect to our future programs. Our effective tax rate is directly affected by the relative proportions of domestic and international revenue and proportions between revenue from Privileged Enterprises and revenue from other sources as discussed above. We are also subject to changing tax laws in multiple jurisdictions in which we operate. For additional description of Israeli tax please see Item 10.E. “Additional Information – Taxation – Israeli Taxation”.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, sales and expenses and related disclosure of contingent assets and liabilities. On a periodic basis, we evaluate our estimates and judgments, including those described below. We base our estimates on historical experience and various other assumptions which we believe to be reasonable under the circumstances. Actual results could differ from those estimates. The following is a discussion of our critical accounting policies and the significant judgments and estimates affecting the application of those policies in our consolidated financial statements. In some cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management’s judgment in its application. There are also areas in which management’s judgment in selecting among available alternatives would produce a materially different result. The Company’s management has reviewed these critical accounting policies and related disclosures with the Company’s Audit Committee. See Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 20-F for a summary of all of our significant accounting policies.

Revenue Recognition

We recognized revenues in accordance with ASC 605, "Revenue Recognition" when delivery has occurred, persuasive evidence of an agreement exists, the fee is fixed and determinable, collectability is reasonably assured and no further obligations exist. Provisions are made at the time of revenue recognition for any applicable warranty cost expected to be incurred.

The timing for revenue recognition among various products and customers is dependent upon satisfaction of such criteria and generally varies from shipment to delivery to the customer depending on the specific shipping terms of a given transaction, as stipulated in the agreement with each customer. Revenues from service contracts are recognized on a straight-line basis over the life of the related service contracts.

Other than pricing terms which may differ due to the different volumes of purchases between distributors and end-users, there are no material differences in the terms and arrangements involving direct and indirect customers.

Our products sold through agreements with distributors are non-exchangeable, non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, we consider all the distributors as end-users.

We assess whether collection is reasonably assured based on a number of factors, including the customer's past transaction history and credit worthiness.

In respect of the sale of systems with installation, the Company considers the elements in the arrangement to be a single unit of accounting. In accordance with ASC 605, the Company has concluded that its arrangements are generally consistent with the indicators suggesting that installation is not essential to the functionality of the Company's systems. Accordingly, installation is considered inconsequential and perfunctory relative to the system, and therefore the Company recognizes revenue for the system and installation upon delivery to the customer in accordance with the agreement delivery terms once all other revenue recognition criteria have been met, and provides for installation costs as appropriate.

If our revenue transactions with end-users include multiple elements within a single contract, the Company treats the contract as having multiple units of accounting. According to ASC 605-25, when a sales arrangement contains multiple deliverables, such as sales of products that include services, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Under this approach, the selling price of a unit of accounting is determined by using a selling price hierarchy which requires the use of vendor-specific objective evidence (VSOE) of fair value if available, third-party evidence (TPE) if VSOE is not available, or best estimate of selling price (BESP) if neither VSOE nor TPE is available. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

Accordingly, for such products and services, we determine the fair value based on management's best estimate of the selling price which takes into consideration several external and internal factors including, but not limited to, pricing practices (including discounts, margin objectives and consideration of the Company's pricing models) and go-to-market strategy. Those estimates are corroborated by normal expected margins depending on the product, region and type of customer (i.e., clinic or a distributor).

We sell deliverables of products and service which consist of systems, applicators, consumables (such as spare parts), and an extended warranty. Such deliverables can be delivered either in a bundled transaction or separately.

Typically, systems and applicators or related consumables are shipped and delivered at the same time while the extended warranty is provided subsequent to the expiration of the standard warranty period. In those circumstances when not all the products have been delivered, we have concluded that the delivered elements have standalone value as a pre-condition for recognizing revenues for the delivered elements. The threshold for recognizing such revenues would normally be the delivery of a system with the applicator providing the system with full functionality.

In certain cases, we sell products together with extended warranty contracts. We allocate revenue between products and extended warranty contracts based on the guidance of ASC 605-20-25-1 through 25-6. We use the separate price stated in the agreement for the extended warranty as the fair value of such warranty, and recognize it ratably over the extended warranty period.

We do not provide any performance, cancelation, termination or any refund type provisions to our customers, nor do we allow returns for our products.

Deferred revenue includes primarily unearned amounts received in respect of service contracts but not yet recognized as revenues.

Allowances for Doubtful Accounts

Our trade receivables are derived mainly from sales to large independent distributors and to end-users world-wide. Allowances for doubtful accounts are based on estimates of losses related to customer receivable balances. In establishing the appropriate provisions for customer receivable balances, we make assumptions with respect to their future collectability. The Company performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. Our assumptions are based on an individual assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances. If the financial condition of a customer were to deteriorate, resulting in its inability to make payments, additional allowance may be required. If we determine, based on our assessment, that it is probable that a customer will be unable to pay, we would need to increase the allowance for doubtful accounts.

Inventories and Allowance for Excess and Obsolescence

We assess the carrying value of our inventory for each reporting period to ensure inventory is reported at the lower of cost or market in accordance with ASC 330-10-35. As a designer and manufacturer of high technology equipment, we may be exposed to a number of economic and industry factors that could result in portions of our inventory becoming obsolete, slow moving or in excess of anticipated usage. Our policy is to establish inventory reserves when conditions exist that suggest that our inventory may be in excess of anticipated demand, obsolete or slow moving. When recorded, the reserves are intended to reduce the carrying value of inventory to its market value. Inventories of $47.4 million and $49.4 million as of December 31, 2016 and 2015, respectively, are stated net of inventory reserves of $8.5 and $5.7 million, respectively.

Charges for obsolete and slow moving inventories are recorded based upon an analysis of specific identification of obsolete inventory items and quantification of slow moving inventory items. This assessment of our ability to realize the value of our inventory based on various factors, including historical usage rates, technological obsolescence, estimated current and future market values and new product introductions. When there is evidence that the anticipated utility of goods, in their disposal in the ordinary course of business, will be less than the historical cost of the inventory, we recognize the difference as a current period charge to earnings and carry the inventory at a reduced cost basis until it is sold or disposed of.

Assumptions used in determining our inventory reserve may prove to be incorrect; unfavorable changes in market conditions may result in a need for additional inventory reserves that could adversely impact our gross margins. Conversely, favorable changes in demand could result in higher gross margins when we sell products. If actual demand for our products deteriorates, or market conditions are less favorable than those projected, additional inventory reserves may be required.

Impairment of Goodwill and Intangible Assets

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

We review indefinite lived intangible assets for impairment at least annually (during the fourth quarter of 2015, the Company changed the date of its annual impairment test from June 30 to December 31) and whenever events or changes in circumstances indicate the carrying value may not be recoverable. We perform a two-step review of goodwill at the level of the reporting unit. The first step screens for potential impairment while the second step (if necessary) measures the amount of any impairment by applying fair-value-based tests to the individual assets and liabilities within each reporting unit. In 2014, we had an impairment charge of $1.2 million related to the goodwill of our investment in RBT and an impairment charge of $1.7 million related to the development assets from the acquisition of RBT and Primaeva. In 2015, we had impairment charges of $1.3 million related to the goodwill of our investment in RBT, $2.5 million related to the goodwill of our investment in CoolTouch, $0.2 million related to the development assets from the acquisition of RBT and $3.1 million related to CoolTouch's customer relationships, which represent the underlying relationships and agreements with CoolTouch's installed customer base, which were negatively impacted by CoolTouch's loss of a North America OEM distributor. We had no impairment charges during 2016.

We make judgments about the recoverability of purchased long-lived assets and intangible assets subject to amortization whenever events or changes in circumstances indicate that impairment may exist. Each period we evaluate the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining periods of amortization. Recoverability of finite lived intangible assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate.

Assumptions and estimates about future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. Although we believe the historical assumptions and estimates we have made are reasonable and appropriate, different assumptions and estimates could materially impact our reported financial results.

Taxes on Income

We are subject to income taxes in Israel, the U.S. and numerous foreign jurisdictions, as well as to tax agreements and treaties among these governments. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, currency exchange restrictions or the Company's level of operations or profitability in each taxing jurisdiction could have an impact upon the amount of current and deferred tax balances and hence the Company's net income.

Deferred taxes and liability account balances are determined utilizing the liability method based on the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We reduce our deferred tax assets by an allowance if, based on the weight of available positive and negative evidence, it is more likely than not that we will not realize some portion, or all, of the deferred tax asset.

Deferred tax liabilities and assets are classified as non-current in accordance with ASU 2015-17.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Based on the guidance in ASC 740 "Income Taxes", we use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We accrue interest and penalties related to unrecognized tax benefits under taxes on income (tax benefit).

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be provided that the final tax outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, the refinement of an estimate or changes in tax laws. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related interest and penalty.

Accounting for tax positions requires judgments, including estimating reserves for potential uncertainties. We also assess our ability to utilize tax attributes, including those in the form of carry forwards for which the benefits have already been reflected in the financial statements. We do not record valuation allowances for deferred tax assets that we believe are more likely than not to be realized in future periods. While we believe the resulting tax balances as of December 31, 2016, 2015, and 2014 are appropriately accounted for, the ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material. See Note 18 to our consolidated financial statements for further information regarding income taxes. We have filed or are in the process of filing local and foreign tax returns that are subject to audit by the respective tax authorities. The amount of income tax we pay is subject to ongoing audits by the tax authorities, which often result in proposed assessments. We believe that we adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statutes of limitation on potential assessments expire.

Share-Based Compensation

ASC 718 requires share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values at the date of grant.

We used the Binomial valuation model to estimate the fair value of stock option grants. Key assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of our stock, the risk-free interest rate over the option's term, the post-vesting forfeiture rate, the suboptimal exercise factor, our expected annual dividend yield and the contractual term of the options. Expected volatilities are based on historical volatilities of our ordinary shares over the option's expected term, and the risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods appropriate for the term of the options. The post-vesting forfeiture rate and estimated forfeitures are based on our historical experience and the suboptimal exercise factor is based on our historical experience as well as on academic papers and the common practice which support our assumptions. The suboptimal exercise factor is based on the average ratio between the stock price and the exercise price. Assumed dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends.

We recognize compensation expenses for the value of our awards based on the straight line method over the requisite service period of each of the awards, net of estimated forfeitures. If factors change and we employ different assumptions for estimating share-based compensation expense in future periods, the share-based compensation expense we recognize in future periods may differ significantly from what we have recorded in the current period and could materially affect our earnings. It may also result in a lack of comparability with other companies that use different models, methods and assumptions. Existing valuation models, including the Binomial valuation model, may not provide reliable measures of the fair values of our stock-based compensation. Consequently, there is a risk that our estimates of the fair values of our stock-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the exercise, expiration, early termination or forfeiture of those stock-based payments in the future. Certain stock-based payments, such as employee stock options, may expire with little or no intrinsic value compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, the value realized from these instruments may be significantly higher than the fair values originally estimated on the grant date and reported in our financial statements.

Litigation

Management reserves for liabilities related to litigation brought against us when the amount of the potential loss is probable and can be estimated. Because of the uncertainties related to an unfavorable outcome of litigation, and the amount and range of loss on pending litigation, management is often unable to make an accurate estimate of the liability that could result from an unfavorable outcome. As litigation progresses, we continue to assess our potential liability and revise our estimates accordingly. Such revisions in our estimates could materially impact our results of operations and financial position. Estimates of litigation liability affect our accrued liability line item in our consolidated balance sheet and our general and administrative expense line item in our statement of income.

Warranty Reserve

We generally provide a one to three-year standard warranty with our products, depending on the type of product and the country in which we do business. After the warranty period, maintenance and support is provided on a service contract basis as an extended warranty, or on an individual call basis. We provide for the estimated cost to repair or replace products under warranty at the time of sale. Factors that affect our warranty reserves include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our estimated warranty obligation is affected by ongoing product failure rates, specific product class failures outside of our baseline experience, material usage and service delivery costs incurred in correcting a product failure. If actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required. Assumptions and historical warranty experience are evaluated to determine the appropriateness of such assumptions. We assess the adequacy of the warranty provision once a year and we may adjust this provision if necessary. Warranty expenses are recorded as part of cost of revenues.

Investments in Affiliated Company (Non-Marketable Securities)

We followed the guidance in ASC 323, "Investments—Equity and Joint Ventures" to determine whether to use the equity method of accounting for these investments. Our investments in affiliated companies presented at cost are reviewed at least twice per year to determine if their values have been impaired and adjustments are recorded as necessary. During 2014, 2015 and 2016, we did not recognize an impairment loss.

Pursuant to the deconsolidation of Syneron Beauty and its subsidiaries as of December 9, 2013, we recognized a gain on loss of control of $7.3 million ($6.0 million net of related costs) in our statement of operations and recorded $24.7 million as the fair value of our investments in the joint venture with Unilever Ventures called "Iluminage Beauty" in 2013. We measure our investment in Iluminage Beauty at fair value with changes recorded in operating results under other expenses (income), net. As of December 31, 2014, the fair value of Iluminage Beauty was reduced by $4.6 million to $20.1 million. As of December 31, 2015, the fair value of Iluminage Beauty was reduced by $0.3 million to $19.8 million. As of December 31, 2016, pursuant to $2.9 million investment in Iluminage Beauty as described in Item 4A, the fair value of Iluminage Beauty was reduced by $7.0 million to $15.7 million. The fair value of our equity interest in Iluminage Beauty was determined by the Board after consideration of, among other things, external market conditions affecting the home use aesthetic industry, Iluminage Beauty's projected results of operations and financial position, and a written report by a third party appraisal firm which calculated fair value using the discount cash flow and the OPM method, which uses significant unobservable inputs such as cash flows to be generated from the underlying investment and discounted at a weighted average cost of capital. Selection of the appropriate valuation techniques, as well as determination of assumptions, risks and estimates used by market participants in pricing the investment in Iluminage Beauty requires significant judgment. Although we believe that the inputs used in our evaluations techniques are reasonable, a change in one or more of the inputs could result in an increase or decrease in the fair value of the investment in Iluminage Beauty and could have an impact on both our consolidated balance sheets and consolidated statements of operations.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method and are still finalizing the analysis to quantify the adoption impact of the provisions of the new standard. The FASB has issued, and may issue in the future, interpretive guidance which may cause the Company's evaluation to change. We believe that we are following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption, effective at the beginning of fiscal year 2018.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”. ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company adopted this standard in the fourth quarter of 2015 on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU will be effective for the Company in the first quarter of 2019. We are evaluating the impact of the adoption of this update on the Company’s consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The ASU simplifies several aspects of the accounting for employee share-based payments including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU will be effective for the Company in the first quarter of 2017. We are currently evaluating the impact this new guidance will have on the Company’s consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which intends to reduce diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. This guidance will be effective for the Company in the first quarter of 2018. We are currently evaluating the impact this ASU will have on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 will simplify the subsequent measurement of goodwill by eliminating the second step from the goodwill impairment test. ASU 2017-04 would require applying a one-step quantitative test and recording the amount of goodwill impairment as the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. The amendments in ASU 2017-04 are effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of the standard on our future financial statements and disclosures.

Segment Reporting

We operate in one reportable segment. The Company's chief operating decision-maker (CODM) is a combination of both its Chief Executive Officer and its Chief Financial Officer, who evaluate the Company's performance and allocate resources based on the Company’s business results. The CODM uses one measurement of profitability and does not segregate its business for internal reporting.

The Company provides one group of similar products and services to its customers. The Company considers its products to be a group of similar products since each product in the Company's portfolio has similar characteristics, including the fact that they are used by customers to perform a comprehensive aesthetic service, are sold to similar classes of customers and have similar production processes and are subject to similar degrees of economic risks and uncertainties. Additionally, all of the products are physically-tested in the Company's manufacturing process and are each controlled by similar launch processes.

Results of Operations

Year Ended December 31, 2016 and 2015

The following table contains selected statement of operations data, which serves as the basis of the discussion of our results of operations for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016		Year Ended December 31, 2015		Change 2015 to 2016	
	Amount	As a % of Total Revenues	Amount	As a % of Total Revenues	$ Change	% Change
	(in thousands, except for percentages)					
Total revenues	$ 298,102	100%	$ 277,849	100%	20,253	7.3%
Cost of revenues	142,469	47.8	128,884	46.4	13,585	10.5
Gross profit	155,633	52.2	148,965	53.6	6,668	4.5
Operating expenses, net:						
Selling and marketing	95,889	32.2	97,163	35.0	(1,274)	(1.3)
Research and development	23,043	7.7	25,270	9.1	(2,227)	(8.8)
General and administrative	28,490	9.6	30,061	10.8	(1,571)	(5.2)
Other expenses (income), net	4,983	1.7	(913)	(0.3)	5,896	(645.8)
Impairment of goodwill	-	-	3,843	1.4	(3,843)	(100.0)
Total operating expenses	152,405	51.1	155,424	55.9	(3,019)	(1.9)
Operating income (loss)	3,228	1.0	(6,459)	(2.3)	9,687	150.0
Financial income, net	764	0.3	167	0.1	597	357.5
Income (loss) before taxes on income	3,992	1.3	(6,292)	(2.3)	10,284	163.4
Taxes on income	3,813	1.3	48	0.0	3,765	7843.8
Net income (loss)	$ 179	0.1%	$ (6,340)	(2.3)%	$ 6,519	102.8%

Revenues

	Year Ended December 31,			
	2016	2015	$ Change	% Change
	(in thousands, except for percentages)			
Lasers and other products	$ 222,195	$ 204,124	$ 18,071	8.9%
Product-related services	75,907	73,725	2,182	3.0%
Total Revenues	$ 298,102	$ 277,849	$ 20,253	7.3%

Total revenues for the year ended December 31, 2016 increased by $20.3 million or 7.3% to $298.1 million as compared to revenues of $277.8 million for the year ended December 31, 2015.

The increase in total revenues was mainly attributable to an $18.1 million or 8.9% increase in product revenues in 2016 compared to 2015. Product revenues increased mainly due to increased sales in APAC and EMEA over the previous year for our existing products as well as those products that are the Company's new growth engines, and due to strong performance of new distribution partners in APAC.

Revenue from product-related services and consumables increased by $2.2 million or 3.0% in 2016 compared to 2015 as a result of increased sales of focal treatment zone (FTZ) pulses by $1.0 million, together with an additional $1.1 million increase in services and other consumables.

Cost of Revenues

	Year Ended December 31,			
	2016	2015	$ Change	% Change
	(in thousands, except for percentages)			
Lasers and other products	$ 101,735	$ 88,614	$ 13,121	14.8%
Product-related services	40,734	40,270	464	1.2%
Cost of revenues	$ 142,469	$ 128,884	$ 13,585	10.5%
Cost of revenues (as a percentage of total revenues)	47.8%	46.4%		

Cost of revenues increased by $13.6 million in 2016, or 10.5%, to $142.5 million, compared to $128.9 million in 2015, which was directly related to the increase in revenues in 2016 compared to 2015. As a percentage of revenues, cost of revenues increased from 46.4% in 2015 to 47.8% in 2016, primarily due to our international revenue growth, mainly in the APAC and EMEA regions, a higher percentage of revenues derived from distributors and differences in product mix.

Cost of revenues for the years ended December 31, 2016 and 2015 included $0.2 million each year of stock-based compensation expenses.

Selling and Marketing Expenses

	Year Ended December 31,			
	2016	2015	$ Change	% Change
	(in thousands, except for percentages)			
Total Selling and marketing expenses	$ 95,889	$ 97,163	$ (1,274)	(1.3)%
Selling and marketing expenses (as a percentage of segment revenues)	32.2%	35.0%		

Selling and marketing expenses decreased by $1.3 million or (1.3)% from $97.2 million to $95.9 million in 2016, mainly due to lower commissions resulting from a higher percentage of distributor revenues as well as lower marketing expenses.

As a percentage of revenues, selling and marketing expenses decreased from 35.0% in 2015 to 32.2% in 2016.

Selling and marketing expenses for the years ended December 31, 2016 and 2015 included $1.2 million each year of stock-based compensation expenses.

Research and Development Expenses

	Year Ended December 31,			
	2016	**2015**	**$ Change**	**% Change**
	(in thousands, except for percentages)			
Total Research and development expenses	$ 23,043	$ 25,270	$ (2,227)	(8.8)%
Research and development expenses (as a percentage of total revenues)	7.7%	9.1%		

Research and development expenses decreased by $2.2 million or (8.8)% mainly due to lower R&D expenses associated with the CoolTouch and eLure product families, and to the divestiture of the Light Instruments subsidiary.

Research and development expenses for the years ended December 31, 2016 and 2015 included $0.3 million each year of stock-based compensation expenses.

General and Administrative Expenses

	Year Ended December 31,			
	2016	**2015**	**$ Change**	**% Change**
	(in thousands, except for percentages)			
Total General and administrative expenses	$ 28,490	$ 30,061	$ (1,571)	(5.2)%
General and administrative expenses (as a percentage of total revenues)	9.6%	10.8%		

General and administrative expenses decreased by $1.6 million in 2016 compared to 2015 from $30.1 million to $28.5 million, mainly due to litigation fees incurred in 2015.

General and administrative expenses for the years ended December 31, 2016 and 2015 included $2.0 million each year of stock-based compensation expenses.

Other Expenses, net

	Year Ended December 31,			
	2016	2015	$ Change	% Change
	(in thousands, except for percentages)			
Total other expenses (income), net	$ 4,983	$ (913)	$ 5,896	645.8%
Total other expenses (income), net (as a percentage of total revenues)	1.7%	(0.3)%		

Other expenses (income) increased by $5.9 million, from ($0.9) million in other expenses (income) in 2015 to $5.0 million in 2016. As a percentage of revenues, other expenses (income) increased from (0.3%) in 2015 to 1.7% in 2016.

Other expense in 2016 was comprised mainly of a downward adjustment in the fair market value of Iluminage Beauty in the amount of $7.0 million, offset by a net gain of $1.1 million from the sale of our Light Instruments subsidiary, and a net income of $0.9 million due to a change in the fair value of RBT's contingent consideration.

Impairment of goodwill

	Year Ended December 31,			
	2016	2015	$ Change	% Change
	(in thousands, except for percentages)			
Total impairment of goodwill	$ -	$ 3,843	$ (3,843)	100.0%
Total impairment of goodwill, net (as a percentage of total revenues)	-	1.4%		

Impairment of goodwill in 2015 was comprised of $2.5 million and $1.3 million attributable to Cooltouch's acquisition and RBT's acquisition, respectively.

Financial income, net

Financial income, net increased by $0.6 million, from $0.17 million financial income, net in 2015 to $0.76 million financial income (net) in 2016. The increase was primarily attributable to lower expenses of foreign currency transactions adjustments.

Taxes on Income

Taxes on income are dependent upon where our profits are generated, such as the location and taxation of our subsidiaries as well as changes in deferred tax assets and liabilities recorded mainly as part of business combinations. Taxes on income in 2016 were approximately $3.8 million compared to $0.05 million in 2015. The extent of the change in taxes on income between 2016 and 2015 resulted primarily from an increase in the mix of products sold outside of Israel and an increase in our taxable income in the U.S., which is subject to a relatively higher tax rate.

Net income (loss)

The net income increased by $6.5 million in 2016, from a net loss of $6.3 million ((2.3%) of revenues) in 2015 to net income of $0.2 million (1.8% of revenues) in 2016. The net income of $0.2 million in 2016 included a negative adjustment in the fair market value of Iluminage Beauty in the amount of $7.0 million, offset by a net gain of $1.1 million from the sale of our Light Instruments subsidiary, and a net income of $0.9 million resulting from the fair value adjustment of RBT's contingent consideration attributed to the acquisition of RBT. The net loss of $6.3 million in 2015 included an impairment of intangible assets of $0.2 million and $3.3 million attributed to the acquisition of RBT and CoolTouch, respectively, and an impairment of goodwill of $1.3 million and $2.5 million attributed to the acquisition of RBT and CoolTouch, respectively, offset by a net income of $4.1 million resulting from the fair value adjustment of a contingent consideration attributed to the acquisition of RBT.

Year Ended December 31, 2015 and 2014

The following table contains selected statement of operations data, which serves as the basis of the discussion of our results of operations for the years ended December 31, 2015 and 2014:

	Year Ended December 31, 2015		Year Ended December 31, 2014		Change 2014 to 2015	
	Amount	As a % of Total Revenues	Amount	As a % of Total Revenues	$ Change	% Change
	(in thousands, except for percentages)					
Total revenues	$ 277,849	100%	$ 255,750	100%	$ 22,099	8.6%
Cost of revenues	128,884	46.4	119,771	46.8	9,113	7.6
Gross profit	148,965	53.6	135,979	53.2	12,986	9.6
Operating expenses, net:						
Selling and marketing	97,163	35.0	80,741	31.6	16,422	20.3
Research and development	25,270	9.1	24,619	9.6	651	2.6
General and administrative	30,061	10.8	28,368	11.1	1,693	6.0
Other expenses (income), net	(913)	(0.3)	3,283	1.3	(4,196)	(127.8)
Total impairment of goodwill	3,843	1.4	1,185	0.5	2,658	224.3
Total operating expenses	155,424	55.9	138,196	54.0	17,228	12.5
Operating loss	(6,459)	(2.3)	(2,217)	(0.9)	(4,242)	(191.3)
Financial income (expenses), net	167	0.1	(688)	(0.2)	855	124.3
Loss before taxes on income	(6,292)	(2.3)	(2,905)	(1.1)	(3,387)	(116.6)
Taxes on income	48	0.0	2,295	0.9	2,247	(97.9)
Net loss	(6,340)	(2.3)%	(5,200)	(2.0)%	(1,140)	(21.9)%

Revenues

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Lasers and other products	$ 204,124	$ 182,770	$ 21,354	11.7%
Product-related services	73,725	72,980	745	1.0%
Total Revenues	$ 277,849	$ 255,750	$ 22,099	8.6%

Total revenues for the year ended December 31, 2015 increased by $22.1 million, or 8.6%, to $277.8 million as compared to revenues of $255.8 million for the year ended December 31, 2014.

The increase in total revenues was mainly attributable to a $21.4 million or 11.7% increase in product revenues in 2015 compared to 2014. Product revenues increased primarily because of our increased sales force in North America, and strong market demand for our current products and new product launches. Our product revenue also includes $1.6 million received in connection with a settlement with an OEM customer of our CoolTouch subsidiary related to the discontinuation of their contract following a change in ownership.

Revenue from product-related services and consumables increased by $0.7 million or 1.0% in 2015 compared to 2014, as a result of increased sales of focal treatment zone (FTZ) pulses by $3.2 million, less a decrease of $2.9 million in services and other consumables.

Cost of Revenues

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Lasers and other products	$ 88,614	$ 81,533	$ 7,081	8.7%
Product-related services	40,270	38,238	2,032	5.3%
Cost of revenues	$ 128,884	$ 119,771	$ 9,113	7.6%
Cost of revenues (as a percentage of total revenues)	46.4%	46.8%		

Cost of revenues increased by $9.1 million in 2015, or 7.6%, to $128.9 million, compared to $119.8 million in 2014, which was directly related to the increase in revenues in 2015 compared to 2014. As a percentage of revenues, cost of revenues decreased from 46.8% in 2014 to 46.4% in 2015, primarily due to gross margin improvement from product revenues which increased from 55.5% in 2014 to 56.6% in 2015, which was mainly related to our new products with higher gross margins.

Cost of revenues for the years ended December 31, 2015 and 2014 included $0.2 million each year of stock-based compensation expenses.

Selling and Marketing Expenses

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Total Selling and marketing expenses	$ 97,163	$ 80,741	$ 16,422	20.3%
Selling and marketing expenses (as a percentage of segment revenues)	35.0%	31.6%		

Selling and marketing expenses increased by $16.4 million, or 20.3%, from $80.7 million to $97.2 million in 2015, mainly due to additions to our sales force in North America where we created a bifurcated sales force for our body and aesthetics divisions, higher marketing expenses relating to our new product launches and higher commissions expenses resulting from higher product revenues.

As a percentage of revenues, selling and marketing expenses increased from 31.6% in 2014 to 35.0% in 2015.
Selling and marketing expenses for the years ended December 31, 2015 and 2014 included $1.3 million and $1.1 million, respectively, of stock-based compensation expenses.

Research and Development Expenses

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Total Research and development expenses	$ 25,270	$ 24,619	$ 651	2.6%
Research and development expenses (as a percentage of total revenues)	9.1%	9.6%		

Research and development expenses increased by $0.7 million, or 2.6%, mainly due to clinical trials of our newly launched products and our ongoing efforts to develop new products.

Research and development expenses for the years ended December 31, 2015 and 2014 included $0.3 million and $0.4 million of stock-based compensation expenses, respectively.

General and Administrative Expenses

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Total General and administrative expenses	$ 30,061	$ 28,368	$ 1,693	6.0%
General and administrative expenses (as a percentage of total revenues)	10.8%	11.1%		

General and administrative expenses increased from $28.4 million to $30.1 million, or by $1.7 million from 2014 to 2015, mainly due to increases in labor expenses and legal fees.

General and administrative expenses for the years ended December 31, 2015 and 2014 included $2.0 million and $2.1 millions of stock-based compensation expenses, respectively.

Other expenses (income), net

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Total other expenses (income), net	$ (913)	$ 3,283	$ (4,196)	(127.8)%
Other expenses (income), net (as a percentage of total revenues)	(0.3)%	1.3%		

Other expenses decreased by $4.2 million, from $3.3 million in 2014 to other income of $0.9 million in 2015. As a percentage of revenues, other expenses decreased from 1.3% in 2014 to (0.3%) in 2015. Other expense in 2015 was comprised mainly of an impairment of intangible assets of $3.3 million, offset by net income of $4.1 million due to a change in fair value of RBT contingent consideration as a result of several factors, including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria. Other expense in 2014 was comprised mainly of a downward adjustment in the fair value of Iluminage Beauty of $4.6 million and an impairment of intangible assets of $ 1.7 million, offset by net income of $3.0 million due to a change in the fair value of RBT contingent consideration as a result of several factors, including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria.

Impairment of goodwill

	Year Ended December 31,			
	2015	2014	$ Change	% Change
	(in thousands, except for percentages)			
Total impairment of goodwill	$ 3,843	$ 1,185	$ 2,658	224.3%
Total impairment of goodwill, net (as a percentage of total revenues)	1.4%	0.5%		

Impairment of goodwill in 2015 was comprised of $2.5 million and $1.3 million attributable to Cooltouch's acquisition and RBT's acquisition, respectively. Impairment of goodwill in 2014 was comprised of $1.2 million attributable to RBT's acquisition.

Financial Income (expenses), net

Financial income, net increased by $0.86 million, from ($0.69) million financial expenses, net in 2014 to $0.17 million financial income, net in 2015. The increase was primarily attributable to lower expenses from foreign currency transaction adjustments.

Taxes on Income

Taxes on income are dependent upon where our profits are generated, such as the location and taxation of our subsidiaries as well as changes in deferred tax assets and liabilities recorded mainly as part of business combinations. Taxes on income in 2015 were approximately $48,000 compared to $2.3 million in 2014. The extent of the change in taxes on income between 2015 and 2014 resulted primarily from the mix of products sold in different geographies and the Privileged Enterprise tax benefits of our Israeli operations, as well as the tax benefit recorded in 2015, which was mainly attributable to the decrease in deferred tax liabilities related to impairment of CoolTouch's intangible assets. As a Privileged Enterprise in Israel, we are exempt from taxes on income derived from our Privileged Enterprise, and we are obligated to pay taxes on income from other sources which are not integral to our Privileged Enterprise. Income tax expense (tax benefit) in 2015 and 2014 reflects the taxes on our subsidiaries' net income and the accrual recorded from our continuing exposures in accordance with ASC 740. We operate our business in various countries and attempt to utilize an efficient operating model to optimize our tax payments in compliance with the laws in the countries in which we operate.

Net loss

The net loss increased by $1.1 million in 2015, from a net loss of $5.2 million (2.0% of revenues) in 2014 to net loss of $6.3 million (2.3% of revenues) in 2015. The net loss of $6.3 million in 2015 included a net income of $4.1 million resulting from the fair value adjustment of a contingent consideration. The net loss of $5.2 million in 2014 included a net income of $3.0 million resulting from the fair value adjustment of a contingent consideration.

B. LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2016, we had working capital of $120.7 million. Our primary source of liquidity was $86.4 million in cash and investments portfolio. Approximately $0.01 million (with par value of $2.75 million) of the marketable securities that we held as of December 31, 2016 were auction-rate securities consisting of interests in collateralized debt obligations supported by pools of residential and commercial mortgages or credit cards, insurance securitizations and other structured credits, including corporate bonds. While the auction-rate securities held by us had AAA/Aaa credit ratings at the time of our purchase of these securities, as part of the credit market crisis, the auction-rate securities held by us have experienced multiple failed auctions. Although we did not record any impairment charge for the years ended December 31, 2014, 2015 and 2016, we cannot predict when the liquidity of these auction-rate securities will improve.

We believe that our cash balances and cash generated from operations will be sufficient to meet our anticipated cash requirements for the next 12 months. If existing cash and cash generated from operations are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. If we raise additional funds through the issuance of debt securities, these securities could have rights senior to those associated with our ordinary shares and could contain covenants that would restrict our operations. We cannot be sure that we will not require additional capital, nor that any such required additional capital will be available on reasonable terms, if at all.

Net Cash Provided By (Used In) Operating Activities. Net cash provided by operating activities was $16.1 million in 2014. Net cash in the amount of ($2.8) million was used in operating activities in 2015. Net cash in the amount of $8.4 million was provided by operating activities in 2016. The increase in net cash provided by operating activities was mainly related to the increase of the Company's operating income of $9.7 million.

Net Cash Provided By (Used In) Investing Activities. Net cash provided by (used in) investing activities was $4.2 million in 2014, $16.2 million in 2015 and $(2.6) million in 2016. Cash used in investing activities in 2016 was primarily attributable to purchases of property and equipment and investment in affiliated company which was offset from cash received from a sale of a subsidiary. Cash provided by investing activities in 2015 was primarily attributable to proceeds of sale and redemption of available-for-sale marketable securities, which was offset by purchase of available-for-sale marketable securities and purchase of property and equipment. For the year ended December 31, 2014, we invested $13.8 million in capital expenditures, which consisted of $11.0 million of net cash for the acquisition of New Star Lasers, Inc. in March 2014 and $2.8 million mainly for investment in our IT infrastructure and intangible assets.

Net Cash Provided By (Used In) Financing Activities. Net cash provided by (used in) financing activities was $1.0 million in 2014, $(13.5) million in 2015, and $(5.0) million in 2016. Net cash provided by financing activities in 2014 was attributable to proceeds from exercise of options, which was partially offset from repurchase of our shares from our shareholders in our share buy-back program in the amount of $0.5 million. Net cash provided by financing activities in 2015 was attributable to repurchase of shares from shareholders in the amount of $15.6 million. Net cash used in financing activities in 2016 was attributable mainly to repurchase of our shares in the amount of $3.9 million.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our internal research and development activities are conducted by a research and development staff consisting of 104 employees as of December 31, 2016. Our research and development efforts focus on the development of new products, as well as the extension of our existing products to new applications in the non-invasive aesthetic medical market. We have a number of new projects and products under development, mainly focusing on additional non-invasive aesthetic treatments. We expect to develop several major product initiatives in 2017 and 2018. The technologies used to develop such new products and applications are based on both ELOS technology and other aesthetic applications. Our research and development expenditures were $24.6 million in 2014, $25.3 million in 2015 and $23.0 million in 2016. We expect to continue to increase our expenditures on research and development in the future.

D. TREND INFORMATION

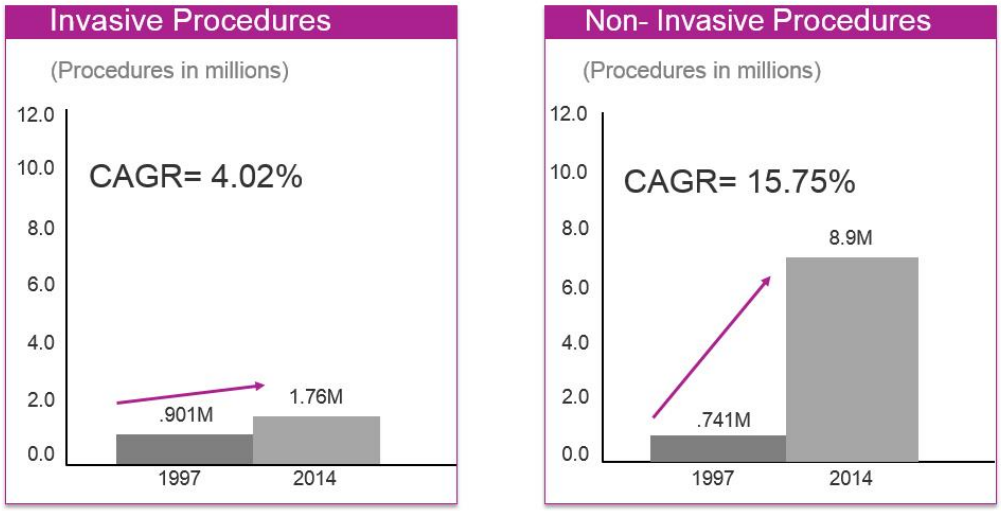
According to Medical Insight, Inc., an independent research firm, sales of global aesthetic products will exceed $8 billion and are expected to grow at an annual compounded rate of 11% from 2015 through 2020, with North America being the largest single regional market growing at 10.9%, Europe at 9.6% and APAC at 12.3%.

Drivers for the growth in the aesthetic markets include:

- Social media is opening new channels of communication and education with consumers;
- Greater acceptance of minimally/non-invasive aesthetic procedures across all age groups;
- Millennials have grown up with greater expectations of what skincare products can achieve;
- Aesthetic procedures are becoming the new normal for younger consumers as an extension of skin health and prevention of ageing ;
- Men are increasingly interested in aesthetics as an extension of their personal fitness and grooming;
- Expanding base of aesthetic providers is seeking patients beyond dermatologist and plastic surgeons; and
- There are a constant stream of new technologies and innovations from manufactures.

Growth in Non-Invasive Procedures

The projected growth in the aesthetic market generally is coupled with a strong market shift toward non-invasive procedures. According to the American Society for Aesthetic Plastic Surgery, non-invasive aesthetic procedures grew at a compound annual growth rate (CAGR) of 15.75% from 1997 to 2014, versus a CAGR of only 4.02% for invasive procedures.



Despite an already large installed base of devices, demand for energy-based aesthetic treatments continues to expand. This is particularly true for energy-based epilation, skin rejuvenation, tattoo and pigmented lesion removal, reduction of vascular lesions and acne treatments, which address major markets and offer significant benefits over conventional therapies. Since they are simple to use and require minimal medical expertise, physician assistants often perform the procedures, freeing the practitioner's time for higher-priced

treatments. Additionally, an increasing number of non-traditional physician specialties, such as family practitioners, internists and OB/GYNs, have expanded into aesthetic procedures as a means to supplement shrinking income from their conventional medical services.

Growth areas

The aesthetics industry is highly affected by new product introductions and innovation. We intend to continue to develop new products and procedures in the aesthetics industry's growth areas in order to grow our revenue and net income. These emerging growth market opportunities include new treatments for body shaping, skin rejuvenation, tattoo removal, pigmented lesions, vascular treatments, submental treatments, women's intimate wellness and hair removal, as follows.

Body shaping opportunities

Body-shaping and skin tightening treatments are among the high growth segments within the aesthetics industry, with annual growth projected at 16.3% through 2020, according to Medical Insight, Inc. In the U.S., the number of non-surgical fat reduction procedures grew 43% from 2013 to 2014, according to the American Society for Aesthetic Plastic Surgery. This trend results, in part, from the fact that, according to the American Heart Association, more than 150 million Americans over the age of 20 are overweight or obese.

We are positioned to address this growing need through our comprehensive body shaping portfolio, which includes UltraShape Power for non-invasive fat destruction as well as VelaShape III for non-invasive circumference reduction, skin tightening and cellulite reduction. In order to leverage these market opportunities, Syneron has developed a comprehensive business model that includes practice support for our customers. Our current practice support services are provided mainly in North America and include account management personal (our Practice Development Partners (PDPs)), who assist clinics in promoting body treatments, investment in co-op marketing, and provide other ongoing practice management support. Our Ultrashape Power product has a recurring revenue component that enables us to enjoy per treatment revenues by selling Focal Treatment Zone (FTZ) pulses to our customers. See " – Recurring revenue business model" below.

Submental Treatments

Fueled by rising consumer demand and technological advancements, there is a growing interest in non-surgical submental treatments (which includes the lower face, jowl line and neck area). This category is growing rapidly with new product introductions, including Allergan's Kythera (deoxycholic acid injection) and Zeltiq's dedicated submental applicator, both approved by the FDA in 2015. We entered this growing market in the second quarter of 2015 with the launch of Profound™, our unique radiofrequency-based micro-needling technology that addresses both submental fat as well as skin laxity.

Women's Intimate Wellness

There is rising global demand for gynecological and genitourinary treatments, as non-surgical solutions become available and awareness and social acceptance of such practices expands. As a result, this is a rapidly growing market segment among our core aesthetic physician customer base as well as broader target audiences like OB/GYNs. We are positioned to address this growth segment with our Co_2re Intima system, which we launched in 2016. The product incorporates a disposable component, thereby allowing us to benefit from both initial capital and recurring revenue sources.

Picosecond Lasers

The introduction of Picosecond laser technology to the energy-based aesthetic market in 2013 is an opportunity to address existing indications with an improved technological solution. Specifically, Picosecond laser technology interacts with tissue in an innovative way. The ultrashort pulse duration of our PicoWay device, which uses Picosecond laser technology, enables treatment of very small particles such as tattoo ink or natural pigment particles in the skin by the photomechanical effect instead of the photo-thermal effect. As a result, there is minimal thermal injury to the skin which results in a reduction in the number of treatments required, increased the comfort levels and safety of the treatment, and increased effectiveness of the treatment compared to older laser technology such as Q-switched nanosecond or longer pulse duration lasers. Picosecond laser technology was first introduced as an improvement to existing switch lasers to address tattoo removal and pigmented lesions, but has the potential to expand to other aesthetic categories such as skin rejuvenation, acne scars, toning and texture. We plan to continue to invest in our PicoWay device, which received FDA clearance for a new ultra-short 785nm wavelength (which is the third FDA cleared wavelength for PicoWay), including through additional technological development as well as clinical and regulatory expansion.

Recurring revenue business model

We are strategically focused on expanding our recurring revenue business model. This will allow us to generate revenues not only from the sale of capital equipment but also from patient treatment fees, and create a revenue-sharing model with our customers. We have incorporated a recurring revenue model into some of our older products as well as into several of our new products, such as UltraShape, CO_2RE Intima, and Profound. To the extent feasible, we intend to expand this model to other products in the future. We are supporting this strategy with a full-service approach in some markets, including extensive post-sale marketing and clinical support that creates value for our physician partners.

Finally, the growing emphasis by us and other companies in the aesthetics industry on the overall offering to customers, and not just technological leadership as in the past, may create a change in the barriers to entry and in the ability of the smaller players in the industry to compete effectively. As a result of a stronger focus on post-sale support (both marketing and clinical) and procedure brand recognition, ongoing relationships with customers and the provision of comprehensive multi-disciplinary support will be required.

Other trends

A number of significant mergers and acquisitions among our competitors have affected the aesthetics industry in recent years, with new types of players such as large pharmaceutical companies entering our space. In addition, there is evidence of growing collaboration and partnerships among aesthetic companies in the form of customer loyalty programs and special promotions. We continue to see consolidation among players in the industry, both among pure aesthetic players (such as aesthetic medical device companies) and within related industries (such as pharmaceuticals, injectable aesthetic products and cosmeceuticals), as the private pay business model remains attractive with few reimbursable procedures and continued patient demand.

In addition, we expect to see continued expansion by non-traditional physician specialties, such as OB/GYNs, family practitioners and internal medicine, into aesthetic treatments as they seek a cash-pay business to supplement a challenging reimbursement market environment.

On the consumer side, interest in hair removal products remains strong. In 2013, Syneron and Unilever Ventures created Iluminage Beauty, a global joint venture in home beauty devices, including hair removal devices. For additional information on this joint venture, please see Item 4.A. “Information on the Company – History and Development of the Company – Our History".

E. OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as such term is defined in the instructions to Item 5.E(2) of Form 20-F) that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual commitments as of December 31, 2016, excluding royalty payments commitments, and the effect those commitments are expected to have on our liquidity and cash flow in future periods:

	Payments Due by Period					
Contractual Obligations	**Total**	**Less than 1 year**	**1-2 years**	**2-3 years**	**3-5 years**	**Other**
	(In thousands)					
Operating leases (1)	$ 15,352	$ 5,392	$ 6,290	$ 2,792	$ 878	-
Unfunded severance pay (2)	80					80
Uncertain tax positions (3)	1,879					1,879
Total	$ 17,311	$ 5,392	$ 6,290	$ 2,792	$ 878	$ 1,959

(1) Consists of operating leases for our facilities and motor vehicles.

(2) Severance pay relates to accrued severance obligations to part of our Israeli employees as required under Israeli labor law. These obligations are payable only upon termination, retirement or death of the respective employee and there is no obligation if the employee voluntarily resigns.

(3) Uncertain income tax positions under ASC 740 guidelines for accounting for uncertain tax positions are due upon settlement, and we are unable to reasonably estimate the ultimate amount or timing of settlement. See Note 18 to our consolidated financial statements for further information regarding the Company's liability under ASC 740-10.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our executive officers and directors as of March 1, 2017:

Name	Age	Position(s)
Dr. Shimon Eckhouse	71	Active Chairman of the Board
Amit Meridor	56	Chief Executive Officer
Hugo Goldman	62	Chief Financial Officer
Philippe Schaison	54	CEO of Syneron Candela North America and Global Executive Vice President Strategy and Business Development
Paul Little	52	Chief Operations Officer
Sarit Soccary	45	Vice President Strategy and Business Development
Yariv Matzliach	52	Executive Vice President Distribution Channels
Robert Fielitz	49	Vice President and Managing Director of Europe, Middle East and Africa
Robert Ruck	56	Executive Vice President, Asia Pacific
Jeff Nardoci	56	Chief Commercial Officer
David Schlachet	71	Director
Dr. Michael Anghel	78	External Director
Yaffa Krindel	62	Director
Dan Suesskind	73	External Director
Dominick Arena	74	Director
Stephen Fanning	66	Director

Dr. Shimon Eckhouse was appointed Active Chairman of the Board of Directors on February 18, 2014 after serving as our CEO since April 17, 2013. Dr. Eckhouse is an uncle of Amit Meridor, our current CEO. Prior to Dr. Eckhouse's appointment as CEO, Dr. Eckhouse served as the Chairman of our board of directors since May 2004. Dr. Eckhouse is also the chairman of the board of several private companies, including OrSense Ltd., Calore Medical Ltd., Tulip Ltd., Rapid Medical Ltd., Opticul Ltd, RealView Ltd. and C3D Ltd., and a director of NanoCyte Ltd., a private company. In 2013, Dr. Eckhouse founded and currently chairs Alon MedTech Ventures Ltd., which is dedicated to the incubation of start-up companies in the medical technology field. Dr. Eckhouse was a co-founder of ColorChip Inc. and served as its chairman from 2003 to January 2004, and as its CEO from 2001 to 2003. Dr. Eckhouse was the chairman and CEO of ESC Medical Systems from its inception in 1992 until 1999. Prior to founding ESC Medical Systems (now Lumenis), Dr. Eckhouse was head of product development and technical director at Maxwell Technologies in San Diego, California. Before that, Dr. Eckhouse was a scientist, team leader and head of a department in Rafael, Armament Development Authority of Israel and was active in various areas of research and development, including lasers and electro-optics. Dr. Eckhouse holds a B.Sc. in physics from the Technion Israeli Institute of Technology and a Ph.D. in physics from the University of California at Irvine. He has more than 20 registered patents and published more than 50 papers in leading reference journals and conferences. He is also a member of the board of directors of the Technion Israeli Institute of Technology.

Amit Meridor was appointed as Chief Executive Officer of the Company on February 18, 2014. Mr. Meridor is a nephew of Shimon Eckhouse, our Chairman of the Board. Prior to his appointment as CEO, Mr. Meridor had served as President of the Company since July 1, 2013, with responsibility for a wide range of mandates in the areas of operations, marketing, services and business development. Before joining Syneron, Mr. Meridor served for three years as CEO of Tefron, Ltd. (TASE: TFRLF), a leading Israeli apparel company. During his tenure at Tefron, Mr. Meridor directed the reorganization of sales, financial, operational, and manufacturing processes, as well as important strategic business initiatives that returned the company to growth. From 2009 to 2010, Mr. Meridor was CEO of CMT Medical, a medical device company that he successfully restructured and sold to a major European medical technology conglomerate. Mr. Meridor’s experience also includes a previous tenure at Syneron from 2005 to 2008, when he served as Executive Vice President of International Sales and Business Development. Mr. Meridor holds a B.Sc. degree in industrial engineering from the Technion Israeli Institute of Technology and an M.B.A. from Tel-Aviv University.

Hugo Goldman was appointed as our Chief Financial Officer on November 5, 2012. From 2007 to 2012, Mr. Goldman served as CFO of Retalix, Ltd., a leading global provider of software and services to high volume, high complexity retailers that was dual-listed on Nasdaq and the TASE until it was acquired by NCR Corporation. From 2006 to 2007, Mr. Goldman was the CFO of AxisMobile, a publicly-traded company listed on the AIM stock exchange in London. From 2001 to 2006, Mr. Goldman served as CFO of VocalTec Communications Ltd. (currently magicJack VocalTec Ltd.; listed on Nasdaq). Prior to joining VocalTec, Mr. Goldman served as COO and CFO of Algorithmic Research Ltd., a subsidiary of a publicly-traded Nasdaq-listed company, from 2000 to 2001. From 1983 to 1999, Mr. Goldman held several finance positions of increasing responsibility in both Israel and the U.S. at Motorola Semiconductor (later renamed Freescale Semiconductor Inc. and thereafter acquired by NXP Semiconductors), ultimately reaching the position CFO of the company's Israeli operations. Mr. Goldman began his career at the accounting firm of Kesselman & Kesselman, now PricewaterhouseCoopers. Mr. Goldman holds a bachelor's degree in Accounting and Economics from the University of Tel-Aviv and an Executive M.B.A. from Bradford University with distinction. He is a certified public accountant in Israel.

Philippe Schaison was appointed as Chief Executive Officer Syneron Candela North America and Global Executive Vice President Strategy and Business Development in November 2016. Before joining Syneron, Dr. Schaison served as President of Allergan U.S. Aesthetic and Dermatology and was a member of the Allergan Executive Leadership Team. Before joining Allergan in 2013, Dr. Schaison served as President, World Wide Travel Retail & Regional President, LATAM and MEA, at Clarins in New York from 2010 to 2013. From 2008 to 2010, Dr. Schaison served as CEO for Aesthetic Factors, a manufacturer of point-of-care systems for regenerative medicines. From 2003 to 2008, Dr. Schaison served as Vice President of Global Skin Care for Johnson & Johnson. Prior to joining Johnson & Johnson, Dr. Schaison worked in executive positions at L'Oréal from 1997 to 2003. Dr. Schaison started his professional career at Merck & Company as a Group Manager in Paris. He is a Board Member of the Galien Foundation, New York. Dr. Shaison earned an MBA (Marketing) from the Hautes Etudes Commerciales (H.E.C.) in Paris, and a Doctorate in Pharmacy (Industrial) from the University of Paris.

Paul Little joined the Company as Chief Operating Officer in November 2016. Mr. Little brings over 30 years of experience in finance, business strategy and operations roles, spanning pharmaceutical, medical device, consumer packaged goods and public accounting industries. Prior to joining the Company, Mr. Little served in various leadership roles in Allergan, Inc. from May 2004 until October 2016, including as the vice president finance and head of commercial operations of Allergan Medical Aesthetics, where he built the finance and commercial operations functions (which included market leading products such as BOTOX®Cosmetic and JUVÉDERM®). Mr. Little was a member of the leadership team that resulted in key strategic business acquisitions including Inamed, SkinMedica and Kythera Biopharmaceuticals. Post-acquisition, Mr. Little led both finance and commercial operations integration activities. Prior to Allergan, Mr. Little spent 10 years with ConAgra Foods in leadership roles of increasing responsibility, most notably Vice President of Finance, International Foods Group, where he was responsible for international accounting and strategic and operational planning. He began his career in public accounting at KPMG. Mr. Little earned a BA in Business Economics from the University of California, Santa Barbara.

Sarit Soccary joined the Company as Vice President Business Development and Strategy in 2013. Prior to joining Syneron from 2010 – 2013, Ms. Soccary was the CEO of GEFEN Biomed Investments Ltd. (TASE), managing 33 portfolio companies in the areas of healthcare (biotech and medical devices). From 2007 – 2010, Ms. Soccary served as CEO of ATI, a technology incubator with 28 portfolio companies. Prior to her work at ATI, Ms. Soccary was a Principal and one of the founding members of L Capital Partners, an NYC-based venture capital fund, from 2004 – 2007. Before joining L Capital Partners, Ms. Soccary worked as a Senior Associate at Shalom Equity Fund from 1999 – 2004. Before such time, Ms. Soccary held a management consulting position and worked with various companies. Ms. Soccary served since 2006 on the Board, Audit and Compensation Committees of Mazor Surgical Ltd., a publicly-traded NASDAQ company. She holds a BA and MA in Economics from Tel Aviv University.

Yariv Matzliach was appointed Executive Vice President Distribution Channels on November 1, 2016. Dr. Matzliach has over 20 years of global medical devices experience. Prior to joining the Company, Dr. Matzliach was the Chairman of Phoenicia Flat Glass Industries Ltd. from 2015 to 2016. From 2011 until 2015, Dr. Matzliach was the CEO of Dip-Tech, a leading provider of digital in-glass printing solutions. A co-founder of Alma Lasers, a global developer, manufacturer and provider of cosmetic laser solutions and medical lasers, Dr. Matzliach served Alma Lasers from 2004 to 2011 in various management roles with global responsibility, including President of the company. Prior to Alma Lasers, Dr. Matzliach served in sales and marketing positions at various medical companies such as Elscint, CMT, ESC and Lumenis (where he served as Director of Global Marketing, Aesthetic Business Unit). Dr. Matzliach received a Doctor of Dental Surgery at in the University of Mexico City, and completed an Executive Business Administration course at Elscint Ltd. in Paris.

Robert Fielitz joined the Company in September 2013 as Executive Vice President and Managing Director of Europe, Middle East and Africa (EMEA). Prior to joining the Company, Mr. Fielitz served as Managing Director of EMEA operations for Palomar Medical Technologies from 2006 – 2013. Before that he served as Director of EMEA for Lumenis Lasers from 2003 – 2006. Prior to 2003, Mr. Fielitz worked for Boston Scientific in its Coronary & Peripheral Vascular SciMed division. Mr. Fielitz is an alumnus of both The Citadel, Military College of South Carolina and of Harvard Business School.

Robert Ruck was appointed in March 2014 as Executive Vice President responsible for our Asia Pacific business and is based in Hong Kong. He is an industry veteran having spent six years with Sciton and nearly seven years with Lumenis in various sales, marketing, and general management roles with global responsibility. Prior to Lumenis, Mr. Ruck was a business strategy consultant working with medical device companies to accelerate their growth. Before becoming a consultant, he served as an infantry officer in the U.S. Army. Mr. Ruck holds a Master in Public Policy (MPP) in Applied Economics from Harvard University and a Bachelor of Science (BS) in Engineering and Economics from the U.S. Military Academy at West Point.

Jeff Nardoci was appointed as Chief Commercial Officer of the Company in January 2016. Prior to joining the Company, Mr. Nardoci was a member of the executive staff at Banner Health**,** a $6 billion healthcare system company from April 2014 to April 2015. In his role as SVP, Chief Strategy & Marketing Officer, he was responsible for Mergers & Acquisitions, Business Development, Marketing, Public Relations and Service Excellence, helping lead Banner's transformation into a consumer-focused population health delivery system. Prior to Banner, Mr. Nardoci was a Corporate Officer with Solta Medical Inc. from September 2009 until February 2014 and helped drive Solta Medical's international expansion until Solta was ultimately acquired by Valeant Pharmaceuticals in 2014. Prior to Solta, Mr. Nardoci worked at Bausch & Lomb, serving in multiple VP and General Manager roles across a number of business units and disciplines. Before joining Bausch & Lomb, Jeff spent five years in consulting with Meridian Euro RSCG leading the sales outsourcing arm of the company and helping start-up organizations develop go-to-market strategies across a wide range of industries and channels. Prior to Meridian, Jeff was in various Marketing Management roles at Nabisco Brands. Jeff received a BA in Economics from Fairleigh Dickinson University and an Associate Degree in Accounting from Alfred State University.

David Schlachet currently serves as a director. He previously served as Chairman of our board from May 22, 2013 until February 18, 2014, after which he remained a member of the Board. Mr. Schlachet previously served as our CEO from November 2005 until May 14, 2007, when he resigned as our CEO and was appointed to our board of directors. He served as a director until he was appointed as our interim Chief Financial Officer from August until November 2012 (after which he returned to service as a director). From July 2004 to November 2005, Mr. Schlachet served as our Chief Financial Officer. From 2000 to June 2004, Mr. Schlachet served as Managing Partner of Biocom, a venture capital fund specializing in the life sciences area. From 1995 to 2000, Mr. Schlachet served as a senior Vice President and Chief Financial Officer of Strauss Elite Holdings, a packaged food group. From June 1997 to June 2000, Mr. Schlachet also served as an active chairman of Elite Industries, a coffee confectionary and salty snacks company which is a subsidiary of Strauss Group Ltd. (TASE: STRS). From 1990 to 1995, Mr. Schlachet served as Vice President of Finance and Administration of the Weizmann Institute of Science. Mr. Schlachet serves as a director for Nasdaq-listed Ezchip (formerly LanOptics Ltd.) (Nasdaq: EZCH) and for NYSE MKT-listed BioTime Inc. (NYSEMKT: BTX). In addition, Mr. Schlachet serves as a director of TASE-listed companies Taya Investments Ltd., Mazor Robotics Ltd. (which also trades on Nasdaq) and BioCancell Therapeutics Inc. From November 2008 to December 2012, Mr. Schlachet has served as a director of the TASE, Chairman of TASE audit committee, and also as a director and audit committee member of the TASE Clearing House. Mr. Schlachet also serves as chairman of the board of CellCure Therapeutics, a privately-owned Israeli company. Mr. Schlachet holds a B.Sc. degree in chemical engineering and an M.B.A. from Tel-Aviv University (specialized in finance).

Dr. Michael Anghel has served as a director since November 2004. Until 2005, Dr. Anghel served as the President and CEO of Israel Discount Capital Markets & Investments Corp., a subsidiary of the Israel Discount Bank. From 2000 to 2004, Dr. Anghel served as the CEO of CAP Ventures, an operating venture capital company he founded that has invested and established a number of information technology and communications enterprises. As a senior executive of DIC, IDB, a major Israeli holding company, since 1977, Dr. Anghel has been directly involved in founding, managing and directing a variety of industrial, technology and financial enterprises. Dr. Anghel served as a director of major publicly listed corporations and a number of financial institutions. Dr. Anghel is currently a director of Bioline Rx Ltd. (TASE: BLRX), Evogene Ltd. (TASE/Nasdaq: EVGN), Dan Hotels Ltd. (TASE: DANH), Partner Communications Company Ltd. (TASE/Nasdaq: PTNR), Strauss Group Ltd. (TASE: STRS), Orbotech Ltd. (Nasdaq: ORBK), and until recently at several private companies. In addition, Dr. Anghel is a former chairman of the board of CET – the Israeli Center for Education Technology. From 1969 to 1977, Dr. Anghel was a full-time member of the faculty of the Graduate School of Business at the Tel-Aviv University. Dr. Anghel is currently the Chairman of the university's executive program. Dr. Anghel served on various Israeli governmental policy committees in the areas of communications and public finance. Dr. Anghel received his B.A. in Economics from the Hebrew University in 1960, an M.B.A. in Economics and Finance from Columbia University in 1964, and a Ph.D. in International Finance from Columbia University in 1969.

Yaffa Krindel has served as a director since November 2005. From 1997 until 2007, Ms. Krindel served as Partner and Managing Partner of Star Ventures, a private venture capital fund headquartered in Munich, Germany. Before joining Star Ventures, Ms. Krindel served from 1992 and 1996 as CFO and VP Finance of Lannet Data Communications Ltd., a publicly-traded company on Nasdaq which is now part of Avaya Inc. From 1993 to 1997, she served as CFO and later as director of BreezeCOM Ltd., a global provider of autonomous Wi-Fi networks, which was traded on Nasdaq and TASE. Ms. Krindel served on the boards of Fundtech Ltd., which was traded on Nasdaq until its acquisition by private equity fund GTCR and Voltaire Ltd. until its acquisition by Mellanox Technologies Ltd. She currently serves on the board of Itamar Medical Ltd., a public medical device company trading in TASE, BGN Technologies Ltd., the technology transfer company of Ben Gurion University and two start-up medical device companies. Throughout her career, Ms. Krindel served on the boards of approximately thirty private hi-tech companies. Ms. Krindel has earned an M.B.A. from Tel Aviv University and a B.A. in Economics and Japanese Studies from the Hebrew University in Jerusalem, both with distinction.

Dan Suesskind has served as a director since November 2004. Mr. Suesskind served as the Chief Financial Officer in Teva Pharmaceutical Industries (TASE/NYSE: TEVA) from 1977 until 2008, and as a director in Teva from 1990 to 1991 and from 2010 to 2014. Mr. Suesskind currently serves as a director of Israel Corporation Ltd. (TASE: ILCO), and RedHill Biopharma Ltd. (NASDAQ: RDHL; TASE: RDHL). He previously served as a director in the First International Bank of Israel Ltd., Migdal Insurance Ltd., Ness Technologies Ltd., ESC Medical Systems Ltd. (now Lumenis Ltd.) and Lanoptics Ltd (now EZChip Ltd.). Mr. Suesskind currently serves as a member of the executive committee of the Jerusalem Foundation, and on the Board of Trustees of Hebrew University. From 1970 until 1976, Mr. Suesskind was a consultant and securities analyst with I.C. International Consultants Ltd. Mr. Suesskind received a B.A. in Economics and Political Science from the Hebrew University in 1965, a certificate in Business Administration from the Hebrew University in 1967, and an M.B.A. from the University of Massachusetts in 1969.

Dominick Arena has served as a director since March 2012, left the Board for personal reasons in May 2013, and was reappointed on February 18, 2014. Mr. Arena has more than 30 years of executive experience in healthcare. He is a founding partner of Leucadia Equities, LLC, which provides business advisory services focused on the healthcare industry, where he has served as partner from 2006 until the closing of Leucadia on December 31, 2015. In addition, he is currently an operating partner of Water Street Healthcare Partners, where he interfaces with CEOs of prospective platform or bolt-on companies in the medical device market, where he has served from 2006 to the present. From 2005 to 2006, Mr. Arena was President of Smiths Critical Care, which manufactures and markets medical devices in critical care settings, where he directed the post-acquisition integration of Medex Medical into Smiths Medical. From 2000 to 2005, Mr. Arena was CEO of Medex Medical, a leading global manufacturer of critical care medical products. From 1997 to 2000, Mr. Arena served in top management positions with Furon Company, an engineered plastics company. Mr. Arena has also served as the CEO or President of three medical device manufacturing companies, including AnaMed International, Hudson Respiratory Care, Inc., and Respiratory Care, Inc. Mr. Arena holds a Bachelor of Science degree in Chemistry from Le Moyne College.

Stephen J. Fanning was appointed a director on February 18, 2014. Mr. Fanning has an extensive background in the healthcare, consumer pharmaceuticals and consumer package goods industries. In March 2014, Mr. Fanning was appointed President and Chief Executive Officer of Z-Medica Corporation. Beginning in January 2005, Mr. Fanning served for nine years as President and CEO of Solta Medical, Inc. (formerly Thermage, Inc.), a global leader in the medical aesthetics market. From 2001 to 2005, Mr. Fanning was President and CEO (and a member of the board of directors) of Ocular Sciences, Inc., a public company which developed, manufactured and marketed disposable contact lenses (Ocular Sciences was successfully acquired by CooperVision in 2005). Prior to joining Ocular Sciences, Mr. Fanning worked for 25 years for Johnson & Johnson, one of the world's largest manufacturers of healthcare products, where he served in various senior executive positions including President, Worldwide, of J&J's McNeil Specialty Products division, and President of Johnson & Johnson Medical, a medical device company. Mr. Fanning also served as Managing Director of J&J Austria/ Switzerland, and Vice President, Sales, of J&J's McNeil Consumer Products Division. Mr. Fanning holds a Bachelor of Science degree from Philadelphia University.

Our CEO serves at the discretion of our board of directors and holds office until his or her successor is elected or his or her earlier resignation or removal. Each other executive officer, in his or her capacity as such, serves at the discretion of our CEO and holds office until his or her successor is elected or his or her earlier resignation or removal.

B. COMPENSATION

The aggregate direct compensation that we and our subsidiaries paid to our executive officers and directors as a group for the year ended December 31, 2016 was approximately $5.8 million. This amount includes approximately $0.55 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, but does not include expenses we incurred for other payments, including dues and expenses for professional and business associations reimbursed to office holders, business travel, relocation, expenses incurred to attend board or committee meetings reimbursed to directors and other benefits commonly reimbursed or paid by companies in our industry.

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, 2016. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives." For purposes of the table below, "compensation" includes amounts accrued or paid in connection with salary cost, consultancy fees, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation. All amounts reported in the table are in terms of cost to the Company, as recognized in our financial statements for the year ended December 31, 2016, plus compensation paid to such Covered Executives following the end of the year in respect of services provided during the year. Each of the Covered Executives was covered by our D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law and our articles of association.

Name and Principal Position (1)	Salary (2)	Bonus (3)	Commission (4)	Equity-Based Compensation (5)	Total
	U.S. Dollars (in thousands)				
Dr. Shimon Eckhouse, Active Chairman of the Board	446	-	-	280	726
Amit Meridor, CEO	699	-	-	410	1,109
Hugo Goldman, CFO	408	57	-	165	630
Robert Fielitz, VP and Managing Director of Europe, Middle East and Africa	220	31	220	193	665
Robert Ruck, EVP and Managing Director of Asia Pacific	270	69	203	57	599

(1) All Covered Executives are employed on a full time (100%) basis. Cash compensation amounts denominated in currencies other than U.S. dollars were converted into U.S. dollars at the average exchange rate for the year ended December 31, 2016 (for NIS the exchange rate was 3.83 for the year ended December 31, 2016).

(2) Salary includes the Covered Executive's gross salary plus payment of social benefits made by the Company on behalf of such Covered Executive. Such benefits may include, to the extent applicable to the Covered Executive, payments, contributions and/or allocations for savings funds (for example, Managers' Life Insurance Policy), education funds (referred to in Hebrew as "keren hishtalmut"), pension, severance, risk insurances (for example, life or work disability insurance), payments for social security and tax gross-up payments, vacation, medical insurances and benefits, convalescence or recreation pay and other benefits and perquisites consistent with the Company's policies.

(3) Represents annual bonuses granted to the Covered Executive based on formulas set forth in the respective resolutions of the Company's Compensation Committee and the Board of Directors.

(4) Represents commission payments made with respect to sales achievements, targets and other milestones.

(5) Represents the equity-based compensation expenses recoded in the Company's consolidated financial statements for the year ended December 31, 2016, based on the option's fair value on the grant date, calculated in accordance with accounting guidance for equity-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note16.d to our consolidated financial statements for the year ended December 31, 2016.

Employment Agreements

We have entered into employment or consultant agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable laws. For information on exemption and indemnification letters granted to our officers and directors, please see Item 10.B. “Memorandum and Articles of Association – Exculpation, Indemnification and Insurance of Directors and Officers”.

Director Compensation

The aggregate direct compensation we paid to our directors who are not executive officers for their services as directors as a group for the year ended December 31, 2016 was approximately $1.8 million in total, which amount includes payment to our chairman of the board but does not include expenses we incurred for other payments, including expenses incurred to attend board or committee meetings reimbursed to directors, and other benefits commonly reimbursed or paid by companies in our industry.

Our directors (other than Chairman of the Board) receive the following compensation for their services: (i) annual fee of $45,000; (ii) a Board of Directors or committee meeting participation fee of $1,500 (participation via conference call entitles the director to 50% of the participation fee); (iii) additional annual fee of $5,000 for the chairman of the Company’s audit committee and for the chairman of the Company's compensation committee; and (iv) a grant of either 63,000 options or 21,000 RSUs or a combination thereof (at the director's option) for three years' service, effective on January 1, 2014 and vesting in equal quarterly installments. On September 12, 2016, shareholders approved a grant of 21,000 RSUs for three years' service, which would be effective on January 1, 2017 and would vest in equal quarterly installments beginning March 31, 2017 and at the end of each quarter thereafter, with the last quarterly installment vesting on December 31, 2019. Each RSU provides the right to receive one Syneron ordinary share upon vesting. Options and RSUs granted to new directors will be on substantially the same terms, except that the options will have a grant date which is the date such grant are approved by the Company's Board of Directors and the exercise price will be equal to the fair value as determined by the Board of Directors at the time of the grant. Directors are also entitled to reimbursement of out of pocket expenses.

For information about the compensation paid to our Active Chairman, please see below " – Specific Compensation Arrangements with Company Directors and Officers".

Option Grants

As of March 1, 2017, our directors and officers (sixteen persons) had outstanding options to purchase 1,537,671 ordinary shares (of which 957,585 options were in-the-money and 580,086 were out of the money) with exercise prices ranging from $0.00 to $11.47. Of these options, 427,500 will expire in 2019, 462,000 will expire in 2020, 105,000 will expire in 2021, 172,086 will expire in 2022 and 370,585 will expire in 2023 and thereafter.

In connection with the hiring of Dr. Schaison, Mr. Little and Dr. Matzliach in November 2016, the Compensation Committee approved the following grants: (i) 300,000 options to purchase ordinary shares and 100,000 restricted stock units to Dr. Schaison, (ii) 200,000 options to purchase ordinary shares to Mr. Little and (iii) 200,000 options to purchase ordinary shares to Dr. Matzliach. The options granted to the three executives are included in the above summary of outstanding options to our officers and directors. The grants to Dr. Schaison and Mr. Little were in the form of employment inducement awards approved by the Compensation Committee as an inducement material to their entering into employment with Syneron in accordance with NASDAQ Listing Rule 5635(c)(4).

For a description of the plans pursuant to which such options were granted, please see Item 6.E. “Directors, Senior Management and Employees – Share Ownership”.

Specific Compensation Arrangement with Active Chairman of the Board

Shimon Eckhouse

On June 24, 2015, shareholders approved the following compensation to Dr. Eckhouse in consideration for his service as Active Chairman of the Board:

- An annual salary of $300,000;

- A grant of 225,000 options or 75,000 RSUs (at Dr. Eckhouse's option) for three years' service, effective June 24, 2015, which would vest in equal quarterly installments beginning June 30, 2015 and at the end of each quarter thereafter, with the last quarterly installment vesting on March 31, 2018. Each RSU provides the right to receive one Syneron ordinary share upon vesting. The exercise price of the options is equal to the closing price of the ordinary shares on June 24, 2015, and the options expire 10 years from the date of grant. The options or RSUs were granted pursuant to the Company's 2014 Israeli Stock Incentive Plan and will continue to vest so long as Mr. Eckhouse continues to provide services to the Company as Chairman, director, or an employee; and

- Reimbursement of out of pocket expenses as provided by applicable laws and the Company's policy.

In addition, Dr. Eckhouse is eligible to participate in any benefits available to the executive officers of the Company, including but not limited to pension and disability insurance, education fund, car allowance or use of a Company car and other benefits or programs of the Company now existing or that may be later adopted.

Compensation Policy

Pursuant to the Companies Law, the employment terms of Company officers and directors must be determined in accordance with a directors and officers compensation policy (the "Compensation Policy"). Such Compensation Policy must be approved by (i) the Board of Directors upon the recommendation of the Compensation Committee, and (ii) shareholders by a majority vote of the shares present and voting at a meeting of shareholders called for such purpose, provided that either: (a) such majority includes at least a majority of the shares held by all shareholders who are not controlling shareholders and do not have a personal interest in the approval of such compensation policy; or (b) the total number of shares of non-controlling shareholders and shareholders who do not have a personal interest in the approval of the compensation policy and who vote against the arrangement does not exceed 2% of the company’s aggregate voting rights. However, under the Companies Law, if shareholders of the company do not approve the compensation policy, the compensation committee and board of directors may override the shareholders’ decision if each of the compensation committee and board of directors provide detailed reasons for their decision. In addition, pursuant the Companies Law, the compensation policy must be approved at least once every three years by the company’s board of directors, after considering the recommendations of the compensation committee. Following the approval of the Compensation Committee and Board, our Compensation Policy received the required approval by our shareholders on July 18, 2013. An updated version of our Compensation Policy was approved by our shareholders on September

12, 2016. The Company's Compensation Policy includes both long term and short term compensation elements. It is intended to further the Company's efforts at attracting, motivating and retaining highly experienced and dedicated personnel to lead our success and to enhance shareholder and stakeholder value, while supporting a performance culture that is based on merit, differentiating and rewarding excellent performance in the long term, and recognizing our values.

C. BOARD PRACTICES

Board of Directors

Our board of directors currently consists of seven directors, six of whom are independent under Nasdaq rules. Our audit committee consists of four directors, all of whom are independent under such rules. In addition, Israeli law requires that we have at least two external directors, as described in greater detail below.

In general, the number of members of our board of directors will be determined from time to time by a vote of at least 75% of the ordinary shares present and entitled to vote at a shareholders' meeting, provided that there shall be no more than seven and no fewer than three directors. Two of the directors, Dr. Anghel and Mr. Suesskind, are both external directors under Israeli law and are independent for Nasdaq purposes.

Other than external directors, who are subject to special election requirements under Israeli law, our directors are elected in three staggered classes by the vote of a majority of the ordinary shares present, in person or by proxy, at a shareholders' meeting. The directors of only one class are elected at each annual meeting, so that the regular term of only one class of directors expires annually. At our annual general meeting held on July 15, 2014, Dr. Eckhouse, who comprises our third class of directors, was elected to serve through the end of the third annual general meeting of the shareholders following the meeting held in 2014. At our annual general meeting held on June 24, 2015, Mr. Schlachet and Mr. Arena, who comprise our first class of directors, were each elected for a three-year term to serve through the end of the third annual general meeting of the shareholders following the meeting held in 2015. At our annual general meeting held on September 12, 2016, Ms. Krindel and Mr. Stephen J. Fanning, who comprise our second class of directors, were elected for a three-year term to serve through the end of the third annual general meeting of the shareholders following the meeting held in 2016.

The external directors are not assigned a class. At our annual general meeting held on September 12, 2016, our external directors, Dr. Michael Anghel and Mr. Dan Suesskind, were reelected for a three-year term, effective as of November 7, 2016.

The general meeting of our shareholders may dismiss a director during his or her term of office only by a vote of at least 75% of the ordinary shares present and entitled to vote (except for external directors, who may be dismissed only in the manner prescribed in the Israeli Companies Law, 5759-1999). We have employment and consultancy agreements with our principal executive officers. These agreements are in accordance with our Compensation Policy and contain salary, benefit, non-competition and other provisions that we believe to be customary in our industry. In addition, these agreements provide for up to nine months of liquidation fees in certain events of termination of employment. Agreements with our directors (serving in that capacity) do not provide for benefits upon termination of service.

Our CEO serves at the discretion of our board of directors and holds office until his or her successor is elected or his or her resignation or removal.

External Directors

Under the Israeli Companies Law and Regulations promulgated thereunder, an Israeli company which is listed for trading on a stock exchange in or outside of Israel is required to appoint at least two external directors to serve on its board of directors. Such external directors are not required to be Israeli residents in the case of a company such as ours listed on a foreign stock exchange. Our external directors are Dr. Anghel and Mr. Suesskind. A person may be appointed as an external director only if he or she has "professional qualifications" or possess "financial and accounting expertise" (provided that at least one of our external directors has "financial and accounting expertise"). If another director: (i) meets the independence requirements under the Securities Exchange Act of 1934, as amended; (ii) meets the requirements of an independent director under the Nasdaq rules; and (iii) has "financial and accounting expertise", then neither of our external directors are required to have "financial and accounting expertise" provided that each has "professional qualifications". Each external director is appointed to a three year term and may not be appointed to an additional term unless: (i) such director has "accounting and financial expertise;" or (ii) he or she has "professional expertise," and on the date of appointment for another term there is another external director who has "accounting and financial expertise" and the number of "accounting and financial experts" on the board of directors is at least equal to the minimum number determined appropriate by the board of directors.

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

- holds an academic degree in economics, business administration, accounting, law or public administration;
- holds another academic degree or has other form of higher education in the main business of the company or in a relevant area for the board position; or
- has at least five years' experience in one or more of the following capacities (or a combined five years' experience in at least two or more of these): (a) senior management position in a corporation of significant volume of business; (b) senior public office or position in the company's primary field of business; or (c) senior position in public administration or service.

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

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

A person may not be appointed as an external director if the person is a relative of a controlling shareholder or if at the date of the person's appointment or within the prior two years the person, or his or her relative, partner, employer, someone to whom he or she is subordinate, whether directly or indirectly, or an entity under the person's control, has or had any affiliation with any of: (i) the Company, (ii) any entity controlling the Company, (iii) a relative of the controlling shareholder on the date of the appointment, or (iv) any entity controlled, by the Company or by our controlling shareholder as of the date of the appointment or within the preceding two years. If there is no controlling shareholder or no shareholder holding 25% or more of voting rights in the Company, a person may not serve as an external director if the person has any affiliation with any person who, as of the date of the person's appointment, was our chairman of the board of directors, our chief executive officer, any of our shareholders holding 5% or more of the company's shares or voting rights, or our chief financial officer.

Under the Companies Law, "affiliation" includes**:**

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

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

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

In addition, a person may not serve as an external director if that person or that person's relative, partner, employer, a person to whom such person is subordinate (directly or indirectly) or any entity under the person's control has a business or professional relationship with a party with which an affiliation is prohibited under the Companies Law as discussed above, even if such relationship is intermittent (excluding insignificant relationships). Additionally, any person who receives compensation in excess of the compensation to which such director is entitled by the Companies Law for his/her directorship in the company (excluding exemption, indemnification, exculpation and insurance permitted under the Companies Law) will be disqualified from serving as an external director.

A person may not serve as an external director if that person's position or other business activities create, or may create, a conflict of interest with the person's service as a director or may otherwise interfere with the person's ability to serve as a director. If at the time any external director is appointed, all members of the board who are neither controlling shareholders nor relatives of controlling shareholders are the same gender, then the external director to be appointed must be of the other gender. A director of a company shall not be appointed as an external director of another company if at such time a director of the other company is acting as an external director of the first company. No person may serve as an external director if the person is an employee of either the Israel Securities Authority or an Israeli stock exchange.

Until the lapse of two years from the termination of office, none of the companies in which such external director served, its controlling shareholder or any entity under control of such controlling shareholder may, either directly or indirectly, grant such former external director, or his or her spouse or child, any benefit, including via (i) the appointment of such former director or his or her spouse or his or her child as an office holder in the company or in an entity controlled by the company's controlling shareholder, (ii) the employment of such former director and (iii) the engagement, either directly or indirectly, of such former director as a provider of professional services for compensation, including through an entity under his or her control. The same restrictions above apply to relatives other than a spouse or a child, but such limitations shall only apply for one year from the date such external director ceased to be engaged in such capacity. External directors are elected by a majority vote at a shareholders' meeting, so long as either:

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

- the total number of shares of such shareholders who have voted against the election of the external director does not exceed 2% of the aggregate voting rights of our company (Initial External Director Majority).

The Companies Law provides for an initial three-year term for an external director, which may be extended, subject to certain conditions described below, for two additional three-year terms. The term of office for external directors for Israeli companies traded on certain foreign stock exchanges, including the Nasdaq Global Market, may be further extended, indefinitely, in increments of additional three-year terms, in each case provided that both the audit committee and the board of directors confirm that, in light of the expertise and contribution of the external director, the extension of such external director's term would be in the best interest of the company. Other than the initial three-year term, an external director may only be appointed to each additional three-year term if one of the following conditions is met: (i) his or her service for each such additional term is recommended by one or more shareholders holding at least 1% of the company's voting rights and is approved at a shareholders meeting by a disinterested majority (as provided in the Companies Law); (ii) the external director proposed his or her own nomination, and such nomination was approved by a disinterested majority as described above; or (iii) his or her service for each such additional term is recommended by the board of directors and is approved at a meeting of shareholders by an Initial External Director Majority.

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

An external director is entitled to compensation and reimbursement of expenses in accordance with regulations promulgated under the Companies Law and is prohibited from receiving any other compensation, directly or indirectly, in connection with serving as a director except for certain exculpation, indemnification and insurance provided by the company, as specifically allowed by the Companies Law.

Committees of the Board of Directors

Our board of directors has established three standing committees, the audit committee, the compensation committee and the nominating and governance committee.

Audit Committee. Under the Companies Law, the board of directors of any public company must establish an audit committee consisting of at least three directors a majority of whom are deemed Independent Directors (as defined below) under the Companies Law, including all of the company's external directors (subject to certain relief available to companies traded on certain foreign stock exchanges, including the Nasdaq Global Market). In addition, under the listing requirements of the Nasdaq Global Select Market, we are also required to maintain an audit committee of at least three members, all of whom are independent directors under the Nasdaq listing requirements. Nasdaq rules also require that at least one member of the audit committee be a financial expert.

Pursuant to the Companies Law, the majority of members of the audit committee, as well as a majority of members present at audit committee meetings, subject to certain exclusions, must be independent directors (as defined below), and the audit committee chairman must be an external director. Please also see Item 10.B. "Additional Information – Memorandum and Articles of Association – Election of Directors".

In addition, the following are disqualified from serving as members of the audit committee: the chairman of the board, a controlling shareholder and his or her relatives, any director employed by the company or by its controlling shareholder or by an entity controlled by the controlling shareholder, a director who regularly provides services to the company or to its controlling shareholder or to an entity controlled by the controlling shareholder, and any director who derives the majority of his or her income from the controlling shareholder. Any person disqualified from serving as a member of the audit committee may not be present at audit committee meetings, unless the chairman of the audit committee has determined that the presence of such person is required to present a matter to the meeting or if such person qualifies under an available exemption in the Companies Law.

An "Independent Director" is defined as an external director or a director who meets the following conditions: (i) he or she satisfies certain of the conditions for appointment as an external director (as described above) and the audit committee has determined that such conditions have been met, and (ii) he or she has not served as a director of the company for more than nine consecutive years, with any interruption of up to two years in his or her service not being deemed a disruption in the continuity of such service. An independent director may serve more than nine consecutive years, for periods of up to three years at a time, if the audit committee and board of directors find that, given the expertise and special contributions of the independent director to the work of the audit committee and board, continued service is in the best interest of the company.

Our audit committee, acting pursuant to a written charter, is currently comprised of Dr. Anghel, Chairman, who has been designated as the audit committee financial expert, Ms. Krindel, Mr. Schlachet, and Mr. Suesskind. All of the audit committee members have been determined to be independent as defined by the applicable Nasdaq and SEC rules.

The audit committee provides assistance to the board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The audit committee also oversees the audit efforts of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management. Under the Companies Law, the audit committee also is required (i) to monitor deficiencies in the administration of the company, including by consulting with the internal auditor, (ii) to review and approve related party transactions, (iii) to determine whether certain related party transactions are "material" or "extraordinary" to ensure requisite approval procedures are followed, (iv) to determine whether to carry out competitive procedures or other procedures before any engagement in transactions with controlling shareholders or in which a controlling shareholder has a personal interest, (v) to determine the approval procedures for transactions involving a controlling shareholder that are non-negligible (i.e., transactions that are classified by the audit committee as non-negligible, even though they are not deemed extraordinary transactions), and the types of such transactions that will be subject to the approval of the audit committee, (vi) to assess the scope of the work and the compensation of the company's external auditor, (vii) to assess the company's internal audit system and the performance of its internal auditor, and (viii) to determine procedures for handling employees' complaints regarding irregularities in the management of the Company's business and providing these employees with appropriate whistleblower protection. Following a recent amendment to the Companies Law, a company whose audit committee meets the requirements set for the composition of a compensation committee (as further detailed below) is permitted to have one committee acting as both audit and compensation committees.

Compensation Committee. Under the Companies Law, the board of directors of a public company must establish a compensation committee consisting of at least three directors and including all of the external directors. The remaining members must be qualified to serve on the audit committee, pursuant to Companies Law requirements described above. The compensation committee chairman shall be an external director. Any person disqualified from serving as a member of the compensation committee may not be present at the compensation committee meetings, unless the chairman of the compensation committee has determined that the presence of such person is required to present a matter to the meeting or if such person qualifies under an available exemption in the Companies Law.

The provisions of the Companies Law that govern the compensation and reimbursement terms of external directors also apply to members of the compensation committee who are not external directors.

Our compensation committee, acting pursuant to a written charter, is currently comprised of Dr. Anghel, Chairman, Ms. Krindel and Mr. Suesskind. In addition to the Companies Law requirements described in Item 10.B. "Memorandum and Articles of Association – Approval of Related Party Transactions under Israeli Law – Office Holders"), the composition and functions of the compensation committee meet the requirements of applicable Nasdaq rules, with which we comply voluntarily. All of the compensation committee members have been determined to be independent as defined by applicable Nasdaq rules. In addition, our compensation committee makes recommendations to the board of directors regarding the issuance of employee share incentives under our share option and benefit plans and the provision of incentive compensation for our other employees.

Nominating and Governance Committee. Our nominating and governance committee, acting pursuant to a written charter, is comprised of Mr. Schlachet, Dr. Anghel and Ms. Krindel. The committee is responsible for making recommendations to the board of directors regarding candidates for directorships and the size and composition of the board. In addition, the committee is responsible for overseeing our corporate governance guidelines and reporting, and making recommendations to the board concerning corporate governance matters. The composition and function of our nominating and governance committee meets the requirements of the applicable Nasdaq rules, with which we comply voluntarily. All of the nominating committee members have been determined to be independent as defined by applicable Nasdaq rules.

Internal Auditor

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

D. EMPLOYEES

The breakdown of our employees by department and geographic location is as follows:

	As of December, 31		
	2014	**2015**	**2016**
Research and development	95	102	104
Selling and marketing	238	336	354
Management, administration and operations	326	346	359
Total	**659**	**784**	**817**
Israel	154	179	161
North America	293	359	371
Asia-Pacific	106	132	154
Europe	106	114	131
Total	**659**	**784**	**817**

Some provisions of the collective bargaining agreement between the Histadrut, which is the General Federation of Labor in Israel, and the Coordination Bureau of Economic Organizations, including the Industrialist's Association of Israel, apply to our Israeli employees by virtue of extension orders of the Israeli Ministry of Economy and Industry.

These provisions concern the length of the workday and the work-week, recuperation pay and commuting expenses. Furthermore, these provisions provide that the wages of most of our employees are adjusted automatically based on changes in Israel's Consumer Price Index. The amount and frequency of these adjustments are modified from time to time. In addition, Israeli law determines minimum wages for workers, minimum vacation pay, sick leave, determination of severance pay and other conditions of employment. We have never experienced a work stoppage, and we believe our relations with our employees are good.

Israeli law generally requires the payment of severance pay by employers upon the retirement or death of an employee or termination of employment without cause. As of December 31, 2016, our liability for severance pay totaled $0.5 million (all of which is funded). We fund our ongoing severance obligations by making monthly payments to insurance policies. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which is similar to the U.S. Social Security Administration. These amounts also include payments for national health insurance. The payments to the National Insurance Institute are approximately 18% of wages, up to a specified amount, of which the employee contributes approximately 12% and the employer contributes approximately 6%.

In Israel, we are subject to the instructions of the Extension Order in the Industrial Field for Extensive Pension Insurance, 2006, according to the Israeli Collective Bargaining Agreements Law, 1957, or the Extension Order. The Extension Order regulates the pension insurance of certain employees which fall under its criteria. The employees who are not entitled to pension allocations according to the Extension Order, are entitled to pension allocations according to the extension order to the General Collective Bargaining Agreement (Framework) on Comprehensive Pension Insurance which applies to all employees in Israel (with limited exceptions).

In accordance with our policy and the provisions of the Extension Order, we make contributions to a pension fund and/or insurance policy. Therefore, the majority of our obligations to pay severance pay are covered by the aforementioned contributions, in accordance with Section 14 of the Israeli Severance Pay Law, 1963, and the Extension Order or any other applicable law.

E. SHARE OWNERSHIP

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 1, 2017 by our executive officers and directors.

Beneficial ownership of shares is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Ordinary shares that are subject to warrants or stock options that are presently exercisable, or exercisable within 60 days of the date of March 1, 2017, are deemed to be outstanding and beneficially owned by the person holding the stock options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person.

Except as indicated in the footnotes to this table, each shareholder in the table has sole voting and investment power for the shares shown as beneficially owned by them. Percentage ownership is based on 35,018,424 ordinary shares outstanding on March 1, 2017 (excluding treasury shares).

Executive Officers and Directors:	**Number**	**Percent**
Dr. Shimon Eckhouse (1)	2,971,161	8.41%
Amit Meridor	428,333	1.21%
Yaffa Krindel	*	*
Dan Suesskind	*	*
Dr. Michael Anghel	*	*
David Schlachet	*	*
Dominick Arena	*	*
Stephen Fanning	*	*
Hugo Goldman	*	*
Philippe Schaison	*	*
Sarit Soccary	*	*
Paul Little	*	*
Robert Fielitz	*	*
Robert Ruck	*	*
Jeff Nardoci	*	*
Yariv Matzliach	*	*
All directors and executive officers as a group (16 persons)		%

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* equals less than 1%

(1) This figure includes (i) an option to acquire 38,003 restricted shares at an exercise price of $0.01 per share (received in exchange for services), (ii) an option to acquire 150,000 ordinary shares at an exercise price of $10.72 per share, (iii) an option to acquire 131,250 ordinary shares at an exercise price of $11.17 per share (received in exchange for services), (iv) 2,629,147 shares held by European High-Tech Capital S.A., a corporation wholly owned by Dr. Eckhouse and his wife, Mrs. Musia Eckhouse, and (v) 22,761 ordinary shares of the Company (received upon his election to exercise 1,626 vested options of Syneron Beauty, which following a joint venture with Unilever Ventures that closed in December 2013 is now a subsidiary of Iluminage Beauty, and to convert them into shares of the Company in accordance with the terms of Syneron Beauty's share option plan).

Syneron Option Plans

Separate option plans for Israel (2004 Israel Plan) and for the United States, Canada and the rest of the world (2004 Rest of World Plan) (combined, 2004 Plans) expired in July 2014. As a result, no further option awards will be made under the 2004 Plans and currently outstanding options that will expire under the 2004 Plans will no longer be available for grant in the future.

Following recommendation by the Company's Compensation Committee and Board, shareholders on July 15, 2014 approved a new plan for Israel and abroad (2014 Israel Plan) and a new plan for the U.S., Canada and abroad (2014 Rest of World Plan) (combined, the 2014 Plans). The 2014 Plans, which have similar provisions and draw from the same pool of shares in order to make equity incentive awards, are designed to assist the Company in attracting and retaining directors, officers and employees, as well as to provide incentives to other key service providers (Eligible Persons) of outstanding ability and to promote the alignment of their interests with those of the shareholders of the Company. Competition in our industry for such individuals is intense both in the U.S. and globally and, accordingly, compensation packages typically include stock option awards in addition to salary and other benefits. The Company believes that the 2014 Plans will facilitate the Company's process of recruiting and retaining Eligible Persons of outstanding ability.

The 2014 Plans initially contained a combined pool of 2,000,000 shares available for equity incentive awards. Following approval by our Compensation Committee and our Board of Directors on November 7, 2016, the 2014 Israel Plan was amended to add 200,000 additional shares to the pool, bringing the total number of shares available for equity incentive awards under either plan to 2,200,000.

The 2004 Israel Plan and the 2014 Israel Plan allow for beneficial tax treatment under Section 102 of the Israeli Income Tax Ordinance for options issued through a trustee. Based on Israeli law currently in effect and elections made by us, and provided that options granted under the plan or, upon their exercise, the underlying shares, are held by the trustee for at least two years following the end of the calendar year in which the options are granted, Israeli employees are (i) entitled to defer any taxable event with respect to the options until the underlying shares are sold, and (ii) subject to capital gains tax of 25% on the sale of the shares. We may not recognize expenses pertaining to the options for Israeli tax purposes. Israeli tax law allows us to choose from among three alternative sets of tax treatment for the 2004 Israel Plan, the 2014 Israel Plan, or future plans. In approving the 2004 Israel Plan and the 2014 Israel Plan, the board of directors selected the capital gains tax treatment described above. The 2004 Rest of the World Plan and the 2014 Rest of the World Plan were adopted to provide favorable tax treatment for our non-Israeli directors, officers, employees and consultants.

Options granted under the 2004 Plans and 2014 Plans generally vest over a period of one to four years of employment and have terms that do not exceed 10 years. Any options that are cancelled or forfeited before expiration generally become available for future grants. In addition, the Company may from time to time grant Restricted Stock Units (RSUs). RSUs usually vest over a period of employment of up to three years. Upon vesting, the RSU beneficiary is entitled to receive one ordinary share per one RSU for $0.01 per share. RSUs that are cancelled or forfeited generally become available for future grants. The Company can also issue a variety of other equity incentives under the 2004 Plans and 2014 Plans, but no such other equity incentives were outstanding as of December 31, 2016.

The Company's Compensation Committee administers the 2014 Plans and has authority, in its discretion, to grant awards to Eligible Persons and to establish the terms (which terms need not be identical) of all such awards, including without limitation the exercise price of options, the number of shares covered by such awards, any exceptions to non-transferability, any performance goals applicable to such awards, any provisions relating to vesting, the periods during which options may be exercised and restrictions on any restricted stock awards. In making these determinations, the Compensation Committee may take into account the nature of the services rendered or to be rendered by award recipients, their present and potential contributions to the success of the Company, and such other factors as the Compensation Committee in its discretion deems relevant.

As of December 31, 2016, we had 4,723,492 options, stock appreciation rights, and Restricted Stock Units outstanding under the 2004 Plans the 2014 Plans, and options to purchase 441,050 ordinary shares were available for grant under the 2014 Plans.

Candela Option Plans

Upon consummation of the merger agreement with Candela Corporation in January 2010, we assumed Candela's Third Amended and Restated 1998 Candela Corporation Stock Option Plan (1998 Plan), Candela's 2008 Candela Corporation Stock Plan (2008 Plan, and together with the 1998 Plan, the Candela Plans) and each of the following options to purchase Candela's common stock, stock appreciation rights or similar rights granted on Candela's common stock that were outstanding at such time, whether vested or unvested (Candela Awards):

- Candela Awards with an exercise or strike price less than or equal to $3.16, which is the product of (x) the price per our ordinary share on Nasdaq immediately prior to the effective time of the merger, which was $10.86, and (y) the exchange ratio of our ordinary share for each share of Candela common stock, which was 0.2911; and

- all Candela Awards subject to, and in accordance with the existing terms of, Candela’s executive retention agreements.

All such options and stock appreciation rights became fully vested and continued in effect in all material respects on the same terms and conditions as in effect immediately prior to the effective time of the merger. As of December 31, 2016, there were 117,966 outstanding options and stock appreciation rights (SARs) granted under the Candela Plans.

1998 Candela Option Plan

Options and SARs granted under the 1998 Plan become exercisable on the date of grant or vest over a period of time, as specified by the committee established by Candela's board of directors, and expire 10 years from the date of the grant. Upon exercise of an SAR, only the net number of ordinary shares issued in connection with such exercise shall be deemed "issued" for this purpose. The SARs granted to employees under the 1998 Plan vest over one to four years, while the SARs granted to directors vest over two years.

Under the 1998 Plan, there were 59,065 outstanding options/SARs at December 31, 2015, with a weighted-average exercise price of $10.20 per share. The 1998 Plan expired pursuant to its terms on September 18, 2008. As such, there are no additional options/ SARs available for grant under this plan.

2008 Candela Option Plan

Under the 2008 Plan, incentive stock options vesting over one or two years were granted to employees of Candela, and non-qualified options, SARs, restricted stock and RSUs were granted to employees, officers, directors and consultants of Candela. Each option or SAR granted under the 2008 Plan expires on the date specified at the time of grant but not later than (i) 10 years from the date of grant in the case of options and SARs generally, and (ii) five years from the date of grant in the case of certain incentive stock options.

Pursuant to the 2008 Plan, our board of directors may take any action as may be necessary to ensure that stock rights granted under the 2008 Plan qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code. Any stock right granted under the 2008 Plan which is intended to qualify as "performance-based compensation" may be conditioned on the attainment of certain performance goals.

Under the 2008 Plan, there were 58,901 outstanding options/SARs at December 31, 2016, with a weighted-average exercise price of $3.20 per share**.** The 2008 Plan expires on October 27, 2018, except as to options and SARs outstanding on that date. We currently grant options only under the 2014 Plans.

Share Repurchase Program

On December 1, 2014, our Board of Directors approved a share repurchase program of up to $20 million of our ordinary shares. On February 10, 2016, we completed our repurchase program by repurchasing a total of 2,374,296 of our ordinary shares for a total amount of $20 million, as follows: 48,284 shares during December 2014 at an average price paid per share of $10.04; 1,762,370 shares during calendar year 2015 at an average price paid per share of $8.91; and 563,642 shares from January 1, 2016 to February 10, 2016 at an average price paid per share of $6.96. For additional information, see Item 16E. "Purchases of Equity Securities by the Issuer and Affiliated Purchasers".

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 1, 2017, by each person or entity that we know beneficially owns 5% or more of our outstanding ordinary shares.

Beneficial ownership of shares is determined in accordance with the rules and regulations of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Ordinary shares that are subject to warrants or stock options that are presently exercisable or exercisable within 60 days of the date of March 1, 2017, are deemed to be outstanding and beneficially owned by the person holding the stock options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person.

Except as indicated in the footnotes to this table, each shareholder in the table has sole voting and sole investment power for the shares shown as beneficially owned by them. Percentage ownership is based on 35,018,424 ordinary shares outstanding as of March 1, 2017 (excluding treasury shares).

	Number of Shares Beneficially Owned	Percentage of outstanding Ordinary Shares
Richard Mashaal / Senvest Management, LLC (1)	3,777,775	10.79%
Charles H. Brandes / Brandes Investment Partners, L.P. (2)	3,660,613	10.45%
Conan Laughlin / North Tide Capital, LLC (3)	3,500,000	9.99%
Dr. Shimon Eckhouse (4)	2,971,161	8.48%
Stephen DuBois / Camber Capital Management LLC (5)	2,347,593	6.70%

(1) The information contained in the table above is as of December 31, 2016 and is based solely on Amendment No. 5 to Schedule 13G filed with the SEC on February 13, 2017 by Senvest Management, LLC and Richard Mashaal. These shares are held in the accounts of Senvest Master Fund, LP, Senvest Israel Partners Master Fund, LP, and Senvest Global (KY), LP (collectively, the Investment Vehicles). Senvest Management, LLC may be deemed to beneficially own the securities held by the Investment Vehicles by virtue of Senvest Management, LLC's position as investment manager of the Investment Vehicles. Mr. Mashaal may be deemed to beneficially own the securities held by the Investment Vehicles by virtue of Mr. Mashaal's status as the managing member of Senvest Management, LLC.

(2) The information contained in the table above is as of December 31, 2016 and is based solely upon Amendment No. 4 to Schedule 13G filed with the SEC on January 10, 2017 by Brandes Investment Partners, L.P. (the Investment Adviser) and the following control persons of the Investment Adviser: Brandes Investment Partners, Inc., Brandes Worldwide Holdings, L.P., and Charles H. Brandes.

(3) The information contained in the table above is as of December 31, 2016 and is based solely on Amendment No. 4 to Schedule 13G filed with the SEC on February 14, 2017 by North Tide Capital Master, LP (the Master Fund), North Tide Capital, LLC (North Tide), and Conan Laughlin. Shares of the Company reported for North Tide represent shares which are beneficially owned by the Master Fund, and shares which are beneficially owned by a managed account (the Account). North Tide serves as investment manager to both the Master Fund and the Account. Shares of the Company reported for Mr. Laughlin represent the above referenced shares beneficially owned by the Master Fund and the Account. Mr. Laughlin serves as the Manager of North Tide.

(4) The information contained in the table above is based upon the Schedule 13D filed with the SEC on December 22, 2011 by Dr. Shimon Eckhouse, Musia Eckhouse and European High-Tech Capital, S.A. (European), a company wholly-owned by Dr. Eckhouse and his wife, Musia Eckhouse, and other information available to the Company. Dr. Shimon Eckhouse is chairman of the Board of Directors of European, the principal business of which is investment in medical device and high tech companies. Each of Dr. Shimon Eckhouse and Mrs. Musia Eckhouse, as a result of their control over European, is the beneficial owner of 2,629,147 ordinary shares held directly by European. In addition, Dr. Shimon Eckhouse holds (i) 22,761 ordinary shares of the Company (received upon his election to exercise 1,626 vested options of Syneron Beauty, which following a joint venture with Unilever Ventures that closed in December 2013 is now a subsidiary of Iluminage Beauty, and to convert them into shares of the Company in accordance with the terms of Syneron Beauty's share option plan) (ii) an option to acquire 38,003 restricted shares at an exercise price of $0.01 per share (received in exchange for services), (iii) options exercisable within 60 days of the date of this filing to acquire 150,000 ordinary shares at an exercise price of $10.72 per share, and (iv) an option to acquire 131,250 ordinary shares at an exercise price of $11.17 per share (received in exchange for services). As such, Dr. Shimon Eckhouse is the beneficial owner of a total of 2,971,161 ordinary shares.

(5) The information contained in the table above is as of May 13, 2016 and is based solely on the Schedule 13G filed with the SEC on May 23, 2016 by Camber Capital Management LLC and Stephen Dubois.

To our knowledge, and based on public filings unless otherwise indicated, the only significant changes in the percentage ownership held by our major shareholders during the past three years is as follows:

- Richard Mashaal / Senvest Management LLC from 10.03% to 10.79%
- Charles H. Brandes / Brandes Investment Partners, L.P. from 6.36% to 10.45%.
- Conan Laughlin / North Tide Capital Master LP from 8.16% to 7.85%.
- Dr. Shimon Eckhouse from 7.69% to 8.48% (based on public filings and other information available to the Company).

Our major shareholders have the same voting rights with respect to their respective ordinary shares as other shareholders have with respect to their respective ordinary shares.

To our knowledge, as of March 1, 2017, we had approximately 196 shareholders of record who were registered with addresses in the U.S. (assuming for these purposes that all DTC members who held Company shares were U.S. residents). These holders in the U.S. were, as of such date, the holders of record of approximately 61% of our outstanding ordinary shares (excluding treasury shares).

B. Related Party Transactions

Agreements with Directors and Officers

Our articles of association permit us to exculpate, indemnify and insure our directors and officers to the fullest extent permitted by the Companies Law. We have entered into agreements with each of our office holders, including our directors, undertaking to exculpate, indemnify and insure them to the fullest extent permitted by law, to the extent that these liabilities are not covered by insurance. See Item 10.B. “Additional Information – Memorandum and Articles of Association – Exculpation, Indemnification and Insurance of Directors and Officers”.

Registration Rights

Prior to our initial public offering, we issued preferred shares to Starlight Capital Ltd. (Starlight) and European High-Tech Capital S.A. (European). Starlight and European are controlled by foundations which have been established for the benefit of family members and friends of Dr. Shimon Eckhouse, the chairman of our board of directors. All of these preferred shares were subject to registration rights, and all of these preferred shares were automatically converted into ordinary shares at the closing of our initial public offering. On or around December 22, 2008, The Eckhouse Foundation, which was created for the benefit of members of Dr. Eckhouse's family and friends and owned all the shares of European, a company wholly owned by Dr. Eckhouse and his wife Mrs. Musia Eckhouse, was dissolved. Around the same time, a certain nominee agreement between Starlight and European, pursuant to which certain Ordinary Shares of the Company were held by Starlight as a nominee for European, was terminated. According to the termination provisions, the Ordinary Shares of the Company held by Starlight as a nominee of European were transferred to European on November 17, 2011. As of March 1, 2017, we believe that these shareholders continue to hold a certain amount of ordinary shares issued upon conversion of our preferred shares subject to such registration rights. Pursuant to these registration rights, in the event we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, these and other holders who may hold shares subject to registration rights are entitled to notice of such registration and are entitled to include their remaining ordinary shares subject to the registration rights in such registration, subject to certain marketing cutbacks and other limitations. The holders of at least 50% of the ordinary shares with registration rights will have the right to require us, on not more than one occasion, to file a registration statement on the appropriate form under the Securities Act in order to register the resale of their ordinary shares. We may, in certain circumstances, defer such registration and the underwriters have the right, subject to certain limitations, to limit the number of shares included in such registrations. Further, these holders may require us to register the resale of all or a portion of their shares on a Registration Statement on Form F-3, subject to certain conditions and limitations.

Rakuto Bio Technologies Ltd.

Our Chairman Shimon Eckhouse previously owned 9.85% of the issued and outstanding shares of Rakuto Bio Technologies Ltd. (RBT) and, until February 29, 2012, served as chairman of the board of directors of RBT. Together with other RBT shareholders, Shimon Eckhouse sold his holdings in RBT to us on May 30, 2012 in consideration of his pro-rata share of: (i) an initial purchase price of $5 million, (ii) an additional $5 million paid on May 30, 2013, (iii) certain milestone payments in the aggregate amount equal to $15.24 million, (iv) the repayment of certain loan amounts provided by RBT to certain of its shareholders, and (v) the payment of 2.019% of annual net sales generated by RBT intellectual properties for an unlimited period. In addition, our director David Schlachet has served as chairman of the board of directors of RBT since February 2012. For more information on the relationship between the Company and RBT, see Item 4.A. "Information on the Company – History and Development of the Company – Our History".

ManofIT

The Company has engaged ManofIT, a consulting and systems integration firm, to assist with various information technology projects. Boaz Meridor, co-founder and managing partner of ManofIT, is a brother of our CEO, Amit Meridor. ManofIT was first retained by the Company in 2007 and the relationship was expanded in 2014. In 2014, ManofIT received approximately $0.2 million for the services that it provided to the Company, excluding value added tax. In 2015, ManofIT received approximately $0.3 million for such services, excluding value added tax. In 2016, ManofIT received approximately $0.1 million for such services, excluding value added tax.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Our audited consolidated financial statements for the year ended December 31, 2016 are included in this Annual Report on Form 20-F under Item 18 “Financial Statements”.

Legal Proceedings

In November 2011, Estetitek S. de R.L. de C.V. (Estetitek), a Mexican distributor, filed a complaint with the arbitrator in Israel according to an arbitration clause in the distribution agreement entered into between the parties in 2006. Estetitek argues that Syneron breached the distribution agreement when it decided to cease selling products to Estetitek. Estetitek asks for compensation for the loss of profit caused to it by the failure to fulfill the distribution agreement in the amount of $1.7 million, and compensation for the damage to its reputation in the amount of $0.5 million. Following mediation in January 2016, a settlement agreement was reached between the parties, according to which both parties withdrew their claims and Estetitek paid Syneron $100,000.

On July 26, 2010, Syneron filed a lawsuit in Israel against Viora Inc., Viora Ltd., Danny Erez, Yosef Luzon (the main shareholders of Viora), Gal Blecher (an employee of Viora), Formatek Systems Ltd. and Ester Toledano (a shareholder of Formatek) alleging that Viora, Formatek and others copied Syneron's VelaShape device by contacting three former Syneron employees who were involved in the development of the Vela product line at Syneron. On May 22, 2014, Syneron brought an action for patent infringement against Viora in the U.S. Federal Court in the District of Texas, alleging that Viora's Reaction system infringes Syneron's U.S. Patent No. 6,662,054. On June 4, 2015 Syneron and Viora announced that they entered into an agreement to settle Syneron's patent infringement law suit against Viora in the United States and Syneron's business litigation case against Viora in Israel. As part of the settlement, Viora acknowledged that its Reaction product infringes Syneron's U.S. patent No. 6,662,054, and acknowledged the validity of the patent. Viora further agreed that for the next 12 years, it will pay Syneron royalties of 7.5% to 15%, depending on the number of systems sold by Viora, on all U.S. sales of products that apply vacuum together with radio frequency energy for body contouring, cellulite reduction, skin tightening and circumferential reduction.

On December 31, 2013, Syneron Medical Ltd. and its subsidiary, Syneron Beauty Ltd. (which following a joint venture with Unilever Ventures is now a subsidiary of Iluminage Beauty), received a copy of a petition filed with the Central District Court in Israel to approve the filing of a class action suit against Syneron Medical Ltd. and Syneron Beauty Ltd. (the "Respondents"). The Petitioner claims that the Respondents violated article 2 of the Consumer Protection Act resulting from misleading advertising regarding the Syneron Beauty mē hair removal device. The Petitioner claims to represent the class of consumers that purchased the mē hair removal device and is seeking damages for the group in the amount of NIS 27.5 million. The Company is vigorously defending itself in this matter. Following evidentiary hearings, written summations were submitted by the applicant and the Company in September 2015 and February 2016, respectively.

On November 9, 2015, Air Liquide Healthcare America Corp. ("Air Liquide") filed suit against the Company in the United States District Court for the District of Massachusetts. On December 1, 2015, Air Liquide filed an Amended Complaint, which also added claims against another party. Air Liquide alleges that the Company improperly terminated a June 2011 Supply Agreement (as amended in September 2013) the "Supply Agreement"), which required the Company to purchase certain materials exclusively from Air Liquide through June 1, 2021. Air Liquide claims, among other things, that the Company did not have valid grounds for termination. Air Liquide's Amended Complaint asserts claims for breach of contract, breach of the duty of good faith and fair dealing, violation of Massachusetts General Law Chapter 93A, defamation and unjust enrichment. Air Liquide seeks unspecified damages for the lost revenue, as well as treble damages and attorneys' fees. On December 30, 2015, the Company moved to dismiss the Amended Complaint because, inter alia, Air Liquide did not comply with alternative dispute resolution requirements in the Supply Agreement. Alternatively, the Company moved to dismiss all counts of the Amended Complaint directed at the Company other than the breach of contract claims, because the allegations did not support those claims. Air Liquide opposed the motion and it remains pending.

On January 28, 2016, Syneron brought an action for patent infringement against Invasix, Inc. and InMode MD, Ltd. in the U.S. District Court for the Central District of California alleging, among other things, that the defendants' Fractora face and skin treatment platforms, devices and methods which comprise energy delivery systems to ablate or coagulate the skin, infringe Syneron's U.S. Patent Nos. 6,148,232; 6,615,079; 8,496,654; 8,579,896 and 9,108,036. The parties are currently in the discovery stage of the litigation.

From time to time, the Company is party to various legal proceedings incidental to its business. The Company has accrued a total amount of $0.3 million which it deems sufficient to cover probable losses from legal proceedings and threatened litigation. The Company is unable to determine the likelihood of loss or range of loss for each matter described above. During the year ended December 31, 2016, the Company settled various legal claims and paid an amount of approximately $0.3 million.

For other legal proceedings see also Note 15 to our consolidated financial statements. Please also see Item 3.D. "Key Information – Risk Factors – Existing and future third-party claims of infringement or other claims against us could require us to redesign our products, seek licenses, or engage in future costly intellectual property litigation, which could impact our future business and financial performance".

Policy on Dividend Distribution

We have never declared or paid cash dividends to our shareholders, and we do not intend to pay cash dividends in the foreseeable future. We intend to reinvest any future earnings in developing and expanding our business. We have decided to reinvest the amount of tax-exempt income derived from our "Approved Enterprise" status and not to distribute that income as dividends.

B. SIGNIFICANT CHANGES

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares are quoted on the Nasdaq Global Select Market under the symbol "ELOS." We began trading on the Nasdaq Global Select Market (formerly known as the Nasdaq National Market) on August 5, 2004.

The following table sets forth the high and low sales prices of our ordinary shares as reported by the Nasdaq Global Select Market for the periods indicated.

Nasdaq Global Select Market

	Price per Share (U.S.$)	
	High	**Low**
Yearly highs and lows		
2012	11.77	7.21
2013	12.75	8.04
2014	13.32	8.32
2015	12.90	6.10
2016	9.10	6.11
Quarterly highs and lows		
2015		
First quarter	12.59	8.93
Second quarter	12.90	10.35
Third quarter	10.86	6.91
Fourth quarter	8.44	6.10
2016		
First quarter	8.47	6.11
Second quarter	7.88	6.50
Third quarter	7.80	6.18
Fourth quarter	9.10	6.93
2017		
First quarter (through March 1, 2017)	10.00	9.30
Monthly highs and lows		
September 2016	7.17	6.28
October 2016	7.94	6.98
November 2016	8.35	6.93
December 2016	9.10	7.70
January 2017	9.75	8.25
February 2017	10.85	9.01

On March 16, 2017, the closing price of our ordinary shares as quoted on Nasdaq Global Select Market was $10.40.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ordinary shares are quoted on the Nasdaq Global Select Market under the symbol “ELOS” .

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMA TION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Set forth below is a summary of certain provisions of our amended and restated articles of association, as adopted by our shareholders on November 7, 2007 (Amended Articles), and Israeli law affecting our shareholders. This summary does not purport to be complete and is qualified in its entirety by reference to our amended and restated articles of association and such law.

Register Number and Purposes of the Company

Our registration number with the Israeli Companies Registrar is 51-298651-4. Pursuant to Section 4 of our Amended Articles, we may engage in any type of lawful business as may be determined by our board of directors from time to time.

Dividend and Liquidation Rights

Holders of our ordinary shares are entitled to their proportionate share of any cash dividend, share dividend or dividend in kind declared with respect to our ordinary shares. We may declare dividends out of profits legally available for distribution. Under the Companies Law, a company may distribute a dividend only if the distribution does not create a reasonably foreseeable risk that the company will be unable to meet its existing and anticipated obligations as they become due. A company may only distribute a dividend out of the company's profits, as defined under the Companies Law. If a company does not meet the profit requirement, a court may allow it to distribute a dividend, so long as the court is convinced that there is no reasonable risk that a distribution might prevent the company from being able to meet its existing and anticipated obligations as they become due.

Under the Companies Law, the declaration of a dividend does not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our Amended Articles provide that the board of directors may declare and distribute dividends without the approval of the shareholders. In the event of our liquidation, holders of our ordinary shares have the right to share ratably in any assets remaining after payment of liabilities, in proportion to the paid-up par value of their respective holdings.

These rights may be affected by the grant of preferential liquidation or dividend rights to the holders of a class of shares that may be authorized in the future.

Voting, Shareholder Meetings and Resolutions

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. This right may be changed if shares with special voting rights are authorized in the future.

Under the Companies Law, an annual general meeting of our shareholders should be held once every calendar year, but no later than 15 months from the date of the previous annual general meeting. The quorum required for a general meeting of shareholders consists of at least two shareholders present in person or by proxy holding at least 40.0% of the voting rights. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place, or any time and place as the directors designate in a notice to the shareholders.

At the reconvened meeting, the required quorum consists of one shareholder holding any number of shares present in person or by proxy.

Our board of directors may, in its discretion, convene additional meetings as "special general meetings." In addition, the board must convene a special general meeting upon the demand of two of the directors, one fourth of the directors in office or one or more shareholders having at least 5% of outstanding share capital and at least 1% of the voting power in the Company, or one or more shareholders having at least 5% of the voting power in the Company. The chairman of the board of directors presides at each of our general meetings.

Most shareholders' resolutions, including resolutions to:

- amend our articles of association (except for amendments relating to the election of directors and the powers, composition and size of the board of directors),
- make changes in our capital structure such as a reduction of capital, increase of capital or share split, merger or consolidation,
- authorize a new class of shares, elect directors, other than external directors,
- appoint auditors, or
- approve transactions with certain office holders

will be deemed adopted if approved by the holders of a majority of the voting power represented at a shareholders' meeting, in person or by proxy, and voting on that resolution (subject, in some cases, to further approvals set forth in the Companies Law). In most cases these actions will not require the approval of a special majority.

Ownership of Shares; Transfer of Shares; Notices

Our Amended Articles and the laws of the State of Israel do not restrict the ownership or voting of ordinary shares by non-residents of Israel, except with respect to (i) individuals and entities that are residents of countries in a state of war with Israel, and (ii) entities which are controlled by residents of countries in a state of war with Israel.

Our fully paid ordinary shares are issued in registered form and are freely transferable under our Amended Articles.

The Companies Law and regulations promulgated thereunder determine that shareholders' meetings require prior notice of at least 35 days. In the event that the issue to be resolved is subject to the Israeli proxy rules, prior notice of no less than 35 days should be provided to the company's shareholders. In some cases, prior notice of not less than 14 days may be provided to the company's shareholders.

Under the Companies Law, we are required to maintain a major shareholder register listing shareholders holding 5% or more of our outstanding ordinary shares.

Modification of Class Rights

The Companies Law provides that the rights of a particular class of shares may not be modified without the vote of a majority of the affected class.

Election of Directors

Our ordinary shares do not have cumulative voting rights in the election of directors. Therefore, the holders of ordinary shares representing more than 50% of the voting power at the general meeting of the shareholders, in person or by proxy, have the power to elect all of the directors whose positions are being filled at that meeting.

Our directors are elected in three staggered classes. The directors of only one class are elected at each annual meeting, so that the regular term of only one class of directors expires annually. Each of our directors holds office until the third annual general meeting of shareholders following the meeting at which he or she was appointed. The Companies Law prohibits the Chief Executive Officer, his relative or any person subordinated (directly or indirectly) to the Chief Executive Officer, from serving as the chairman of the board of directors. However, the Companies Law further provides that the positions of Chief Executive Officer may be held by the chairman of the board of directors (and that the positions of chairman of the board of directors may be held by the Chief Executive Officer, or his relative) for a period not exceeding three years if such proposal is either approved by a majority of the company's shareholders, including at least a majority of the voting shareholders who are not controlling shareholders and do not have personal interest in the decision (shares held by abstaining shareholders are not considered), or the aggregate number of shares of non-controlling shareholders voting against the proposal does not exceed 2% of the total voting shareholders.

The Companies Law provides that Israeli public companies must have at least two external directors. For information regarding qualifications for nomination of external directors, election thereof, renewal for additional three-year terms, and removal from office, see Item 6.C. "Directors, Senior Management and Employees – Board Practices – External Directors".

According to the Companies Law, the board of directors of a public company must establish the minimum number of board members that are to have accounting and financial expertise. Our board of directors resolved that the minimum number of board members that need to have accounting and financial expertise, including the external director with accounting and financial expertise, is one, and that Dr. Michael Anghel satisfies this requirement.

The Companies law provides that a publicly traded company will be able to determine the number of independent directors that will serve on the company's board of directors. However, pursuant to Nasdaq rules, which are different than the independence standard of the Companies Law, a majority of our board members are independent.

For discussion about compensation of external directors, see Item 6.B. and 6.C. "Directors, Senior Management and Employees – Compensation – Director Compensation" and "Directors, Senior Management and Employees – Board Practices – External Directors", respectively.

See Item 6.C. "Directors, Senior Management and Employees – Board Practices" regarding our staggered board.

Anti-Takeover Provisions; Mergers and Acquisitions

Merger. The Companies Law permits merger transactions with the approval of each party's board of directors and shareholders. 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, taking into account the financial condition of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

In accordance with the Companies Law, a merger may be approved at a shareholders' meeting by a majority of the voting power represented at the meeting, in person or by proxy, and voting on that resolution. Shareholder approval is not required in certain specified circumstances, such as a merger between a company and its wholly-owned subsidiary. In determining whether the required majority has approved the merger, if our shares are held by the other party to the merger, or by any person holding at least 25% of the outstanding voting shares or 25% of the means of appointing directors of the other party to the merger, then a vote against the merger by holders of the majority of the voting shares present and voting, excluding shares abstaining and shares held by the other party or by such person, or anyone acting on behalf of either of them, including relatives or companies under their control, is sufficient to reject the merger transaction.

Under the Companies Law, a merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 30 days have passed from the time that the shareholders of each company approved the merger proposal and 50 days have passed from the time that a merger proposal was filed with the Israeli Registrar of Companies.

Tender Offer. The Companies Law requires a purchaser to conduct a special tender offer in order to purchase shares in publicly held companies if, as a result of the purchase, the purchaser would hold more than 25% of the voting rights of a company in which no other shareholder holds more than 25% of the voting rights, or the purchaser would hold more than 45% of the voting rights of a company in which no other shareholder holds more than 45% of the voting rights. Under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares or of any class of shares, unless the purchaser makes a full tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the full tender offer, the purchaser would hold more than 95% of the company's shares or a particular class of shares, and more than half of the shareholders who do not have personal interest in the offer accept the offer, the ownership of the remaining shares will be transferred to the purchaser by operation of law. Notwithstanding the aforementioned, a tender offer will be accepted if the shareholders who do not accept hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of the shares. If the purchaser is unable to purchase 95% or more of the company's shares or class of shares, the purchaser may not own more than 90% of the shares or class of shares of the target company.

Tax Law. Israeli tax law treats some acquisitions, such as a stock-for-stock swap between an Israeli company and a foreign company, less favorably than U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in a foreign corporation to immediate taxation. Please see Item 10.E. "Additional Information – Taxation – Israeli Taxation".

Transfer Agent and Registrar

American Stock Transfer & Trust Company is the transfer agent and registrar for our ordinary shares.

Listing

Our ordinary shares are quoted on the Nasdaq Global Select Market under the symbol "ELOS".

Approval of Related Party Transactions under Israeli Law

Office Holders

The Companies Law codifies the fiduciary duties that office holders owe to a company. An office holder is defined as a general manager, chief business manager, deputy general manager, vice general manager, director or manager directly subordinate to the general manager or any other person assuming the responsibilities of any of these positions regardless of that person's title. Each person listed in the table under Item 6.A. "Directors, Senior Management and Employees – Directors and Senior Management" is an office holder under the Companies Law.

Fiduciary duties. An office holder's fiduciary duties consist of a duty of loyalty and a duty of care. The duty of loyalty requires the office holder to act in good faith and for the benefit of the company, and includes, among other things, the duty to avoid any conflict of interest between the office holder's position in the company and his/her personal affairs. In addition, the duty of loyalty proscribes any competition with the company or the exploitation of any business opportunity of the company in order to receive personal advantage for him or herself or others. This duty also requires disclosure to the company of any information or documents relating to the company's affairs that the office holder has received due to his or her position as an office holder. The duty of care requires an office holder to act with a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to use reasonable means to obtain information regarding the advisability of a given action submitted for his or her approval or performed by virtue of his or her position and all other relevant information pertaining to these actions.

Compensation. The Companies Law requires that the terms of service and engagement of the chief executive officer, directors or controlling shareholders (or a relative thereof) receive the approval of each of the compensation committee, board of directors, and shareholders, subject to limited exceptions. Similarly, the terms of service and engagement of any officer other than the Chief Executive Officer must receive the approval of the compensation committee and board of directors. However, shareholder approval is only required if the compensation of such officer other than the Chief Executive Officer is not in accordance with the company's compensation policy. Our Compensation Policy was approved by shareholders on July 18, 2013. For additional information, please see Item 6.B. "Directors, Senior Management and Employees – Compensation".

Disclosure of personal interest. 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 known to him or her, in connection with any existing or proposed transaction by the company. "Personal interest", as defined by the Companies Law, includes a personal interest of any person in an act or transaction of the company, including a personal interest of his relative or of a corporate body in which that person or a relative of that person holds 5% or more of the outstanding share capital of the company or its voting rights, a director or general manager, or in which he or she has the right to appoint at least one director or the general manager. "Personal interest" does not apply to a personal interest stemming merely from the fact that the office holder is also a shareholder in the company. "Personal interest" also includes (1) personal interest of a person who votes via a proxy for another person, even if the other person has no personal interest, and (2) personal interest of a person who gives a proxy to vote even if the person who votes on his or her behalf has no personal interest, regardless of whether the discretion of how to vote lies with the person voting or not.

The office holder must make the disclosure of his or her personal interest promptly and, in any event, no later than the first meeting of the company's board of directors that discusses the particular transaction. This duty does not apply to the personal interest of a relative of the office holder in a transaction unless it is an "extraordinary transaction". The Companies Law defines an extraordinary transaction as a transaction not in the ordinary course of business, not on market terms or that is likely to have a material impact on the company's profitability, assets or liabilities, and defines a relative as a spouse, sibling, parent, grandparent, descendent, and a descendant, sibling or parent of the spouse, or the spouse of each of the foregoing.

Approvals. The Companies Law provides that a transaction with an office holder or a transaction in which an office holder has a personal interest may be approved only if it is in the company's best interest. In addition, such a transaction generally requires board approval, unless the transaction is an extraordinary transaction or the articles of association provide otherwise. If the transaction is an extraordinary transaction, or if it concerns exculpation, indemnification or insurance of an office holder, then in addition to any approval stipulated by the articles of association, approval of the company's audit committee or compensation committee (as the case may be) and board of directors, in that order, is required, and may also require special majority approval by shareholders.

An office holder who has a personal interest in a matter that is considered at a meeting of the board of directors, compensation committee or audit committee may not attend that meeting or vote on that matter. However, if the chairman of the board of directors, the compensation committee or audit committee, as the case may be, determines that the presence of an office holder who has a personal interest is required for the presentation of a matter, such officer holder may be present at the meeting. 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 board of directors, compensation committee or audit committee, as the case may be, also has a personal interest in the matter; provided, however, that if a majority of the board of directors, compensation committee or audit committee, as the case may be, has a personal interest in the transaction, the affirmative approval of the company's shareholder would also be required.

Shareholders

Under the Companies Law, a shareholder is presumed to have "control" of the company and thus to be a controlling shareholder of the company if the shareholder holds 50% or more of the "means of control" of the company. "Means of control" is defined as (1) the right to vote at a general meeting of a company or a corresponding body of another corporation; or (2) the right to appoint directors of the corporation or its general manager. The Companies Law imposes the same requirements regarding disclosure to the company of a personal interest, as described above, on a controlling shareholder of a public company that it imposes on an office holder. For these purposes, in addition to the above definition, a controlling shareholder is also any shareholder who has the ability to direct the company's actions, including any shareholder holding 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. For the purpose of determining whether shoulders' holdings exceed the thresholds described above, the shares of two or more shareholders with a personal interest in the approval of the same transaction shall be aggregated together as if they are one shareholder.

Approval of the audit committee, or the compensation committee, board of directors and shareholders, in that order, is required for:

- 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; and

- the terms of an engagement by the company, directly or indirectly, with a controlling shareholder or a controlling shareholder's relative (including through a corporation controlled by a controlling shareholder) regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also an office holder of the company, regarding his or her terms of office, and if he is also an employee of the company, regarding his or her employment in the company.

The shareholder approval must include the majority of shares voted at the meeting, and in addition, either:

- the majority of the shares of the voting shareholders who have no personal interest in the transaction must vote in favor of the proposal (shares held by abstaining shareholders shall not be considered); or

- the total shareholdings of those who have no personal interest in the transaction and who vote against the transaction must not represent more than 2% of the aggregate voting rights in the company.

Furthermore, any such transaction with a term of more than three years requires the abovementioned approval every three years, unless, with respect to transactions not involving the receipt of services or compensation, the audit committee determines that a longer term is reasonable under the circumstances.

The Companies Law requires that every shareholder who participates in person, by proxy or by voting instrument in a vote regarding a transaction with a controlling shareholder must indicate either in advance or on 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.

Under the Companies Law, a shareholder has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his or her power over the company in such capacity including, among other things, when voting in a general meeting of shareholders or in a class meeting on the following matters:

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

A shareholder has a general duty to refrain from depriving any other shareholder of their rights as a shareholder. In addition, any controlling shareholder, any shareholder who knows that he or she possesses the power to determine the outcome of a shareholder vote, and any shareholder who has the power to appoint or prevent the appointment of an office holder in the company, or any other power towards the company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty of fairness except to state that the remedies generally available for breach of contract would also apply in the event of a breach of the duty to act with fairness toward the company.

Exculpation, Indemnification and Insurance of Directors and Officers

Our Amended Articles allow us to indemnify, exculpate and insure our office holders to the fullest extent permitted by the Companies Law, provided that procuring this insurance or providing this indemnification or exculpation is approved by the audit committee and the board of directors, as well as by the shareholders (where the office holder is a director). Our Amended Articles also allow us to insure or indemnify any person who is not an office holder, including any employee, agent, consultant or contractor who is not an office holder.

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. 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 (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 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 (our articles of association include such a provision):

- a monetary liability incurred by or imposed on him or her in favor of another person pursuant to a judgment, including a settlement or arbitrator's award approved by a 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;

- reasonable litigation expenses, including reasonable attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent or in connection with a monetary sanction;

- a monetary liability imposed on him or her in favor of an injured party in certain administrative procedures as defined by law;

- expenses incurred by an office holder in connection with an Administrative Procedure under the Securities Law, including reasonable litigation expenses and reasonable attorneys' fees; and

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for an offense that does not require proof of criminal intent.

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 (our articles of association include such a provision):

- 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 in certain administrative procedures as defined by 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 fine 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 audit committee, board of directors and shareholders have resolved to indemnify our directors and officers to the extent permitted by law and by our Amended Articles for liabilities not covered by insurance and that pertain to certain enumerated types of events, subject to an aggregate sum equal to 50.0% of the company's shareholders equity outstanding at the time a claim for indemnification is made. The Companies Law also requires that such indemnification arrangements be approved by the compensation committee.

C. MATERIAL CONTRACTS

For a short description of the material terms of our agreements with our manufacturers, please see Item 4.B. “Information on the Company – Business Overview – Manufacturing”.

In February 2011, we closed an investment of $0.31 million in RBT and received approximately 2% of RBT's share capital. Additionally, we also provided RBT, a loan in the aggregate amount of $0.31 million bearing interest at a rate of 4% per annum. In September 2011, we entered into an agreement with certain shareholders of RBT for the purchase of approximately 8% of RBT’s share capital in consideration of approximately $0.76 million. On May 30, 2012, we entered into an agreement with RBT’s shareholders pursuant to which we acquired all the outstanding shares of RBT in consideration of: (i) an initial purchase price of $5 million, (ii) additional $5 million paid on May 30, 2013, (iii) certain milestone payments in the aggregate amount equal to $15.24 million, (iv) the repayment of loans in the amount of approximately $0.235 million by RBT to certain of its shareholders, and (v) the payment of 2.019% of annual net sales generated by RBT intellectual properties for an unlimited period. As of December 31, 2013, we held 100% of RBT’s issued and outstanding share capital. For more information on the relationship between the Company and RBT, see Item 4.A. "Information on the Company – History and Development of the Company – Our History" and Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions".

On February 8, 2012, Syneron signed a definitive agreement to acquire Ultrashape Ltd., a leading developer, manufacturer and marketer of innovative non-invasive technologies for fat cell destruction and body sculpting. Under terms of the agreement, Syneron acquired 100% of the outstanding shares of Ultrashape Ltd. from Ultrashape Medical Ltd. for $12.0 million in cash. Ultrashape was the sole operating entity of Ultrashape Medical Ltd., which traded on the TASE, and it owns all rights and interests in the fat cell reduction and body sculpting business. The acquisition closed February 13, 2012. Ultrashape's products are approved and commercially available in the U.S., Europe, Canada, Latin America and Asia. In October 2014, the Company began a full commercial launch of Ultrashape in the U.S.

On November 11, 2013, Syneron and Unilever Ventures announced a definitive agreement, which closed on December 9, 2013, to form a joint venture in home beauty devices: "Iluminage Beauty". For additional information on this joint venture, please see Item 4.A. “Information on the Company – History and Development of the Company – Our History".

On March 5, 2014, Syneron acquired New Star Lasers, Inc., which conducts business as CoolTouch, Inc. (“CoolTouch”), for approximately $11 million in cash and an earn-out of up to $4 million based on certain milestones, which were not achieved. For additional information on this joint venture, please see Item 4.A. “Information on the Company – History and Development of the Company – Our History".

On February 22, 2016, Syneron signed a definitive share purchase agreement with Sino Ita International Trading Co. Ltd. to sell 100% of the outstanding shares of Light Instruments Ltd. for $5.9 million. The transaction closed on May 31, 2016.

D. EXCHANGE CONTROLS

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, freely repatriable in non-Israeli currency at the rate of exchange prevailing at the time of conversion. However, Israeli income tax is required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of exchange controls has not been eliminated, and may be restored at any time by administrative action.

E. TAXATION

The following is a general summary only and should not be considered as income tax advice or relied upon for tax planning purposes.

ISRAELI TAXATION

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 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 and potential investors 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 companies are generally subject to corporate tax on their taxable income. As of 2016, the corporate tax rate is 25% (in 2014 and 2015, the corporate tax rate was 26.5%). In December 2016, the Israeli Parliament approved the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which reduces the corporate income tax rate to 24% (instead of 25%) effective from January 1, 2017 and to 23% effective from January 1, 2018. However, the effective tax rate payable by a company that qualifies as an Industrial Company that derives income from an Approved Enterprise, a Beneficiary Enterprise or a Preferred Enterprise may be considerably less. Capital gains derived by an Israeli company are subject to the prevailing corporate tax rate.

Tax Benefits under the Law for the Encouragement of Capital Investments, 1959

Tax benefits prior to the 2005 Amendment

The Law for the Encouragement of Capital Investments, 1959 (Investments Law) provides that a capital investment in eligible facilities may, upon application to the Investment Center of the Ministry of Economy of the State of Israel the (Investment Center), be granted the status of an Approved Enterprise. Each certificate of approval for an Approved Enterprise relates to a specific investment program delineated both by its financial scope, including its capital sources, and by its physical characteristics (for example, the equipment to be purchased and utilized pursuant to the program).

A company owning an Approved Enterprise is eligible for a combination of grants and tax benefits (Grant Track). The tax benefits under the Grant Track include accelerated depreciation and amortization for tax purposes, as well as the taxation of income generated from an Approved Enterprise at the maximum corporate tax rate of 25%, for a certain period of time (Approved Enterprise). The benefit period is ordinarily seven years commencing with the year in which the Approved Enterprise first generates taxable income. The benefit period is limited to 12 years from the earlier of the commencement of production by the Approved Enterprise or 14 years from the date of approval of the Approved Enterprise.

The tax benefits under the Investments Law also apply to income generated by a company from the grant of a usage right with respect to know-how developed pursuant to the Approved Enterprise, income generated from royalties, and income derived from a service which is auxiliary to such usage right or royalties, provided that such income is generated within the ordinary course of business of the company investing in the Approved Enterprise. If a company has more than one approval or only a portion of its capital investments are approved, its effective tax rate is the result of a weighted average of the applicable rates. The tax benefits under the Investments Law are not generally available with respect to income derived from products manufactured outside of Israel. In addition, the tax benefits available to a company investing in an Approved Enterprise are contingent upon the fulfillment of conditions stipulated in the Investments Law and related regulations and the criteria set forth in the specific certificate of approval, as described above. In the event that a company does not meet these conditions, it would be required to refund the amount of tax benefits, plus a consumer price index linked adjustment and interest.

A company which qualifies as a foreign investment company (FIC) will be eligible for a three-year extension of tax benefits following the expiration of the seven year period referenced above. In addition, in the event that the level of foreign ownership in an Approved Enterprise reaches 49% or higher, the corporate tax rate applicable to income earned from the Approved Enterprise is reduced as follows:

% of Foreign Ownership	Tax Rate
49% or more but less than 74%	20%
74% or more but less than 90%	15%
90% or more	10%

A company qualifies as a FIC (i) if it has received at least NIS 5 million in loans (for a minimum period of three years) or as investment in share capital from a foreign resident who is consequently entitled to at least 25% of the “rights” in the company (consisting of profit sharing rights, voting rights and appointment of directors), or (ii) if a foreign resident has purchased the company’s shares from an existing shareholder, entitling the foreign shareholder to at least 25% of such rights in the company provided that the company’s outstanding and paid-up share capital exceeds NIS 5 million.

Additionally, a company owning an Approved Enterprise on or after April 1, 1986 may elect to forgo its entitlements to grants and tax benefits under the Grant Track and apply for alternative package of tax benefits for a benefit period of between 7 and 10 years (Alternative Track). Under the Alternative Track, a company’s undistributed income derived from the Approved Enterprise will be exempt from corporate tax for a period of between 2 and 10 years, starting from the first year the company derives taxable income under the Approved Enterprise program. The length of time of this exemption will depend on the geographic location of the Approved Enterprise within Israel and the type of the approved enterprise. After the exemption period lapses, the company will be eligible for the reduced tax rate of 25% (or a lower rate in the case of a FIC) for the remainder of the benefit period, subject to a limitation of the earlier of seven to 10 years from the first year that the company realizes taxable income (dependent on the level of foreign investments), 12 years from commencement of operation or 14 years from the date of the approval.

The Company has elected to be taxed under the Alternative Track. A company that has elected the Alternative Track and subsequently pays a dividend out of income derived from the Approved Enterprise during the tax exemption period will be subject to corporate tax on an amount equal to the distributed amount grossed up with the effective corporate tax rate which would have been applied had the company not elected the Alternative Track, which is at the above-referenced range of between 10%-25%. Dividends paid out of income derived from an Approved Enterprise are generally subject to withholding tax at source at the reduced rate of 15%, so long as the dividend is distributed during the tax exemption period or within 12 years thereafter. However, in the event that the company qualifies as a FIC, no such time limitation exists.

We currently intend to reinvest any income derived from our Approved Enterprise program and not to distribute such income as a dividend.

Tax Benefits Subsequent to the 2005 Amendment

The 2005 Amendment changed certain provisions of the Investment Law. As a result of the 2005 Amendment, a company was no longer obliged to obtain Approved Enterprise status in order to receive the tax benefits previously available under the Alternative Track, and therefore generally there was no need to apply to the Investment Center for this purpose (Approved Enterprise status remains mandatory for companies seeking cash grants). Rather, the Company may claim the tax benefits offered by the Investment Law directly in its tax returns by notifying the Israeli Tax Authority within 12 months of the end of that year, provided that its facilities meet the criteria for tax benefits set out by the 2005 Amendment. Companies are also granted the right to approach the Israeli Tax Authority for a pre-ruling regarding their eligibility for benefits under the 2005 Amendment.

The 2005 Amendment applies to new investment programs and investment programs with an election year commencing after 2004, but does not apply to investment programs approved prior to April 1, 2005. The 2005 Amendment provides that terms and benefits included in any certificate of approval that was granted before the 2005 Amendment became effective (April 1, 2005) will remain subject to the provisions of the Investment Law as in effect on the date of such approval.

Tax benefits are available under the 2005 Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of their business income from export to specific markets with a population of at least 12 million (following an amendment which became effective as of July 2013, the export criteria was increased to markets with population of at least 14 million; such export criteria will further increase in the future by 1.4% per annum) and meet additional criteria stipulate in the amendment (referred to as a "Beneficiary Enterprise"). In order to receive the tax benefits, the 2005 Amendment states that a company must make an investment which meets all of the conditions, including exceeding a minimum investment amount specified in the Investment Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to its Beneficiary Enterprise (the "Year of Election").

The extent of the tax benefits available under the 2005 Amendment to qualifying income of a Beneficiary Enterprise depend on, among other things, the geographic location in Israel of the Beneficiary Enterprise. The geographic location of the company at the year of election will also determine the period for which tax benefits are available. Such tax benefits include an exemption from corporate tax on undistributed income for a period of between two to ten years, depending on the geographic location of the Beneficiary Enterprise in Israel, and a reduced corporate tax rate of between 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in the company in each year if it is a qualified FIC. A company qualifying for tax benefits under the 2005 Amendment which pays a dividend out of income derived by its Beneficiary Enterprise during the tax exemption period will be subject to corporate tax in respect of the gross amount of the dividend at the otherwise applicable rate of 10%-25%. Dividends paid out of income attributed to a Beneficiary Enterprise are generally subject to withholding tax at source at the rate of 15% or such lower rate as may be provided in an applicable tax treaty.

The duration of tax benefits is subject to a limitation of the earlier of 7 to 10 years from the Commencement Year, or 12 years from the first day of the Year of Election.

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

We have elected 2008 and 2011 as "Years of Election" under the Investment Law for our Beneficiary Enterprise status.

Tax-exempt income generated under the provisions of the Investments Law, as amended, will subject us to taxes upon distribution or liquidation and we may be required to record a deferred tax liability with respect to such tax-exempt income.

Currently we have three benefitted programs under the Investments Law, which entitle us to tax benefits under the 2005 Amendment.

A substantial portion of our taxable operating income is derived from our Beneficiary Enterprise program and we expect that a substantial portion of any taxable operating income that we may realize in the future will be also derived from such program.

The tax benefits attributable to our Beneficiary Enterprise are scheduled to expire in phases by 2021.

Preferred Enterprise – The 2011 Amendment

The 2011 Amendment introduced a new tax regime for income generated by a "Preferred Enterprise" (as such terms are defined in the Investment Law) as of January 1, 2011. Similarly to Beneficiary Enterprise, a 'Preferred Company' is an industrial company owning a Preferred Enterprise which meets certain conditions (including a minimum threshold of 25% export). However, under the 2011 Amendment, the requirement for a minimum investment in productive assets was cancelled.

Pursuant to the 2011 Amendment, a Preferred Company is entitled to a reduced corporate tax rate, as described below. Dividends paid out of income attributed to a Preferred Enterprise during 2014 and thereafter are generally subject to withholding tax at the rate of 20% or such lower rate as may be provided in an applicable tax treaty. However, if such dividends are paid to an Israeli company, no tax is required to be withheld (however, if afterward distributed to individuals or non-Israeli company a withholding of 20% or such lower rate as may be provided in an applicable tax treaty, will apply).

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

We have reviewed and evaluated the implications and effect of the benefits under the 2011 Amendment, and, while potentially eligible for such benefits, we have not yet chosen to be subject to the tax benefits introduced by the 2011 Amendment.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Investment Law ("Amendment 73") was published. According to Amendment 73, a Preferred Enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to Preferred Enterprises located in other areas remains at 16%).

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investment Law. The termination or substantial reduction of any of the benefits available under the Investment Law could materially increase our tax liabilities.

Law for the Encouragement of Industry (Taxes), 1969

We believe that we qualify as an "Industrial Company" within the meaning of the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law. The Industry Encouragement Law defines "Industrial Company" as an Israeli resident company with 90% or more of its income in any tax year (exclusive of income from certain defense loans), capital gains, interest and dividends, generated from an "Industrial Enterprise" that it owns. An "Industrial Enterprise" is defined as an enterprise whose principal activity in a given tax year is industrial manufacturing.

An Industrial Company is entitled to certain tax benefits, including: (i) a deduction of the cost of purchases of patents, know-how and certain other intangible property rights (other than goodwill) used for the development or promotion of the Industrial Enterprise over a period of eight years, beginning from the year in which such rights were first used, (ii) the right to elect to file consolidated tax returns with additional Israeli Industrial Companies controlled by it, and (iii) the right to deduct expenses related to public offerings in equal amounts over a period of three years beginning from the year of the offering.

Eligibility for benefits under the Industry Encouragement Law is not contingent upon the approval of any governmental authority.

There is no assurance that we qualify or will continue to qualify as an Industrial Company or that the benefits described above will be available in the future.

Taxation of the Company Shareholders

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders.

A non-Israeli resident who derives capital gains from the sale of shares in an Israeli resident company that were purchased after the company was listed for trading on a stock exchange outside of Israel will be exempt from Israeli tax so long as the shares were not held through a permanent establishment that the non-resident maintains in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a controlling interest of 25% or more in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. Additionally, such exemption is not applicable to a person whose gains from selling or otherwise disposing of the shares are deemed to be business income.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, under the United States-Israel Tax Treaty, the disposition of shares by a shareholder who is a United States resident (for purposes of the treaty) holding the shares as a capital asset is generally exempt from Israeli capital gains tax unless, among other things, (i) the capital gain arising from the disposition is attributed to business income derived by a permanent establishment of the shareholder in Israel; (ii) the shareholder holds, directly or indirectly, shares representing 10% or more of the voting capital during any part of the 12-month period preceding the disposition; or (iii) such U.S. resident is an individual and was present in Israel for 183 days or more during the relevant taxable year.

In some instances, where our shareholders may be liable for Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at source.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-Israeli residents generally will be subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, which tax will be withheld at source, unless relief is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time of receiving the dividend or on any time during the preceding twelve months, the applicable tax rate is 30%. A "substantial shareholder" is generally a person who alone or together with such person's relative or another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right.

However, a distribution of dividends to non-Israeli residents is subject to withholding tax at source at a rate of 15% if the dividend is distributed from income attributed to an Approved Enterprise, a Preferred Enterprise or a Beneficiary Enterprise, unless a reduced tax rate is provided under an applicable tax treaty. Pursuant to the Tax Amendment, effective January 1, 2014, if the dividend is being paid out of certain income attributable to a Preferred Enterprise, the dividend will be subject to tax at the rate of 20% (and not 15%). A different rate may be provided in a treaty between Israel and the shareholder's country of residence, as mentioned below.

In this regard, under the United States-Israel Tax Treaty, the maximum rate of tax withheld at source in Israel on dividends paid to a holder of our ordinary shares who is a United States resident (for purposes of the United States-Israel Tax Treaty) is 25%. Consequently, distributions to U.S. residents of income attributed to an Approved Enterprise, a Preferred Enterprise or a Beneficiary Enterprise will be subject to withholding tax at a rate of 15%. However, generally, the maximum rate of withholding tax on dividends, not generated by an Approved Enterprise, a Preferred Enterprise or a Beneficiary Enterprise, that are paid to a United States corporation holding 10% or more of the outstanding voting capital throughout the tax year in which the dividend is distributed as well as during the previous tax year, is 12.5%, provided that not more than 25% of the gross income for such preceding year consists of certain types of dividends and interest. We cannot assure you that we will designate the profits that we may distribute in a way that will reduce shareholders' tax liability.

Excess Tax

Individuals who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at the rate of 2% on annual taxable income exceeding NIS 803,520 in 2016 (and as of 2017, the additional tax will be at a rate of 3% on annual income exceeding NIS 640,000) which amount is linked to the annual change in the Israeli consumer price index, including, but not limited to, dividends, interest and capital gain.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax consequences of the ownership and disposition of ordinary shares. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular investor's decision to acquire the shares. Except as otherwise noted, this discussion applies only to U.S. Holders (as defined below) that hold our ordinary shares as capital assets for tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances, including alternative minimum tax or net investment income tax consequences and tax consequences applicable to U.S. Holders (as defined below) subject to special rules, such as banks; financial institutions; insurance companies; dealers in stocks, securities, or currencies; traders in securities that elect to use a mark-to-market method of accounting for their securities holdings; partnerships (including entities classified as partnerships for U.S. federal income tax purposes) or other pass-through entities, or holders that will hold our shares through such an entity; tax-exempt organizations; real estate investment trusts; regulated investment companies; qualified retirement plans, individual retirement accounts, and other tax-deferred accounts; expatriates of the United States; persons subject to the alternative minimum tax; persons holding ordinary shares as part of a straddle, hedge, conversion transaction, or other integrated transaction; persons who acquired ordinary shares pursuant to the exercise of any employee stock option or otherwise as compensation for services; persons actually or constructively holding 10% or more of our voting stock; and U.S. Holders (as defined below) whose functional currency is other than the U.S. dollar.

This discussion is based on the Internal Revenue Code of 1986, as amended (Code), administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. Such change could materially and adversely affect the tax consequences described below. No assurance can be given that the Internal Revenue Service ("IRS") would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

A "U.S. Holder" is a beneficial owner of ordinary shares who is:

- an individual who is a citizen or resident of the United States or someone treated as a U.S. citizen or resident for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or
- a trust or estate, the income of which is subject to U.S. federal income taxation regardless of its source.

The term "Non-U.S. Holder" means a beneficial owner of an ordinary share who is not a U.S. Holder or an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes. The tax consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder.

Holders are urged to consult their own tax advisors concerning the U.S. federal, state, local, and foreign tax consequences of owning and disposing of our ordinary shares in light of their particular circumstances.

Distributions Paid on the Ordinary Shares

We do not expect to make distributions on the ordinary shares. However, subject to the discussion below under "Passive Foreign Investment Company Considerations," if a U.S. Holder actually or constructively receives a distribution on our ordinary shares, such holder must include the distribution in gross income as ordinary dividend income on the date of the distribution, but only to the extent of current or accumulated earnings and profits, as calculated under U.S. federal income tax principles. Such amount must be included without reduction for any foreign taxes withheld. To the extent a distribution exceeds our current and accumulated earnings and profits, it will be treated first as a non-taxable return of capital to the extent of the holder's adjusted tax basis in the ordinary shares, and thereafter as capital gain. We do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles and, therefore, U.S. Holders should expect that the entire amount of any distribution generally will be reported as dividend income.

Dividends received by certain non-corporate U.S. Holders may be eligible for preferential tax rates, provided that (i) we are a "qualified foreign corporation" and (ii) holding period and other requirements are satisfied. We generally should be considered a qualified foreign corporation if we are not a passive foreign investment company (PFIC) for the taxable year in which the dividend is paid or the preceding taxable year and, (i) we are eligible for the benefits of the treaty between Israel and the United States (Treaty), or (ii) our ordinary shares are readily traded on an established securities market in the United States. U.S. Holders generally should meet the holding period requirements if they hold our ordinary shares for more than 60 days during the 121-day period beginning 60 days prior to the ex-dividend date. Holders should consult their own tax advisors regarding the application of these rules. If we are not a qualified foreign corporation or if the holding period and other requirements are not satisfied, any divided would be treated as ordinary taxable income.

Corporate taxpayers generally are not eligible for the preferential dividend tax rates that apply to dividends in the case of non-corporate holders. Additionally, our dividends generally will not qualify for a dividends-received deduction. Any tax withheld under Israeli law with respect to distributions on our ordinary shares at a rate not exceeding the rate provided in the Treaty may be, subject to a number of complex limitations, claimed as a foreign tax credit against U.S. federal income tax liability or as a deduction for U.S. federal income tax purposes. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose generally, dividends on our ordinary shares will be foreign source income and generally should be "passive category income," except with respect to certain corporate investors owning 10% or more of our ordinary shares for which such income may be "general category income." The rules relating to U.S. foreign tax credits are complex and the availability of a foreign tax credit depends on numerous factors. Holders should consult their own tax advisors concerning the application of the U.S. foreign tax credit rules with regard to their particular circumstances.

Dividends paid in NIS, including the amount of any Israeli taxes withheld, will be includible in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day such dividends are received by the U.S. Holder. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in the income of the U.S. Holder to the date that payment is converted into U.S. dollars generally will be treated as ordinary income or loss.

Disposition of Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," upon the sale or other disposition of ordinary shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and such holder's adjusted tax basis in the ordinary shares. A U.S. Holder's adjusted tax basis in our ordinary shares will be the cost to such holder of such shares, as determined under U.S. federal income tax principles. Capital gain from the sale or other taxable disposition of ordinary shares held by certain non-corporate U.S. Holders will be taxed at preferential rates if such ordinary shares have been held for more than one year and certain other requirements are met. The deductibility of capital losses is subject to limitations. The gain or loss generally will be gain or loss from sources within the United States for U.S. foreign tax credit limitation purposes. Holders are urged to consult with their own tax advisors regarding the sourcing of gain or loss recognized on the sale of ordinary shares as well as the consequences of the receipt of a currency other than the U.S. dollar upon such sale or other disposition.

Passive Foreign Investment Company Considerations (PFIC)

Special U.S. federal income tax rules apply to U.S. persons that own shares of a PFIC. We will be classified as a PFIC under Section 1297 of the Code if, for a taxable year, either (a) 75% or more of our gross income for such taxable year is passive income (the "income test") or (b) 50% or more of the average percentage, generally determined by fair value, of our assets during such taxable year either produce passive income or are held for the production of passive income (the "asset test"). For this purpose, passive income includes, for example, dividends, interest, certain rents and royalties, and gain from the disposition of property that produces such income.

We do not believe that we were a PFIC for our prior taxable year and we intend to conduct our business so that we should not be treated as a PFIC for our current taxable year or any future taxable year. However, because the PFIC determination is highly fact intensive and made at the end of each taxable year, it is possible that we may be a PFIC for the current or any future taxable year or that the IRS may challenge our determination concerning our PFIC status. Our belief that we will not be a PFIC for the current year is based on our estimate of the fair value of our intangible assets, including goodwill, not reflected in our financial statements under U.S. GAAP, and our projection of our income for the current year. We determine the value of our assets in large part by reference to the market value of our ordinary shares at the end of each quarter. We believe this valuation approach is reasonable. However, if the IRS successfully challenged our valuation of our assets, or if the market price of our ordinary shares were to fluctuate, it could result in our classification as a PFIC. Because the market price of our ordinary shares is likely to fluctuate and because that market price may affect the determination of whether we will be considered a PFIC, we cannot give any assurances that we will not be considered a PFIC for any future taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds ordinary shares, we generally, (unless certain elections are made by such holder and certain other requirements are met) will continue to be treated as a PFIC with respect to such holder for all succeeding years during which such holder holds ordinary shares, regardless of whether we continue to meet the income or asset test. If we are classified as a PFIC, U.S. Holders could be subject to additional taxes and a special interest charge in respect of gain recognized on the sale or other disposition of such holder's ordinary shares and upon the receipt of "excess distributions" (as defined in the Code). In addition, no distribution that U.S. Holders receive from us would qualify for taxation at the preferential rate discussed in "—Taxation of Distributions on Ordinary Shares" above, if we were a PFIC for the taxable year of such distribution or for the preceding taxable year. Moreover, U.S. Holders may be required to file annual tax returns (including on Form 8621) containing such information as the U.S. Treasury requires.

The rules applicable to owning shares of a PFIC are complex, and each shareholder should consult with its own tax advisor regarding the potential consequences of the PFIC rules to them.

Information Reporting and Back-up Withholding

Generally, information reporting requirements will apply to distributions on ordinary shares or proceeds on the disposition of ordinary shares paid within the United States (and, in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients, such as corporations. Furthermore, backup withholding (currently at 28%) may apply to such amounts if the U.S. Holder fails to (i) provide a correct taxpayer identification number, (ii) report interest and dividends required to be shown on its U.S. federal income tax return, or (iii) make other appropriate certifications in the required manner. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Payments to Non-U.S. Holders of distributions on, or proceeds from the disposition of, ordinary shares are generally exempt from information reporting and backup withholding. However, a Non-U.S. Holder may be required to establish that exemption by providing certification of non-U.S. status on an appropriate IRS Form W-8.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment to a holder may be credited against such holder's U.S. federal income tax liability and such holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Additional Withholding Obligations

Certain U.S. Holders who are individuals (and under proposed regulations, certain entities) may be required to report information relating to an interest in our ordinary shares, subject to certain exceptions (including an exception for shares held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of our ordinary shares.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

A copy of each report submitted in accordance with applicable U.S. law is available for public review at our principal executive offices. In addition, our filings with the SEC may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public from the SEC's website at www.sec.gov.

A copy of each document (or a translation thereof to the extent not in English) concerning Syneron Medical Ltd. that is referred to in this Annual Report on Form 20-F, is available for public view (subject to confidential treatment of certain agreements pursuant to applicable law) at our principal executive offices.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate Risk. A major part of our operations is carried out by us and our subsidiaries in the U.S. and Israel. The functional currency of these entities is the U.S. dollar as the revenues and a substantial portion of the costs are incurred in U.S. dollars. Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with ASC 830, "Foreign Currency Matters." All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the statements of income as financial income or expenses, as appropriate. The functional currency of our remaining subsidiaries and associated companies in most instances is their relevant local currency. The financial statements of those companies are included in consolidation, based on translation into U.S. dollars. Assets and liabilities are translated at year-end exchange rates, while revenues and expenses are translated at monthly average exchange rates during the year in accordance with ASC 830 "Foreign Currency Matters." Differences resulting from translation are presented as a separate component, under accumulated other comprehensive income (loss) in shareholders' equity.

While a significant portion of our revenues and expenses are generated in U.S. dollars, a portion of our revenues are denominated in Euros, New Israeli Shekels, and, to a lesser extent, in other non-U.S. dollar currencies. As a result, we are exposed to financial market risk associated with changes in foreign currency exchange rates. In order to reduce the impact of foreign currency rate volatility on future cash flows, we use currency forward contracts. If our currency forward contracts meet the definition of a hedge, and are so designated, changes in the fair value of the contracts will be offset against changes in the fair value of the hedged assets or liabilities through earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change. Our hedging reduces, but does not eliminate, the impact of foreign currency rate movements, and due to such movements the results of our operations may be adversely affected.

During the year ended December 31, 2016, we recognized net income of $0.04 million related to the effective portion of our hedging instruments. The effective portion of the hedged instruments was included as an offset to payroll expenses. The ineffective portion of the hedged instrument during the year ended December 31, 2016 was immaterial and was recorded as a financial income.

As of December 31, 2016, the net fair value of the liabilities of the outstanding forward contracts and options that met the requirement for hedge accounting was $4 thousand.

We use forward contracts and options to reduce the risk associated with fluctuations in currency exchange rates; however, we may not be able to eliminate the effects of currency fluctuations.

Interest Rate Risk. We do not have any outstanding financial liabilities, and therefore our exposure to market risk for changes in interest rate relates primarily to our investments in cash, marketable securities and bank deposits. The primary objective of our investment activities is to preserve principal while maximizing the interest income we receive from our investments, without increasing risk. As of December 31, 2016, we invested approximately 0.4% of our invested cash balances in bank deposits and the remainder in available-for-sale marketable securities primarily in securities issued by the U.S., by non-U.S. governments and by high quality U.S. and non U.S. corporations featuring high credit rating of A and up. We do not use derivative financial instruments to limit exposure to interest rate risk. Our interest gains may decline in the future as a result of changes in the financial markets; however we believe any such potential loss would be immaterial to us.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) under the Exchange Act of 1934, as amended (Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer (the principal executive and principal financial officer, respectively) have concluded that our disclosure controls and procedure are effective as of December 31, 2016.

(b) Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) of the Exchange Act.

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2016, based on the 2013 framework for Internal Control-Integrated Framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2016.

(c) Our independent registered public accounting firm, Kost, Forer, Gabbay & Kasierer, a member firm of Ernst & Young Global, has issued an attestation report on our internal controls over financial reporting, which is incorporated herein by reference.

(d) There were no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 20-F that have materially affected, or are reasonable likely to materially affect our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Dr. Michael Anghel, who is an independent director (as defined under Rule 5605(a)(2) of The Nasdaq Marketplace Rules) and serves on our audit committee, qualifies as an "audit committee financial expert" as defined in the instructions to Item 16A of Form 20-F.

ITEM 16B. CODE OF ETHICS

In 2004, we adopted a Code of Business Conduct and Ethics, which applies to our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, and persons performing similar functions. In February 2015, the Code of Business Conduct and Ethics was revised by our board of directors. The revised Code of Business Conduct and Ethics is posted on our website, www.syneron-candela.com. Any amendments to the revised Code of Business Conduct and Ethics, or waivers of such Code granted by us with respect to our Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, and persons performing similar functions, will be posted on our website.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During the years 2015 and 2016, we were billed the following aggregate fees for the professional services rendered by Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global, an independent registered public accounting firm:

	2015 (U.S. dollars in thousands)	2016 (U.S. dollars in thousands)
Audit Fees (1)	$ 695	$ 695
Tax Fees (2)	181	184
Audit Related Fees (3)	58	60
Total	$ 934	$ 939

(1) Audit fees are fees for audit services for each of the years shown in this table, including fees associated with the annual audit (including audit of our internal control over financial reporting), and reviews of our quarterly financial results submitted on Form 6-K, consultations on various accounting issues and audit services provided in connection with other statutory or regulatory filings.

(2) Tax services rendered by our auditors were for tax compliance and for tax consulting associated with international transfer pricing and tax planning.

(3) Audit-related fees are fees for consultation with Company management about accounting or disclosure treatment of transactions or events and auditor's confirmation of specific financial data.

Pre-Approval Policy and Procedures

The audit committee has adopted an audit and non-audit services pre-approval policy relating to the approval of all audit and non-audit services that are to be performed by our independent auditor. Under this policy, in 2016, the audit committee pre-approved the provision by Ernst & Young of specified audit services, including the audit of the Company's consolidated financial statements for 2016, review of the Company's Annual Report on Form 20-F and quarterly reports on Form 6-K, audit of the Company's effectiveness of internal control over financial reporting, and statutory audit and tax returns for the consolidated group. The audit committee also pre-approved the provision by Ernst & Young of specified audit-related services, including consultation with Company management about accounting or disclosure treatment of transactions or events and auditor's confirmation of specific financial data. Furthermore, the audit committee also pre-approved the provision by Ernst & Young of specified tax related services, including international and domestic tax planning, advice and compliance and due diligence-related services. The audit committee may add or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The audit committee may delegate to a subcommittee of the audit committee the authority to approve any audit or non-audit services to be provided to us by our independent auditor. For informational purposes only, any approval of services by a member or subcommittee of the audit committee pursuant to this delegated authority is reported at the next meeting of the audit committee.

Both the audit committee and the independent auditor believe the implementation of this policy will not adversely affect the auditor's independence.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On December 1, 2014, our Board of Directors approved a share repurchase program of up to $20 million of our ordinary shares. Under the program, ordinary shares may be repurchased from time to time through open market transactions, block purchases, or private transactions in accordance with applicable regulatory requirements. The timing of purchases and the number of shares to be purchased will depend on market conditions and other factors. The program does not obligate Syneron to acquire any specific number of shares and may be discontinued at any time. Syneron intends to fund any share repurchases with currently available working capital. As of February 10, 2016, Syneron completed its repurchase program by repurchasing a total of 2,374,296 ordinary shares for $20 million. The following are all share repurchases made since January 1, 2016:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2016	467,821	6.94	3,248,277	676,951
February 1-28, 2016	95,821	7.06	676,951	-
Total	**563,642**	**6.96**	3,925,228	

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Rule 5620(c) of the Nasdaq Marketplace Rules requires that an issuer listed on Nasdaq have a quorum requirement that in no case be less than 33 1/3% of the outstanding shares of its common voting stock. The Company's articles of association, consistent with the Companies Law, provides for a lower quorum in the event of a meeting adjourned for lack of a quorum, in which case one shareholder holding any number of shares present in person or by proxy at such adjourned meeting shall constitute a quorum. The Company has elected to follow home country practice with respect to quorum requirements for an adjourned meeting rather than the applicable Nasdaq requirement.

Rule 5635(c) of the Nasdaq Marketplace Rules requires shareholder approval prior to the issuance of securities when a stock option plan or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. Under the Israel Companies Law, approval by the Board of Directors is generally required to adopt or amend a stock option plan or other equity compensation arrangement. Shareholder approval is generally not required under the Israel Companies Law to adopt or amend a stock option plan or other equity based compensation plan, although shareholder approval is required for any transaction with, including any grant of equity compensation to, the chief executive officer, a director or a controlling shareholder. The Company has elected to follow home country practice with respect to the adoption or amendment of such plans or arrangements rather than the applicable Nasdaq requirement.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

The Company's Consolidated Financial Statements are set forth under Item 18.

ITEM 18. FINANCIAL STATEMENTS

The Company's Consolidated Financial Statements beginning on pages F-1 through F-65, as set forth in the following index, are incorporated herein by reference. These Consolidated Financial Statements are filed as part of this Annual Report on Form 20-F.

ITEM 19. EXH IBITS

1.1	Articles of Association of Registrant, as amended (incorporated by reference to Exhibit 1.1 to our Annual Report on Form 20-F for the year ended December 31, 2007, filed May 7, 2008).
2.1	Form of Share Certificate (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form F-1 filed July 14, 2004).
4.1	Turn-Key Manufacturing Agreement by and between Syneron Medical Ltd. and U.S.R. Electronics Systems (1987) Ltd. (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1/A filed August 3, 2004)**.
4.2	Turn-Key Manufacturing Agreement by and between Syneron Medical Ltd. and Fibernet Ltd. (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1/A filed August 3, 2004)**.
4.3	Amended and Restated License Agreement between Candela Corporation and The Regents of the University of California for Dynamic Skin Cooling Method and Apparatus effective as of August 11, 2000 (incorporated by reference to Exhibit 4.3 to our Annual Report on Form 20-F for the year ended December 31, 2009 filed March 25, 2010)**.
4.4	Settlement Agreement dated August 11, 2000 by and among Candela Corporation, the Regents of the University of California, and CoolTouch, Inc. (incorporated by reference to Exhibit 4.4 to our Annual Report on Form 20-F for the year ended December 31, 2009 filed March 25, 2010)**.
4.5	Patent License and Settlement Agreement dated March 4, 2004 by and between (a) Lumenis Inc. and Lumenis Ltd. and (b) Syneron Inc. and Syneron Medical Ltd. (incorporated by reference to Exhibit 10.4 to our Registration Statement on Form F-1/A filed August 3, 2004)**.
4. 6	Candela Corporation's 1998 Third Amended and Restated Stock Plan (incorporated by reference to Exhibit 4.6 to our Annual Report on Form 20-F for the year ended December 31, 2009 filed March 25, 2010).
4.7	2004 Israel Stock Option Plan (incorporated by reference to Exhibit 10.6 to our Registration Statement on Form F-1 filed July 14, 2004).
4.8	2004 United States and Canada Stock Option Plan (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form F-1 filed July 14, 2004).
4.9	Candela Corporation's 2008 Stock Plan (incorporated by reference to Exhibit 4.10 to our Annual Report on Form 20-F for the year ended December 31, 2009 filed March 25, 2010).
4.10	Form of Candela Corporation 2008 Stock Plan Notice of Stock Appreciation Right Grant (incorporated by reference to Exhibit 4.11 to our Annual Report on Form 20-F for the year ended December 31, 2009 filed March 25, 2010).
4.11	Lease for premises at 530 and 534 Boston Post Road, Wayland, Massachusetts (incorporated by reference to Exhibit 4.11 to our Annual Report on Form 20-F for the year ended December 31, 2011 filed March 29, 2012).
4.12	Patent License and Settlement Agreement dated as of June 3, 2005 by and between Thermage, Inc. and Syneron Medical Ltd. (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 20-F for the year ended December 31, 2004 filed July 30, 2005).
4.13	First Amendment to the Amended and Restated License Agreement dated as of July 3, 2005, by and between the Regents of the University of California and Candela Corporation (incorporated by reference to Exhibit 4.14 to our Annual Report on Form 20-F for the year ended December 31, 2009 filed March 25, 2010).

4.14	Second Amendment to the Amended and Restated License Agreement dated as of June 30, 2011, by and between the Regents of the University of California and Candela Corporation (incorporated by reference to Exhibit 4.20 to our Annual Report on Form 20-F for the year ended December 31, 2011 filed March 29, 2012).
4.15	Joint Development and Supply Framework Agreement dated as of February 25, 2007, by and between The Procter & Gamble Company and Syneron Medical Ltd. (incorporated by reference to Exhibit 4.9 to our Annual Report on Form 20-F for the year ended December 31, 2006 filed June 15, 2007)**.
4.16	Settlement Agreement dated September 15, 2011 between Syneron, Inc., Candela Corporation, Palomar Medical Technologies, Inc., and The General Hospital Corporation (incorporated by reference to Exhibit 4.23 to our Annual Report on Form 20-F for the year ended December 31, 2011 filed March 29, 2012)**.
4.17	Share Purchase Agreement, dated as of February 8, 2012, by and among Syneron Medical Ltd., UltraShape Medical Ltd., and UltraShape Ltd. (incorporated by reference to Exhibit 4.24 to our Annual Report on Form 20-F for the year ended December 31, 2011 filed March 29, 2012).
4.18	Share Purchase Agreement, dated as of May 30, 2012, by and among Rakuto Bio Technologies Ltd., Syneron Medical Ltd., and Haim Lasser (incorporated by reference to Exhibit 4.20 to our Annual Report on Form 20-F for the year ended December 31, 2012 filed March 21, 2013).
4.19	Joint Contribution Agreement, dated November 11, 2013, by and between Unilever Ventures and Syneron Medical Ltd. (incorporated by reference to Exhibit 4.20 to our Form 6-K filed March 8, 2017)**.
4.20	Agreement and Plan of Merger, dated February 19, 2014, by and among Syneron, Inc., Ctria Acquisition Corporation and New Stars Lasers, Inc. d.b.a CoolTouch, Inc. and David Hennings and Nina Davis as Shareholder Representatives (incorporated by reference to Exhibit 4.21 to our Annual Report on Form 20-F for the year ended December 31, 2013 filed March 19, 2014)**.
4.21*	Share Purchase Agreement, dated as of February 22, 2016, by and among a Company In Formation Under Israeli Law, Light Instruments Ltd., and Syneron Medical Ltd.
4.22	Compensation Policy approved by the shareholders of Syneron Medical Ltd. on September 12, 2016 (incorporated by reference to Appendix B to our Proxy Statement on a Form 6-K filed August 16, 2016).
4.23	2014 Israeli Stock Incentive Plan (incorporated by reference to Appendix B to our Proxy Statement on a Form 6-K filed June 17, 2014).
4.24	2014 U.S. Stock Incentive Plan (incorporated by reference to Appendix C to our Proxy Statement on a Form 6-K filed June 17, 2014).
8.1*	List of Subsidiaries of the Registrant.
12.(a).1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.(a).2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

13.(a).1* Certifications of the Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

15.(a).1* Consent of Independent Registered Public Accounting Firm.

101 The following financial information from Syneron Medical Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income for the years ended December 31, 2016, 2015, and 2014; (ii) Consolidated Balance Sheets at December 31, 2016 and 2015; (iii) Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015, and 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015, and 2014; and (v) Notes to Consolidated Financial Statements.

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* Filed herewith.

** Portions of this exhibit have been omitted and filed separately with the secretary of the Securities and Exchange Commission pursuant to a confidential treatment request.

SYNERON MEDICAL LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016

U.S. DOLLARS IN THOUSANDS

INDEX

Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

Tel: +972-3-6232525
Fax: +972-3-5622555
ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

SYNERON MEDICAL LTD.

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated March 23, 2017 expressed an unqualified opinion thereon.

Tel Aviv, Israel
March 23, 2017

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

Kost Forer Gabbay &
Kasierer
3 Aminadav St.
Tel-Aviv 6706703, Israel

Tel:
+972-3-6232525
Fax:
+972-3-5622555
ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

SYNERON MEDICAL LTD.

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

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

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Syneron Medical Ltd. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016 of Syneron Medical Ltd. and subsidiaries and our report dated March 23, 2017 expressed an unqualified opinion thereon.

Tel Aviv, Israel
March 23, 2017

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Note	Year ended December 31, 2016	2015	2014
Revenues:				
Lasers and other products		$ 222,195	$ 204,124	$ 182,770
Product-related services		75,907	73,725	72,980
Total revenues	20	298,102	277,849	255,750
Cost of revenues:				
Lasers and other products		101,735	88,614	81,533
Product-related services		40,734	40,270	38,238
Total cost of revenues		142,469	128,884	119,771
Gross profit		155,633	148,965	135,979
Operating expenses, net:				
Research and development		23,043	25,270	24,619
Selling and marketing		95,889	97,163	80,741
General and administrative		28,490	30,061	28,368
Other expenses (income), net	17	4,983	(913)	3,283
Impairment of goodwill		-	3,843	1,185
Total operating expenses, net		152,405	155,424	138,196
Operating income (loss)		3,228	(6,459)	(2,217)
Financial income (expenses), net	19	764	167	(688)
Income (loss) before taxes on income		3,992	(6,292)	(2,905)
Taxes on income	18	3,813	48	2,295
Net income (loss)		$ 179	$ (6,340)	$ (5,200)
Net income (loss) per share:				
Basic net income (loss) per share		$ 0.01	$ (0.17)	$ (0.14)
Diluted net income (loss) per share	21	$ 0.01	$ (0.17)	$ (0.14)
Weighted average number of shares used in per share calculations (in thousands):				
Basic		34,745	36,416	36,703
Diluted		34,945	36,416	36,703

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. dollars in thousands

	Note	Year ended December 31, 2016	2015	2014
Net income (loss)		$ 179	$ (6,340)	$ (5,200)
Other comprehensive income (loss):				
Foreign currency translation adjustments		(562)	(2,826)	(3,249)
Available-for-sale securities:				
Changes in unrealized losses		(156)	(7)	(122)
Reclassification adjustments for losses included in net income (loss)		20	11	122
Net change		(136)	4	-
Cash flow hedges:				
Unrealized gains (loss), net		66	124	(33)
Reclassification adjustments for gains included in net income (loss)		(38)	(25)	(82)
Net change		28	99	(115)
Other comprehensive loss		(670)	(2,723)	(3,364)
Comprehensive loss		$ (491)	$ (9,063)	$ (8,564)

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31, 2016	December 31, 2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 56,756	$ 56,330
Short-term bank deposits		326	357
Short-term marketable securities	3	10,817	14,274
Trade receivables, net of allowance for doubtful accounts of $ 6,173 and $ 5,223		57,337	53,423
Other accounts receivable and prepaid expenses	5	12,587	12,438
Inventories	6	47,376	49,352
Total current assets		185,199	186,174
LONG-TERM ASSETS:			
Long-term deposits and others		312	292
Long-term marketable securities	3	18,522	15,695
Deferred tax assets, net	18	17,640	20,363
Severance pay fund		479	509
Investment in affiliated company	7	15,730	19,800
Property and equipment, net	8	12,529	9,823
Intangible assets, net	9	8,516	12,694
Goodwill	10	18,258	21,442
Total long-term assets		91,986	100,618
Total assets		$ 277,185	$ 286,792

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31, 2016	December 31, 2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 22,659	$ 23,045
Deferred revenues	12	12,838	12,481
Other accounts payable and accrued expenses	13	28,976	36,316
Total current liabilities		64,473	71,842
LONG-TERM LIABILITIES:			
Deferred revenues	12	2,939	3,395
Warranty accruals		1,794	861
Contingent consideration	1b3	-	878
Accrued severance pay		559	603
Total long-term liabilities		5,292	5,737
Total liabilities		69,765	77,579
COMMITMENTS AND CONTINGENCIES	15		
SHAREHOLDERS' EQUITY:	16		
Ordinary shares of NIS 0.01 par value:			
Authorized - 100,000,000 Ordinary shares; Issued – 38,356,055 and 38,336,805 shares; Outstanding – 34,730,185 and 35,274,577 shares at December 31, 2016 and 2015, respectively		91	91
Additional paid-in capital		201,671	199,048
Treasury shares at cost – 3,625,870 and 3,062,228 Ordinary shares at December 31, 2016 and 2015, respectively		(29,587)	(25,662)
Accumulated other comprehensive loss	11	(8,228)	(7,558)
Retained earnings		43,473	43,294
Total shareholders' equity		207,420	209,213
Total liabilities and shareholders' equity		$ 277,185	$ 286,792

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive loss	Treasury Shares, at cost	Retained earnings	Total equity
Balance as of January 1, 2014	$ 89	$ 187,924	$ (1,471)	$ (9,587)	$ 54,834	$ 231,789
Issuance of shares upon exercise of stock-based awards	1	1,524	-	-	-	1,525
Equity-based compensation expenses	-	3,700	-	-	-	3,700
Repurchase of Ordinary shares	-	-	-	(485)	-	(485)
Other comprehensive loss	-	-	(3,364)	-	-	(3,364)
Net loss	-	-	-	-	(5,200)	(5,200)
Balance as of December 31, 2014	$ 90	$ 193,148	$ (4,835)	$ (10,072)	$ 49,634	$ 227,965

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive loss	Treasury shares, at cost	Retained earnings	Total equity
Balance as of December 31, 2014	$ 90	$ 193,148	$ (4,835)	$ (10,072)	$ 49,634	$ 227,965
Issuance of shares upon exercise of stock-based awards	1	2,125	-	-	-	2,126
Equity-based compensation expenses	-	3,775	-	-	-	3,775
Repurchase of Ordinary shares	-	-	-	(15,590)	-	(15,590)
Other comprehensive loss	-	-	(2,723)	-	-	(2,723)
Net loss	-	-	-	-	(6,340)	(6,340)
Balance as of December 31, 2015	$ 91	$ 199,048	$ (7,558)	$ (25,662)	$ 43,294	$ 209,213

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive loss	Treasury shares, at cost	Retained earnings	Total equity
Balance as of December 31, 2015	$ 91	$ 199,048	$ (7,558)	$ (25,662)	$ 43,294	$ 209,213
Equity-based compensation expenses	-	3,711	-	-	-	3,711
Additional payment to non-controlling shareholders	-	(1,088)	-	-	-	(1,088)
Repurchase of Ordinary shares	-	-	-	(3,925)	-	(3,925)
Other comprehensive loss	-	-	(670)	-	-	(670)
Net income	-	-	-	-	179	179
Balance as of December 31, 2016	$ 91	$ 201,671	$ (8,228)	$ (29,587)	$ 43,473	$ 207,420

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	8,447	8,965	8,283
Share-based compensation	3,711	3,775	3,700
Changes in fair value of investment in affiliated company	7,010	330	4,590
Impairment of intangible assets and goodwill	-	7,132	2,890
Gain from sale of subsidiary	(1,149)	-	-
Decrease in accrued interest, amortization of premium and accretion of discount and gain from sale of marketable securities	647	1,770	757
Change in fair value of contingent consideration, net	(878)	(4,105)	(3,012)
Deferred income taxes, net	2,751	957	(976)
Decrease (increase) in trade receivables, net	(5,021)	1,613	(2,817)
Decrease (increase) in other accounts receivable and prepaid expenses	525	(5,222)	183
Increase in inventories	(2,521)	(14,370)	(3,503)
Increase in trade payables	446	921	3,994
Increase (decrease) in deferred revenues	(7)	(1,725)	1,910
Increase in warranty accruals	1,704	657	675
Increase (decrease) in other accounts payable and accrued expenses	(7,474)	2,713	4,543
Other, net	(10)	101	96
Net cash provided by (used in) operating activities	8,360	(2,828)	16,113
Cash flows from investing activities:			
Proceeds from investment in short-term deposits, net	31	6,057	11,099
Purchase of available-for-sale marketable securities	(26,365)	(23,753)	(30,945)
Proceeds from sale of available-for-sale marketable securities	10,986	5,447	6,844
Redemption of available-for-sale marketable securities	15,226	33,368	30,967
Purchase of property and equipment	(3,699)	(4,870)	(2,751)
Net cash paid in acquisition of subsidiaries (a)	-	-	(11,016)
Purchases of intangible asset	(150)	-	-
Investment in affiliated company	(2,940)	-	-
Sale of a subsidiary	4,307	-	-
Other, net	(25)	(25)	(9)
Net cash provided by (used in) investing activities	(2,629)	16,224	4,189

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2016	**2015**	**2014**
Cash flows from financing activities:			
Additional payment to non-controlling shareholders	$ (1,088)	$ -	$ -
Repurchase of ordinary shares	(3,925)	(15,590)	(485)
Exercise of stock options and RSU's	-	2,125	1,525
Net cash provided by (used in) financing activities	(5,013)	(13,465)	1,040
Translation adjustments on cash and cash equivalents	(292)	(790)	(1,736)
Increase (decrease) in cash and cash equivalents	426	(859)	19,606
Cash and cash equivalents at the beginning of the year	56,330	57,189	37,583
Cash and cash equivalents at the end of the year	$ 56,756	$ 56,330	$ 57,189
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes, net	$ 3,157	$ 1,656	$ 3,278
Supplemental disclosure of non-cash financing and investing activities:			
Reclassification of inventory to property and equipment	$ 4,348	$ 676	$ 544
(a) Net cash paid in acquisition of subsidiary:			
Consideration:			
Cash	$ -	$ -	$ 10,969
Total consideration	$ -	$ -	$ 10,969
Identifiable assets acquired and liabilities assumed:			
Short term bank credit	$ -	$ -	$ (47)
Current assets	-	-	1,944
Non-current assets	-	-	34
Intangible assets	-	-	7,180
Goodwill	-	-	5,437
Deferred tax liabilities	-	-	(1,916)
Contingent consideration	-	-	(100)
Liabilities assumed	-	-	(1,563)
Total identifiable assets acquired and liabilities assumed:	-	-	10,969
Net cash paid in acquisitions	$ -	$ -	$ 11,016

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

NOTE 1:- GENERAL

a. Syneron Medical Ltd. (the "Company") commenced its operations in July 2000. The Company and its subsidiaries (together "Group") are principally engaged in manufacture, research, development, marketing and sales worldwide, directly to end-users and also to distributors of advanced equipment for the aesthetic medical industry and systems for dermatologists, plastic surgeons and other qualified practitioners (the professional market).

The Company has wholly-owned subsidiaries in Israel, the United States, France, Germany, Spain, the United Kingdom, Swiss, Japan, Korea, Canada, Australia, Italy, Hong Kong and China. The majority Company's subsidiaries are engaged primarily in sales, marketing and support activities of its core products.

The Company generates revenues from sales of systems and from provision of services, extended warranty and consumables.

b. Acquisitions and disposals:

1. New Star Lasers, Inc., which conducts business as CoolTouch, Inc. ("Cooltouch" or "CT"):

On March 5, 2014 ("the Closing Date"), the Company acquired 100% outstanding shares of Cooltouch, an aesthetic technology company based in California. The consideration to acquire Cooltouch was $10,969 in cash and additional contingent consideration of up to $4,000, based on certain milestones to be achieved by the end of 2015. Cooltouch products focus on endovascular treatment of varicose veins and minimally-invasive laser assisted lipolysis. The derived goodwill from this acquisition is attributable to additional capabilities of the Group to expand its products portfolio, including products with a consumable revenue component, broaden the Company's customer base, and the ability to enter into significant new markets.

2. Syneron China:

In November 2008, the Company entered into a joint venture (JV) agreement with Beijing Art Fact MediTech (BAFM) for the formation of Syneron China. As of December 31, 2011 the Company held 51% of the JV for a total investment of $510. The Company consolidated the JV's results and recorded the non-controlling interests in accordance with the provisions of ASC 810, "Consolidation" (ASC 810).

NOTE 1:- GENERAL (Cont.)

In August 2012, the Company entered into a share transfer agreement with BAFM to acquire its equity interest (45%) in the JV for a total amount of $2,200. Consummation of the transaction was subject to certain closing conditions, including the approval of certain governmental authorities. At the closing, the Company deposited an amount of $1,760 in escrow and shall be released upon all closing conditions met. During 2013, the Company entered into an agreement to acquire the remaining equity interest (4%) in the JV for a total amount of $156. Approvals of local authorities were received during 2013. Syneron currently holds 100% of Syneron China outstanding shares. On May 2016, the escrow was released and an amount of $1,088 paid to non-controlling shareholders.

3. Rakuto Bio Technologies Ltd. ("RBT"):

RBT is an Israeli company engaged in the development of new skin brightening treatments. RBT products are distributed through the Group.

During the years 2007-2011, the Company invested an aggregate amount of $4,275 for consideration of 49.52% of RBT's fully diluted share capital.

On May 30, 2012, the Company entered into an agreement with RBT's shareholders pursuant to which the Company acquired all the remaining shares of RBT for: (i) an initial purchase price of $5,000, (ii) an additional $5,000 to be paid on May 30, 2013, (iii) certain milestone payments in the aggregate amount equal to $15,240 ("the contingent consideration"), (iv) the repayment of certain loan amounts provided by RBT to certain of its shareholders, and (v) the payment of 2.019% of annual net sales generated by RBT intellectual properties for an unlimited period.

The Company records the contingent consideration at fair value. Refer to Notes 2k and Note 4.

4. Light Instruments Ltd. ("LI"):

On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary for total consideration of approximately $ 5,850, subjects to certain post-closing adjustments and expenses. The Company recorded a net gain of $1,149 in the statements of operations under other expenses (income), net.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company's management evaluates estimates, including those related to fair values and useful lives of intangible assets, tax assets and liabilities, fair values of stock-based awards and the investment in affiliated company. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

b. Financial statements in U.S. dollars:

A major part of the Group's operations is carried out by the Company and its subsidiaries in the United States and Israel. The functional currency of these entities is the U.S. dollar (dollar or $) as the revenues and a substantial portion of the costs are denominated in dollar.

The Company's management believes that the dollar is the primary currency of the economic environment in which the Company and certain of its subsidiaries operate. Thus, the functional and reporting currency of the Company and certain of its subsidiaries is the dollar.

Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with ASC 830, "Foreign Currency Matters" (ASC 830). All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

The functional currency of certain foreign subsidiaries, whose functional currency has been determined to be their local currency, has been translated into dollar. Assets and liabilities have been translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts have been translated using monthly average exchange rates in accordance with ASC 830. The resulting translation adjustments are reported as a component of equity in accumulated other comprehensive income (loss).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Principles of consolidation:

The consolidated financial statements include the accounts of Syneron Medical Ltd. and its wholly owned subsidiaries. All intercompany balances and transactions including profits from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation.

Changes in the parent's ownership interest in a subsidiary with no change of control are treated as equity transactions, with any difference between the amount of consideration paid and the change in the carrying amount of the non-controlling interest, recognized in equity (APIC) which is based on ASC 810.

d. Cash and cash equivalents:

Cash and cash equivalents are short-term highly liquid investments that are readily convertible into cash with original maturities of three months or less, at acquisition.

e. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term deposits. Such short-term deposits are stated at cost which approximates market values. Interest on deposits is recorded as financial income. As of December 31, 2016 and 2015, the Company held short-term interest bearing deposits with weighted average interest rates of 0.06%.

f. Marketable securities:

Marketable securities consist primarily of government treasury bonds and corporate bonds. The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. In accordance with ASC 320 "Investments- Debt and Equity Securities" (ASC320), the Company classifies all of its marketable debt securities as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in "accumulated other comprehensive income (loss)", in shareholders' equity. Realized gains and losses on sales of marketable securities, as determined on a specific identification basis, are included in financial income (expenses), net. The amortized cost of marketable debt securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in financial income (expenses), net.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company recognizes an impairment charge when a decline in the fair value of its investments in debt securities below the cost basis of such securities is judged to be other-than-temporary. Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and the Company's intent to sell, including whether it is more likely than not that the Company will be required to sell the investment before recovery of cost basis. For securities that are deemed other-than-temporarily impaired ("OTTI"), the amount of impairment is recognized in the statement of operations and is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income (loss). The Company did not recognize OTTI impairment loss with respect to its marketable securities in 2016, 2015 and 2014.

g. Derivatives and hedging activities:

The Company implemented the requirements of ASC 815, "Derivatives and Hedging" which requires companies to recognize all of their derivative instruments as either assets or liabilities in the balance sheets at fair value. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualified as part of a hedging transaction and further, on the type of hedging transaction. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings.

The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

The Company measured the fair value of the forward contracts in accordance with ASC 820 (classified as level 2).

Due to the Company's global operations, it is exposed to foreign currency exchange rate fluctuations in the normal course of its business.

The Company's policy allows it to offset the risks associated with the effects of certain foreign currency exposures through the purchase of foreign exchange forward or option contracts (Hedging Contracts).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company entered into forward contracts to hedge and protect against the risk of changes in future cash flow from payments of payroll and related expenses denominated in Israeli Shekels (NIS) during the year and for certain forecasted revenue transactions in currencies other than the U.S. dollar, the Company instituted a foreign currency cash flow hedging program. The Company hedges portions of the anticipated payroll of its Israeli employees denominated in NIS or revenues anticipated in currencies other than the U.S. dollar for a period of one to twelve months.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gain or loss on a derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item is recognized in current earnings during the period of change. As of December 31, 2016 and 2015, the Company had outstanding liabilities forward contracts that met the requirement for cash flow hedge accounting was $(4) and $(32), with a notional amount of $3,641 and $3,478, respectively, and outstanding option contracts with a notional amount of $5,105 and $8,477, respectively.

h. Inventories:

Inventories are stated at the lower of cost or market value. Inventory reserve, for slow-moving items, is provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories and discontinued products.

Cost is determined as follows:

Raw materials - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis. The Company calculates at least on a quarterly basis the variance between an items' standard cost and the latest purchasing prices of those items; the variance is investigated; adjustments are made as necessary and have been included in cost of revenues.

Work in process - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis, including materials, labor and other direct and indirect manufacturing costs.

Finished products - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis, and which includes materials, labor and manufacturing overhead. Standard costs are monitored and updated as necessary, to reflect the changes in raw material costs and labor and overhead rates.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company assesses the carrying value of its inventory for each reporting period to ensure inventory is reported at the lower of cost or market in accordance with ASC 330-10-35. Charges for obsolete and slow moving inventories are recorded based upon an analysis of specific identification of obsolete inventory items and quantification of slow moving inventory items. These assessments consider various factors, including historical usage rate, technological obsolescence, estimated current and future market values and new product introduction. In cases when there is evidence that the anticipated utility of goods, in their disposal in the ordinary course of business, will be less than the historical cost of the inventory, the Company recognizes the difference as a current period charge to earnings and carries the inventory at the reduced cost basis until it is sold or disposed of.

When recorded, the reserves are intended to reduce the carrying value of inventory to its net realizable value. Inventory of $47,376 and $49,352 as of December 31, 2016 and 2015, respectively, is stated net of inventory reserves of $8,543 and $5,740, respectively. If actual demand for the Company's products deteriorates, or market conditions are less favorable than those projected, additional inventory reserves may be required.

i. Property and equipment, net:

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

	%
Computers, software, manufacturing, laboratory equipment and demonstration equipment (*)	10 - 50 (mainly 33)
Office furniture and equipment	6 - 30 (mainly 15)
Leasehold improvements	The shorter of the term of the lease or the useful life of the asset

(*) Demonstration equipment consists of systems for use in marketing and selling activities. Demonstration equipment is generally not held for sale and is recorded as property and equipment. The demonstration equipment is amortized on a straight-line method over their estimated economic life not to exceed two years.

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

The Company's property and equipment and identifiable intangibles subject to amortization are reviewed for impairment in accordance with ASC 360, "Impairment or Disposal of Long-Lived Assets" ("ASC 360"), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Intangible assets acquired in a business combination are recorded at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives, which range from 5 to 8 years. Some of the acquired customer arrangements are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such customer arrangements as compared to the straight-line method. All other intangible assets are amortized over their estimated useful lives on a straight-line basis.

During 2016 no impairment charges were recorded related to intangible assets. During 2015 and 2014 the Company recorded impairment charges, related to intangible assets, in the amount of $3,289 and $1,705, respectively.

k. Business combinations:

The Company accounts for business combinations in accordance with ASC 805, "Business Combinations". ASC 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over the purchase price and any subsequent changes in estimated contingencies are to be recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and acquired income tax positions are to be recognized in earnings.

Contingent considerations to former owners agreed in a business combination, e.g, in the form of milestone payments upon the achievement of certain sales target, are recognized as liabilities at fair value as of the recognition date. Any subsequent changes in amounts recorded as liability are recognized in earnings in other expenses (income), net.

l. Investment in affiliated company (non-marketable securities):

The Company implemented ASC 323, "Investments - Equity and Joint Ventures", to determine whether it should apply the equity method of accounting to its investments.

Investment in Iluminage Beauty, the Company elected to recognize the investments at fair value at each reporting date with changes in the fair value recognized in earnings under other expenses (income), net. Refer to Notes 4 and 7 for further details.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Goodwill and indefinite lived assets:

Goodwill and intangible assets have been recorded as a result of acquisitions. Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired.

The Company applies ASC 350, "Intangibles - Goodwill and Other". Under ASC 350, goodwill is not amortized but rather is subject to an annual impairment test. ASC 350 requires goodwill to be tested for impairment at least annually or between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. During the fourth quarter of 2015, the Company changed the date of its annual goodwill impairment test from June 30 to December 31.The Company determined December 31 as the date of the annual impairment test for each of its reporting units.

Starting January 1, 2014, the Company operates in one operating segment which is comprised of five reporting units. As of December 31, 2016 two of the reporting units include goodwill.

The provisions of ASC 350 require that a two-step impairment test be performed on goodwill at the level of the reporting units. There is a two-step process for impairment testing of goodwill. The first step screens for potential impairment, while the second step (if necessary) measures impairment. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. In such case, the second step is then performed, and the Company measures impairment by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill.

The Company determines the fair value of each reporting unit using the income approach, which utilizes a discounted cash flow model, as it believes that this approach best approximates the reporting unit's fair value.

Judgments and assumptions related to revenue, operating income, future short-term and long-term growth rates, weighted average cost of capital, interest, capital expenditures, cash flows, and market conditions are inherent in developing the discounted cash flow model. The Company considers historical rates and current market conditions when determining the discounted and growth rates to use in its analyses. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for its goodwill. As a result of the annual impairment test in 2016, no impairment loss was recorded. During 2015 the Company recorded goodwill impairment charges of $2,500 and $1,343 related to Cooltouch and RBT goodwill, respectively. During 2014 the Company recorded goodwill impairment charge of $1,185 related to RBT goodwill. See also Note 10.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Revenue recognition:

Revenues are recognized in accordance with ASC 605, "Revenue Recognition" when delivery has occurred, persuasive evidence of an agreement exists, the fee is fixed and determinable, collectability is reasonably assured and no further obligations exist. Provisions are made at the time of revenue recognition for any applicable warranty cost expected to be incurred.

The timing for revenue recognition of the various products and customers is dependent upon satisfaction of such criteria and generally varies from shipment to delivery to the customer depending on the specific shipping terms of a given transaction, as stipulated in the agreement with each customer. Revenues from service contracts are recognized on a straight-line basis over the life of the related service contracts.

Other than pricing terms which may differ due to the different volumes of purchases between distributors and end-users, there are no material differences in the terms and arrangements involving direct and indirect customers.

The Company's products sold through agreements with distributors are non-exchangeable, non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, the Company considers all the distributors as end-users.

The Company assesses whether collection is reasonably assured based on a number of factors, including the customer's past transaction history and credit worthiness.

In respect of sale of systems with installation, in accordance with ASC 605, the Company has concluded that its arrangements are generally consistent with the indicators suggesting that installation is not essential to the functionality of the Company's systems. Accordingly, installation is considered inconsequential and perfunctory relative to the system, and therefore the Company recognizes revenue for the system and installation upon delivery to the customer in accordance with the agreement delivery terms once all other revenue recognition criteria have been met, and provides an accrual for installation costs as appropriate.

According to ASC 605-25, when a sales arrangement contains multiple deliverables, such as sales of products and related services, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Under this approach, the selling price of a unit of accounting is determined by using a selling price hierarchy which requires the use of vendor-specific objective evidence (VSOE) of fair value if available, third-party evidence (TPE) if VSOE is not available, or best estimate of selling price (BESP) if neither VSOE nor TPE is available. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Accordingly, for such products and services the Company determined the fair value based on management's best estimate of the selling price which take into consideration several external and internal factors including, but not limited to, pricing practices (including discounts, margin objectives and consideration of the Company's pricing models) and go-to-market strategy. Those estimates are corroborated by normal expected margins depending on the product, region and type of customer (i.e., clinic or a distributor).

The Company sells deliverables of products and service which consist of a system, applicators, consumables (such as spare parts), and an extended warranty. Such deliverables can be delivered either in a bundled transaction or separately.

Typically, systems and applicators or related consumables are shipped and delivered at the same time while the extended warranty is provided subsequent to the expiration of the standard warranty period. In those circumstances when not all the products have been delivered, the Company has concluded that the delivered elements have standalone value as a pre-condition for recognizing revenues for the delivered elements. The threshold for recognizing such revenues would normally be the delivery of a system with the applicator providing the System with full functionality.

In certain cases, when product arrangements are bundled with extended warranty, the separation of the extended warranty falls under the scope of ASC 605- 20-25-1 through 25-6, and the price of the extended warranty stated in the agreement is deferred and recognized ratably over the extended warranty period which is typically between one year and three years.

The Company does not provide any performance, cancelation, termination or any refund type provisions to its customers, nor does it grant a right of return, for its products.
Deferred revenue includes primarily unearned amounts received in respect of service contracts but not yet recognized as revenues and classified in short and long-term based on their contractual term.

o. Research and development costs:

Research and development costs are charged to the statement of operations, as incurred.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Accounting for share-based compensation:

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on their estimated fair values in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations. The Company estimates the fair value of employee stock options at the date of grant using the Binomial option-pricing model ("the Binomial model"). The Binomial model for option pricing requires a number of assumptions, of which the most significant are the suboptimal exercise factor and expected stock price volatility. The suboptimal exercise factor is estimated based on employees' historical option exercise behavior.

The suboptimal exercise factor is the ratio by which the stock price must increase over the exercise price before employees are expected to exercise their stock options. Expected volatility is based upon actual historical stock price movements and was calculated as of the grant dates for different periods, since the Binomial model can be used for different expected volatilities for different periods. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term to the contractual term of the options. The Company has historically not paid dividends and has no foreseeable plans to pay dividends therefore uses an expected dividend yield of zero.

The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

The Company recognizes share-based compensation expenses for the value of its awards based on the straight line method over the requisite service period of each of the awards, net of estimated forfeitures.

q. Basic and diluted net income (loss) per share:

Basic net income (loss) per share is computed based on the weighted average number of ordinary shares outstanding during each year. Basic net income (loss) per share was determined by dividing net income (loss) by the weighted average ordinary shares outstanding during the period.

Diluted net income (loss) per share was determined by dividing net income (loss) by the diluted weighted average shares outstanding. Diluted weighted average shares reflect the dilutive effect, if any, of stock options, stock appreciation rights, and restricted share units based on the treasury stock method, in accordance with ASC, 260, "Earning Per Share".

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Fair value of financial instruments:

The carrying amounts of financial instruments, including cash and cash equivalents, bank deposits, marketable securities, trade receivables, other accounts receivable and prepaid expenses, trade payables and other accounts payable and accrued expenses, approximate fair value because of their generally short maturities.

The Company applies ASC 820, "Fair Value and Disclosure" (ASC 820). Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace;

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

Assets and liabilities measured at fair value on a recurring basis are comprised of marketable securities, investment in affiliated company (Iluminage Beauty), hedging contracts and contingent considerations which represent future amounts the Company may be required to pay in conjunction with various business combinations. Each reporting period, the Company revalues these contingent considerations and records increases or decreases in their fair value as an adjustment to contingent consideration within the consolidated statement of operations. Changes in the fair value of the contingent consideration can result from adjustments to the discount rates, the probability of achievement of any revenue milestones and due to discounting to present value each reporting date. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market. See also Note 4.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The fair value of the Company's equity interest in Iluminage Beauty was determined by the Company's Board of Directors after consideration of, among other things, a written report prepared by a third party appraisal firm which calculated fair value using the discounted cash flow and the OPM method, which uses significant unobservable inputs such as cash flows to be generated from the underlying investment and discounted at a weighted average cost of capital. Management considered the reasonableness of the assumptions, methodologies, analysis and conclusions set forth in the report. The Board of Directors and the management also considered other factors, including but not limited to consideration of external market conditions affecting the home use aesthetic industry, and Iluminage Beauty's projected results of operations and financial position. After deliberation, the Board of Directors and the management determined the fair market value of the Company's equity interest in Iluminage Beauty. As of December 31, 2016 and 2015, the fair value of Iluminage Beauty investment amounted to $15,730 and $19,800, respectively.

s. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized, based on the weight of available positive and negative evidence.

Deferred tax liabilities and assets are classified as non-current in accordance with ASU 2015-17 (see also Note 2ab).

The Company accounts for uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative probability) likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits under taxes on income (tax benefit).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

t. Employee benefit plan:

401K profit sharing plans in US:

The company has two types of retirement plans in which US employees may participate: Roth 401k plan which is a post-tax benefit offering and a retirement plan under Section 401(k) which is a pre-tax benefit offering. Certain population of the Candela Corporation Inc.'s ("Candela") U.S. employees is eligible to participate in a defined contribution retirement plan (Plan). Participants in the Plan may elect to defer a portion of their pre-tax earnings into the Plan, which is run by an independent party. Employees also have the option to contribute to the ROTH 401k plan which is post tax. Contributions to the Plan are recorded as an expense in the consolidated statements of operations.

Candela's U.S. operations maintain a retirement plan (Candela U.S. Plan) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the Candela U.S. plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. Candela matches 50% of each participant's contributions up to a maximum of 6% of the participant's elective deferral. Each participant may contribute a percentage of their pay or a flat dollar amount. Contributions to the Candela U.S. Plan are recorded during the year contributed as an expense in the consolidated statements of operations.

The total allowable company contribution is up to exceed 3%, provided an employee is contributes 6%. The employee contribution may be a combination of contribution(s) between the Roth 401k and Section 401k of IRS Code. Contributions to a combination of the two options cannot exceed the Internal Revenue Service annual contribution limit.

Total contributions for the years ended December 31, 2016, 2015 and 2014 were $807, $594 and $621, respectively.

Severance pay in Israel:

The Company's liability for severance pay to its Israeli employees is calculated pursuant to the Israeli Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or portion thereof. The Company's liability for all its Israeli employees is covered by monthly deposits for insurance policies and by an accrual. The value of these policies is recorded as an asset on the Company's balance sheets.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Israeli Severance Pay Law or labor agreements. The value of the deposited funds is based on the cash surrender value of these policies, and includes immaterial profits accumulated up to the balance sheet date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Most the Company's agreements with its employees in Israel are in accordance with Section 14 of the Israeli Severance Pay Law. Upon contribution of the full amount based on the employee's monthly salary, and release of the policy to the employee, no additional legal obligation exists between the parties and no additional payments are needed to be made by the Company to the employee; therefore, related assets and liabilities are not presented in the balance sheets.

Severance pay expenses for the years ended December 31, 2016, 2015 and 2014 amounted to approximately $866, $870 and $875, respectively.

u. Shipping and handling costs:

Shipping and handling costs, which amounted to $7,572, $7,162 and $6,783 for the years ended December 31, 2016, 2015 and 2014, respectively, are included in sales and marketing expenses in the consolidated statements of operations. Shipping and handling costs include all costs associated with the distribution of finished products, consumables and spare parts from the Company's point of manufacturing directly to customers and distributors.

v. Advertising expenses:

Advertising expenses are charged to the statements of operations, as incurred. Advertising expenses for the years ended December 31, 2016, 2015 and 2014 were $2,188, $2,281 and $2,331, respectively.

w. Litigation reserves and legal expenses:

The Company reserves for liabilities related to litigation brought against the Company when the amount of the potential loss is probable and can be estimated. Because of the uncertainties related to an unfavorable outcome of litigation, and the amount and range of loss on pending litigation, management is often unable to make an accurate estimate of the liability that could result from an unfavorable outcome. As litigation progresses, the Company continues to assess its potential liability and revises its estimates accordingly. Estimates of litigation reserves are recorded in other accounts payable and accrued expenses line item in the consolidated balance sheets and changes in the litigation reserves are recorded under general and administrative expense line item in the statement of operations.

Legal expenses are charged to the statements of operations as incurred.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

x. Concentration of credit risk:

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, bank deposits, derivative instruments, available-for-sale marketable securities, and trade receivables.

The majority of the Group' cash and cash equivalents and bank deposits are invested in major banks in Israel and the U.S. Generally, these cash equivalents may be redeemed upon demand and, therefore management believes that it bears a low risk. The short-term bank deposits are held in financial institutions which management believes are institutions with high credit standing, and accordingly, minimal credit risk from geographic or credit concentration exists with respect to these bank deposits.

The Company's marketable securities include investments in highly rated debentures of U.S. and Israeli, corporations and governmental bonds. The financial institutions that hold the Company's marketable securities are major U.S. financial institutions, located in the United States and Canada.

Management believes that the Company's marketable securities portfolio represents a diverse portfolio of highly-rated securities and the Company's investment policy limits the amount the Company may invest in each issuer, and accordingly, management believes that minimal credit risk exists from geographic or credit concentration with respect to these securities.

The Company and its subsidiaries have no material off-balance sheet concentration of financial instruments subject to credit risk such as foreign exchange contracts, option contracts or other hedging arrangements, except those mentioned in Note 14.

The Company's trade receivables are derived mainly from sales to large independent distributors and to end-users world-wide. The Company performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. The allowance for doubtful accounts is based on management's assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances.

The following table provides details of the change in the Company's allowance for doubtful accounts:

	2016	2015	2014
Balance at the beginning of the year	$ 5,223	$ 5,970	$ 6,497
Charged to expenses, net of recoveries	1,136	728	1,233
Deconsolidation of subsidiary	(134)	-	-
Write-off	(132)	(1,663)	(1,514)
Translation differences	80	188	(246)
Balance at the end of the year	$ 6,173	$ 5,223	$ 5,970

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

y. Warranty:

The Company provides a one to three year standard warranty for its products, depending on the type of product and the country in which the Company does business. The Company records a provision for the estimated cost to repair or replace products under warranty at the time of sale. Factors that affect the Company's warranty reserve include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair.

The following table provides details of the change in the Company's product warranty accrual:

	December 31,		
	2016	2015	2014
Balance at the beginning of the year	$ 8,049	$ 7,467	$ 6,981
Warranty provision related to acquisitions	-	-	50
Warranty provision related to the deconsolidation of subsidiary	(400)	-	-
Charged to costs and expenses relating to new sales	11,914	11,433	9,126
Costs of product warranty claims	(10,210)	(10,779)	(8,501)
Translation differences	(50)	(72)	(189)
Balance at the end of the year	$ 9,303	$ 8,049	$ 7,467

z. Comprehensive income (loss):

The Company reports comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income". This Statement establishes standards for the reporting and presentation of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) generally represents all changes in equity during the period except those resulting from investments by, or distributions to, stockholders. The Company determined that items of other comprehensive income (loss) relate to unrealized gains and losses on available-for-sale marketable securities, hedging contracts and currency translation adjustments.

aa. Treasury shares:

The Company repurchased its ordinary shares from time to time on the open market and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity. The voting rights attached to treasury stock are revoked.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ab. Impact of recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method. The Company is still finalizing the analysis to quantify the adoption impact of the provisions of the new standard. The FASB has issued, and may issue in the future, interpretive guidance which may cause the Company's evaluation to change. Management believes that the Company is following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption effective the beginning of fiscal year 2018.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company has early adopted this standard in the fourth quarter of 2015 on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU will be effective for the Company in the first quarter of 2019. The Company is evaluating the impact of the adoption of this update on its consolidated financial statements and related disclosures.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The ASU simplifies several aspects of the accounting for employee share-based payments including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU will be effective for the Company in the first quarter of 2017. The Company is currently evaluating the impact this new guidance will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which intends to reduce diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. This guidance will be effective for the Company in the first quarter of 2018. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In January 2017, the FASB issued ASU "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 will simplify the subsequent measurement of goodwill by eliminating the second step from the goodwill impairment test. ASU 2017-04 would require applying a one-step quantitative test and recording the amount of goodwill impairment as the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. The amendments in ASU 2017-04 are effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of the standard on its future financial statements and disclosures.

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

NOTE 3:- AVAILABLE-FOR-SALE MARKETABLE SECURITIES

	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market funds	$ 1,990	$ -	$ -	$ 1,990
Available-for-sale - matures within one year:				
Corporate debentures - fixed interest rate	7,713	3	(6)	7,710
	7,713	3	(6)	7,710
Available-for-sale - matures after one year through three years:				
Corporate debentures - fixed interest rate	16,866	2	(148)	16,720
	16,866	2	(148)	16,720
Available-for-sale - matures after three years through five years:				
Corporate debentures - fixed interest rate	2,963	-	(44)	2,919
	2,963	-	(44)	2,919
	$ 29,532	$ 5	$ (198)	$ 29,339
Reclassification of certain securities to long-term				18,522
				$ 10,817

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

NOTE 3:- AVAILABLE-FOR-SALE MARKETABLE SECURITIES (Cont.)

	December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market funds	$ 1,506	$ -	$ -	$ 1,506
Available-for-sale - matures within one year:				
Certificate of deposit	728	-	-	728
Government sponsored enterprises - fixed interest rate	2,089	2	-	2,091
Corporate debentures - fixed interest rate	6,863	14	(7)	6,870
	9,680	16	(7)	9,689
Available-for-sale - matures after one year through three years:				
Certificate of deposit	1,248	-	(2)	1,246
Corporate debentures - fixed interest rate	15,451	10	(65)	15,396
	16,699	10	(67)	16,642
Available-for-sale - matures after three years through five years:				
Corporate debentures - fixed interest rate	2,141	-	(9)	2,132
	2,141	-	(9)	2,132
	$ 30,026	$ 26	$ (83)	$ 29,969
Reclassification of certain securities to long-term				15,695
				$ 14,274

The table below presents the fair value of investments in available-for-sale securities that have been in an unrealized loss position as of December 31, 2016 and 2015 and the length of time that those investments have been in a continuous loss position:

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 16,620	$ 185	$ 6,827	$ 13	$ 23,447	$ 198
	$ 16,620	$ 185	$ 6,827	$ 13	$ 23,447	$ 198

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

NOTE 3:- AVAILABLE-FOR-SALE MARKETABLE SECURITIES (Cont.)

	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 12,274	$ 49	$ 8,333	$ 32	$ 20,607	$ 81
Certificate of deposit	455	-	1,229	2	1,684	2
	$ 12,729	$ 49	$ 9,562	$ 34	$ 22,291	$ 83

As of December 31, 2016 and 2015, there were 46 and 62 securities in a loss position, respectively.

For the years ended December 31, 2016, 2015 and 2014, the Company recognized gross realized gains of $1, $2 and $31, respectively, and gross realized losses of $20, $13 and $153, respectively. The Company determines realized gains or losses on the sale of marketable securities on a specific identification method, and reflects such gains and losses as a component of financial income (expenses), net, in the Company's consolidated statements of operations.

NOTE 4:- FAIR VALUE MEASUREMENT

The Company measures its marketable securities, foreign currency derivative contracts, investment in affiliated company (Iluminage Beauty Ltd.) and acquisition related contingent considerations at fair value. Marketable securities are classified within Level 1 or Level 2. This is because marketable securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Foreign currency derivative contracts that are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. Investment in Iluminage Beauty Ltd. and liabilities with respect to contingent considerations are classified within Level 3 because these assets and liabilities are valued using valuation techniques. Some of the inputs to these models are unobservable in the market and are significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- FAIR VALUE MEASUREMENT (Cont.)

The Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following types of instruments as of December 31, 2016 and 2015:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate debentures	$ -	$ 27,349	$ -	$ 27,349
Money markets funds	1,990	-	-	1,990
Foreign currency derivatives	-	569	-	569
Investment in affiliated company	-	-	15,730	15,730
Total	$ 1,990	$ 27,918	$ 15,730	$ 45,638
Liabilities:				
Foreign currency derivatives	$ -	$ 4	$ -	$ 4
Total	$ -	$ 4	$ -	$ 4

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate debentures	$ -	$ 24,398	$ -	$ 24,398
Government sponsored enterprises	-	2,091	-	2,091
Money markets funds	3,480	-	-	3,480
Investment in affiliated company	-	-	19,800	19,800
Total	$ 3,480	$ 26,489	$ 19,800	$ 49,769
Liabilities:				
Foreign currency derivatives	$ -	$ 32	$ -	$ 32
Contingent consideration	-	-	878	878
Total	$ -	$ 32	$ 878	$ 910

The tables below present the changes in Level 3 and the investment in Iluminage Beauty measured on a recurring basis:

	December 31,	
	2016	2015
Iluminage Beauty:		
Fair value at the beginning of the year	$ 19,800	$ 20,130
Investment during the year	2,940	-
Changes in the fair value included in earnings	(7,010)	(330)
Fair value at the end of the year	$ 15,730	$ 19,800

The fair value of the Company equity interest in Iluminage Beauty (see Note 7) was calculated by the Company using the discounted cash flow and the Option Pricing Model method (OPM), which uses significant unobservable inputs such as cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital of 20% and 21% for 2016 and 2015, respectively.

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

NOTE 4:- FAIR VALUE MEASUREMENT (Cont.)

The table below presents the changes in Level 3 contingent consideration obligations measured on a recurring basis and related to business combinations of Cooltouch in March 2014 and RBT investment in May 2012:

	December 31,	
	2016	2015
Fair value at the beginning of the year	$ 878	$ 4,983
Changes in the fair value of contingent consideration in RBT and Cooltouch, net	(878)	(4,105)
Fair value at the end of the year	$ -	$ 878

The fair value of the contingent consideration related to the investment in RBT was $0 and $878 as of December 31, 2016 and 2015, respectively.

The fair value of the contingent consideration related to the investment in RBT was based on management's analysis, forecasts and estimates, regarding the probability that the revenues milestone will be achieved until 2018 and the Company will be required to pay the contingent consideration. The Company recorded a net income of $878 and $4,005 in 2016 and 2015 respectively, due to changes in fair value resulting from several factors including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria. The Company performed a fair value valuation of RBT reporting unit and of the contingent consideration at each reporting date. The valuation was approved by the Company's Audit Committee and Board of Directors after consideration of, among other things, a valuation report prepared by a third party appraisal firm. The valuation calculated by using the discounted projected performance of RBT reporting unit, which uses significant unobservable inputs, such as operating profit (loss) and revenue, discounted at a weighted average cost of capital of 17% for 2015 and 2016. In estimating the projected performance of RBT reporting unit, various assumptions were made based on the Company expectations, market research, historical results and growth and knowledge of the industry.

The fair value of the contingent consideration related to the investment in Cooltouch was $0 as of December 31, 2016 and 2015. The Company estimated the fair value of the contingent consideration using Monte Carlo simulation with a discounted rate of 16% and based on various probabilities for Cooltouch to meet the net revenues milestone until December 31, 2016 (refer to Note 1b1 for further details). On December 31, 2016 and December 31, 2015, the net revenue milestone for the payments of the $2,000, per each year, was not achieved and no payments to Cooltouch's shareholders were due. The Company recorded a net income of $100 in 2015 due to changes in fair value resulting from several factors including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria. During 2016 the contractual contingent was expired without requiring payment of the contingent consideration.

Changes in the contingent consideration are recorded in the statements of operations under other expenses (income), net.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- FAIR VALUE MEASUREMENT (Cont.)

Assets measured at fair value on a nonrecurring basis:

Level 3 assets measured on a nonrecurring basis at December 31, 2016 and 2015 consisted of intangible assets and goodwill. As of December 31, 2015, certain intangible assets and goodwill were written down to their estimated fair values of $2,937, resulting in an impairment charge of $7,132, respectively. (See also Notes 9, 10 and 17).

NOTE 5:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2016	2015
Prepaid expenses and advanced payments	$ 4,928	$ 5,407
Government authorities	4,388	4,695
Derivative instruments	565	-
Deposits with escrow agent (see also Note 1b2 and 1b4)	585	1,760
Other receivables	2,121	576
	$ 12,587	$ 12,438

NOTE 6:- INVENTORIES

	December 31,	
	2016	2015
Raw materials	$ 21,462	$ 14,190
Work in process	3,437	991
Finished products	22,477	34,171
	$ 47,376	$ 49,352

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

NOTE 7:- INVESTMENT IN AFFILIATED COMPANY

On November 11, 2013, Syneron and Unilever Ventures signed a definitive agreement to form a joint venture in home beauty devices: "Iluminage Beauty". Pursuant to the agreement, which closed on December 9, 2013, Syneron sold and transferred its Syneron Beauty subsidiary to Iluminage Beauty. At the same time, Unilever Ventures, the venture capital and private equity arm of Unilever, undertook to invest $25,000 in Iluminage Beauty, and Unilever sold and transferred its luxury beauty subsidiary Iluminage to the joint venture. Unilever Ventures holds 51% of Iluminage Beauty shares (representing 100% of Iluminage Beauty preferred shares), and Syneron Medical retains the remaining 49% (representing 100% of Iluminage Beauty common shares). The Company determined at the formation of Iluminage Beauty and at the end of the reporting period, that Iluminage Beauty is neither a variable interest entity nor the primary beneficiary and it is not required to consolidate Iluminage Beauty under the voting models.

Investment in Iluminage Beauty is based on the fair value method. During 2016 the Company recorded a loss in the amount of $7,010 due to changes in the fair value of its investment. Refer to Notes 4 and 17 for further details.

NOTE 8:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2016	2015
Cost:		
Computers, software, manufacturing, laboratory equipment and demonstration equipment	$ 25,445	$ 20,036
Leasehold improvements	5,424	3,386
Office furniture and equipment	3,407	2,617
	34,276	26,039
Accumulated depreciation:		
Computers, software, manufacturing, laboratory equipment and demonstration equipment	16,508	12,765
Leasehold improvements	2,442	1,961
Office furniture and equipment	2,797	1,490
	21,747	16,216
Depreciated cost	$ 12,529	$ 9,823

Depreciation expenses for the years ended December 31, 2016, 2015 and 2014 were $4,119, $3,249 and $2,746, respectively.

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

NOTE 8:- PROPERTY AND EQUIPMENT, NET (Cont.)

In 2014, the Company commenced a project for a global roll-out of its Enterprise Resource Planning systems ("ERP"). The Company capitalizes costs incurred related to the system according to ASC 350-40 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". As of December 31, 2015, the Company capitalized an amount of $3,774, which is included in "Computers, software, manufacturing, laboratory equipment and demonstration equipment". In 2016, the Company did not capitalize Computer Software Developed costs.

NOTE 9:- INTANGIBLE ASSETS, NET

	Weighted average useful life (years)	December 31, 2016	December 31, 2015
Original cost:			
Developed technologies (1,2,3)	6.8	$ 27,827	$ 27,677
Trade name (2)	6.8	3,930	3,930
Customer relationships (2)	8.0	10,773	10,773
Other	-	3,989	3,989
		46,519	46,369
Accumulated amortization:			
Developed technologies		21,146	17,673
Trade name		2,389	1,984
Customer relationships		10,479	10,029
Other		3,989	3,989
		38,003	33,675
Amortized cost		$ 8,516	$ 12,694

(1) During the years ended December 31, 2016 and 2015 the Company recorded impairment charges in the total amount of $0 and $3,289, respectively. A $176 impairment charge was attributed to developed technology and $3,113 impairment charge was attributed to customer relationship in 2015.

(2) Upon the acquisition of Cooltouch the Company recorded original amounts of $4,150, $2,400 and $630 of customer relationships, developed technologies and trade name, respectively. Refer to note 1b1.

(3) On November 20, 2014 the Company entered into an asset purchase agreement with Orscan Technologies Ltd. ("Orscan"). According to the agreement the Company recorded a developed technology in the amount of $600 in 2014 and additional $150 in 2016.

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

NOTE 9:- INTANGIBLE ASSETS, NET (Cont.)

During 2016, 2015 and 2014, the Company recorded amortization expenses in the amount of $4,328, $5,716 and $5,816, respectively. The annual amortization expense relating to intangible assets as of December 31, 2016 is estimated to be as follows:

2017	3,461
2018	2,394
2019	1,991
2020	576
2021 and thereafter	94
Total	8,516

NOTE 10:- GOODWILL

a. Changes in goodwill for the years ended December 31, 2016 and 2015, by reporting units are as follows:

	Syneron *)	LI	RBT	CT	Total
As of January 1, 2015:					
Goodwill	$ 15,321	$ 3,184	$ 2,528	$ 5,437	$ 26,470
Accumulated impairment losses	-	-	(1,185)	-	(1,185)
	15,321	3,184	1,343	5,437	25,285
Acquisitions and others	-	-	-	-	-
Impairment losses	-	-	(1,343)	(2,500)	(3,843)
As of December 31, 2015:					
Goodwill	15,321	3,184	2,528	5,437	26,470
Accumulated impairment losses	-	-	(2,528)	(2,500)	(5,028)
	15,321	3,184	-	2,937	21,442
Acquisitions and others	-	-	-	-	-
Deconsolidation of subsidiary	-	(3,184)	-	-	(3,184)
Impairment losses	-	-	-	-	-
As of December 31, 2016:					
Goodwill	15,321	-	2,528	5,437	23,286
Accumulated impairment losses	-	-	(2,528)	(2,500)	(5,028)
	$ 15,321	$ -	$ -	$ 2,937	$ 18,258

*) Syneron reporting unit includes goodwill attributed to the acquisitions of UltraShape Ltd., Primaeva Medical Inc., Inlight Corp. and Traspharma.

NOTE 10:- GOODWILL (Cont.)

b. Impairment of goodwill and intangibles related to Cooltouch:

An agreement termination with Cooltouch's strategic Original Equipment Manufacturer (OEM) customer, as well as other elements that were reflected in the reduction of Cooltouch's revenues and operating results in 2015 compared to the forecasted projection, were considered by the Company's management as indicators of potential impairment of Cooltouch's intangible assets and goodwill. These indicators led the Company to evaluate the value of Cooltouch's tangible and intangible assets based on the future undiscounted cash flows expected to be generated by the assets in accordance with ASC 360. The projected undiscounted cash flows indicated that the carrying amount of the customer relationship assets deemed to be impaired. In order to assess the amount of the impairment, the Company estimated the fair value of the customer relationship using the discounted cash flow method and as a result the Company recorded an impairment loss of $ 3,113 in 2015. In addition to the above mentioned and in accordance with ASC 350, the Company recorded goodwill impairment loss of $ 2,500 in 2015, attributed to Cooltouch reporting unit. During 2016 no impairment losses were recorded.

The material assumptions used for the income approach for 2016 and 2015 were seven (7) years of projected cash flows, a long-term growth rate of 3% and a discount rate of 20% and 21% for 2016 and 2015, respectively.

c. Impairment of goodwill and intangibles related to RBT:

During 2014, RBT's management reorganized its strategy to focus mainly on the North American market, which led to a termination of a main distributor agreement in the Asia market. The discontinuing of that distributor led to a significant decrease in RBT's revenue, while the plan to increase revenues from the North American market did not succeed as expected. These reasons, led the Company to record an impairment loss of RBT's reporting unit goodwill and intangible in the amount of $1,185 and $ $990, respectively.

During 2015, the continued operational weakness of RBT, along with uncertainties regarding the future distribution of RBT's products worldwide due to the discontinuing of an agreement with the distributor in China and its failure to penetrate other Asian markets, were strong factor in management's decision to minimize the investment and business support and were reflected in the reduction of RBT's revenues and operational results in 2015, as compared to the forecasted projections in 2014. As a result of the continued unexpected weakness mentioned above, the Company recorded an impairment loss of RBT's reporting unit goodwill and intangible in the amount of $1,343 and $176, respectively.

The projected undiscounted cash flows indicated that the carrying amount of the developed technology assets deemed to be impaired. To assess the amount of the impairment, the Company estimated the fair value of the developed technology using the discounted cash flow method. The material assumptions used for the income approach for 2015 and 2014 were five (5) years of projected cash flows, a long-term growth rate of 3% and a discount rate of 17%.

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

NOTE 11:- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the year ended December 31, 2016:

	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges (*)	Foreign currency translation adjustments	Total
Beginning balance	$ (57)	$ (32)	$ (7,469)	$ (7,558)
Other comprehensive income (loss) before reclassifications	(156)	66	(562)	(652)
Amounts reclassified from accumulated other comprehensive income (loss)	20	(38)	-	(18)
Net current period other comprehensive income (loss)	(136)	28	(562)	(670)
Ending balance	$ (193)	$ (4)	$ (8,031)	$ (8,228)

*) Refer to Note 14 for the affected line item in the statement of operations.

NOTE 12:- DEFERRED REVENUES

The Company offers extended warranty contracts, generally for periods of one to three years after the standard warranty period has expired. The Company recognizes extended warranty contract revenue ratably over the life of the contract.

The following table reflects changes in the Company's deferred revenue during the years ended December 31:

	December 31,	
	2016	2015
Balance at the beginning of the year	$ 15,876	$ 17,836
Deferral of new sales	28,628	22,616
Recognition of previously deferred revenues	(28,635)	(24,341)
Translation differences	(92)	(235)
Balance at the end of the year	$ 15,777	$ 15,876

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

NOTE 13:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2016	2015
Warranty accruals	$ 7,509	$ 7,188
Accrued expenses	7,416	8,099
Accrued commissions	4,452	5,309
Employees and related expenses	7,395	7,874
Tax authorities	2,204	7,846
	$ 28,976	$ 36,316

NOTE 14:- DERIVATIVE INSTRUMENTS

The fair values of outstanding derivative instruments were as follows:

		Fair value of derivative instruments	
		December 31,	
	Balance sheets	2016	2015
Derivatives designated and qualified as cash flow hedging instruments:			
Foreign exchange contracts	Other account payables and accrued expenses	$ 4	$ 32
Total derivatives designated as hedging instruments		$ 4	$ 32

The effect of derivative instruments in cash flow hedging relationships in the statement of operations and other comprehensive income (loss) (OCI) is summarized below:

	Amount of gain (loss) recognized in accumulated OCI (effective portion)		
	Year ended December 31,		
	2016	2015	2014
Foreign exchange contracts	$ 66	$ 124	$ (33)
Total	$ 66	$ 124	$ (33)

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

NOTE 14:- DERIVATIVE INSTRUMENTS (Cont.)

	Amount of gain (loss) reclassified from accumulated OCI into income (effective portion)		
	Year ended December 31,		
Statements of operations	2016	2015	2014
Revenues	$ -	$ 211	$ 105
Operating expenses	38	(171)	(68)
Total	$ 38	$ 40	$ 37

		Gain (loss) recognized in income on derivatives		
		December 31,		
	Statements of operations	2016	2015	2014
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Financial income (expenses), net	$ 87	$ (15)	$ 45
Total		$ 87	$ (15)	$ 45

NOTE 15:- COMMITMENTS AND CONTINGENCIES

a. Royalties:

1. In June 2004, the Company entered into an agreement effective from December 1, 2003 until December 1, 2021, for using the know-how of Tensor Technologies LLC ("Tensor"). For the usage of the know-how, the Company is obligated to pay royalties, at a rate of 4.5%, on sales of certain products to its distributors and subsidiaries.

   Royalty expenses amounting to $834, $879 and $933 for the years ended December 31, 2016, 2015 and 2014, respectively, were recorded as part of cost of revenues.

2. In August 2005, Candela entered into an agreement with the Regents of the University of California ("Regents") for exclusive license rights to the Dynamic Cooling Device ("DCD"), subject to certain limited license rights of Cooltouch, in the following fields of use: procedures that involve skin resurfacing and rejuvenation, vascular skin lesions, and laser hair removal. Cooltouch, obtained a license to the DCD on a co-exclusive basis with the Company, in certain narrower fields of use.

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

NOTE 15:- COMMITMENTS AND CONTINGENCIES (Cont.)

Candela's agreement with the Regents called for an annual license fee, for calendar years up to 2015 of $150. The multi-year annual fee of $300 was paid to the Regents in a lump sum of $3,000 and is being amortized over the remaining life of the patent agreement. As of December 31, 2015, and 2014, the unamortized portion of the license fee payment was recorded in other receivables in the amount of $0 and $150, respectively.

In addition, Candela's agreement with the Regents called for a minimum annual royalty obligation of $750. Candela's royalty obligation was 3% up to a certain level ("Net Sale Rate") of net sales and 2% above the Net Sale Rate.

Royalty expenses and license fees amounted to $750, $2,060 and $2,508 for the years ended December 31, 2016, 2015 and 2014, respectively. The royalty and the amortization of the annual license fee payment are recorded as part of cost of revenues.

b. Leases:

The Company leases several facilities and automobiles under non-cancelable lease agreements. The facility leases can be adjusted for increases in maintenance and insurance costs above specified levels. In addition, certain facility leases contain escalation provisions based on certain inflationary indices. These operating leases expire in various years through fiscal year 2021. These leases may be renewed for periods ranging from one to five years.

The future minimum lease commitments of the Company under various non-cancelable operating lease agreements as of December 31, 2016, are as follows:

Year ended December 31,	
2017	5,392
2018	3,561
2019	2,729
2020	1,543
2021 and thereafter	2,127
	15,352

Rent expenses amounted to $4,360, $3,639 and $3,433 for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 15:- COMMITMENTS AND CONTINGENCIES (Cont.)

c. Legal claims:

1. An action against Syneron, Inc. was commenced in New York state court on October 25, 2010 by a plaintiff related to alleged injury received while undergoing a procedure performed in January 2009 with a Triniti E-Max machine. Plaintiff alleged negligent misrepresentation, negligence, and product liability with respect to Syneron, Inc. and the "Triniti E-Max-Laser/facial laser treatment" and sought $2,000 in damages. In March 2014, the parties agreed to settle the matter in a the total amount of $430, of which $154 was paid in full by Syneron's insurer, and certain medical provider co-defendants paid the remainder.

2. On August 15, 2010, a former sales representative sued the Company in Israel for breach of employment agreement with the Company and demanded $1,500 (NIS 5.7 million). The Company filed its statement of defense rejecting the plaintiff's allegations in their entirety. After an initial preliminary hearing, the plaintiff subsequently filed an amended complaint pursuant to the court's order demanding $1,300 (NIS 4.8 million). Following the second preliminary hearing, the plaintiff consented to limit the claim to NIS 3 million. On April 1, 2015 the court entered a verdict rejecting all of the plaintiff's claims and ordering plaintiff to pay the Company legal expenses in the amount of NIS 0.1 million.

3. In November 2011, Estetitek S. de R.L. de C.V. (Estetitek), a Mexican distributor, filed a complaint with the arbitrator in Israel according to an arbitration clause in the distribution agreement entered into between the parties in 2006. Estetitek argues that Syneron breached the distribution agreement when it decided to cease selling products to Estetitek. Estetitek asks for compensation for the loss of profit caused to it by the failure to fulfill the distribution agreement in the amount of $1,700, and compensation for the damage to its reputation in the amount of $500. Following mediation in January 2016, a settlement agreement was reached between the parties, according to which both parties withdrew their claims and Estetitek paid Syneron $100.

4. On December 31, 2013, Syneron Medical Ltd. and its subsidiary, Syneron Beauty Ltd. (which following a joint venture with Unilever Ventures is now a subsidiary of Iluminage Beauty), received a copy of a petition filed with the Central District Court in Israel to approve the filing of a class action suit against Syneron Medical Ltd. and Syneron Beauty Ltd. (the "Respondents"). The Petitioner claims that the Respondents violated article 2 of the Consumer Protection Act resulting from misleading advertising regarding the Syneron Beauty mē hair removal device.

NOTE 15:- COMMITMENTS AND CONTINGENCIES (Cont.)

The Petitioner claims to represent the class of consumers that purchased the mē hair removal device and is seeking damages for the group in the amount of NIS 27.5 million.

The Company is vigorously defending itself in this matter. Following evidentiary hearings, written summations were submitted by the applicant and the Company in September 2015 and February 2016, respectively. The Company, based on its legal advisors advice, assessed that contingent losses related with this case are reasonably possible and the amount cannot be reasonably estimated, pursuant to ASC 450, and an accrual has not been recorded for the loss contingencies.

5. On November 9, 2015, Air Liquide Healthcare America Corp. ("Air Liquide") filed suit against the Company in the United States District Court for the District of Massachusetts. On December 1, 2015, Air Liquide filed an Amended Complaint, which also added claims against another party. Air Liquide alleges that the Company improperly terminated a June 2011 Supply Agreement (as amended in September 2013) the ("Supply Agreement"), which required the Company to purchase certain materials exclusively from Air Liquide through June 1, 2021. Air Liquide claims, among other things, that the Company did not have valid grounds for termination. Air Liquide's Amended Complaint asserts claims for breach of contract, breach of the duty of good faith and fair dealing, violation of Massachusetts General Law Chapter 93A, defamation and unjust enrichment. Air Liquide seeks unspecified damages for the lost revenue, as well as treble damages and attorneys' fees. On December 30, 2015, the Company moved to dismiss the Amended Complaint because, inter alia, Air Liquide did not comply with alternative dispute resolution requirements in the Supply Agreement.

   Alternatively, the Company moved to dismiss all counts of the Amended Complaint directed at the Company other than the breach of contract claims, because the allegations did not support those claims. Air Liquide opposed the motion and it remains pending.

   The Company, based on its legal advisors advice, assessed that contingent losses related with this case are reasonably possible and that the amount cannot be reasonably estimated, pursuant to ASC 450, and accordingly an accrual has not been recorded for the loss contingencies.

6. From time to time, the Company is party to various legal proceedings incidental to its business. As of December 31, 2016, the Company has accrued a total amount of $334 which it deems sufficient to cover probable losses from legal proceedings and threatened litigation. During the year ended December 31, 2016 and 2015 the Company settled various legal claims and paid an amount of approximately $347 and $465 respectively.

NOTE 16:- EQUITY

a. Share capital:

1. Ordinary shares confer upon their holders voting rights, the right to receive dividends and the right to share in equity upon liquidation of the Company.

2. Certain of the Company's officers, directors and major shareholders that hold ordinary shares have the right to require the Company, on not more than one occasion, to file a registration statement on the appropriate form under the Securities Act in order to register the resale of their ordinary shares.

b. Syneron's option plan:

In 2014, Syneron adopted the 2014 Israel Stock Option Plan (for Israeli residents) and the 2014 Incentive Stock Option Plan (for the United States, Canada and the rest of the world) (collectively the 2014 Plans). The number of options approved under the 2014 Plans was 2,000,000 options.

Following approval by the Company's Compensation Committee and Board of Directors on November 7, 2016, the 2014 Plans were amended to add 200,000 additional shares to the pool of shares available for equity incentive awards, which increase was effectuated under the Nasdaq Foreign Private Issuer Exemption (the "FPI Exemption").

As of December 31, 2016, options to purchase 441,500 ordinary shares were available for future grants under the 2014 Plans.

Under the 2014 Plans, options are granted to employees, officers, directors and consultants at an exercise price equal to at least the fair market value at the date of grant and are granted for periods not to exceed ten years. Options granted under the 2014 Plans vest over a period of three to four years of employment. Any options that are cancelled or forfeited before expiration become available for future grants. In addition to granting stock options, the Company granted also Restricted Stock Units (RSUs) under the 2014 Plans to its board members. RSUs vest over a period of employment of up to four years.

Upon vesting, the RSU beneficiary is entitled to receive a share per one RSU for no consideration ($0.01 per share). RSUs that are cancelled or forfeited become available for future grants.

NOTE 16:- EQUITY (Cont.)

c. The following is a summary of activities relating to the Company's stock options and Stock Appreciation Rights (SAR) granted to employees and directors among the Company's various plans during the year ended December 31, 2016:

	Number of options	Weighted average exercise price	Aggregate intrinsic value (in thousands)
Outstanding at beginning of year	4,496,769	11.45	-
Granted	1,592,450	7.12	-
Exercised	-	-	-
Forfeited	(878,761)	14.28	-
Outstanding at end of year	5,210,458	9.27	2,330
Exercisable options at end of year	3,053,031	7.35	554
Vested and expected to vest	5,014,376	10.23	2,213

The intrinsic value of exercisable options (the difference between the Company's closing share price on the last trading day in fiscal 2016 and the average exercise price of in-the-money options, multiplied by the number of in-the-money options) included above represents the amount that would have been received by the option holders had all option holders exercised their options on December 31, 2016. This amounts changes based on the fair market value of the Company's ordinary shares.

The following table summarizes the RSUs activity for the year ended December 31, 2016:

	Number of RSUs	Fair value at grant date
Non-vested at January 1, 2016	16,500	$ 11.47
Granted	226,000	$ 7.25
Vested	(11,500)	$ 11.47
Forfeited	-	-
Non-vested at December 31, 2016	231,000	$ 7.25

The fair value of non-vested RSUs is determined based on the closing trading price of the Company's shares on the grant date. The weighted-average grant-date fair value of RSUs granted during the years 2016, 2015 and 2014, was $7.25, $0 and $10.34, respectively.

The total fair value of RSU's vested during the year ended December 31, 2016 was $132.

Aggregate intrinsic value, at the date of exercise, of options, SAR's and RSU's that were exercised during the years ended on December 31, 2016, 2015 and 2014 was $129, $841 and $247, respectively.

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

NOTE 16:- EQUITY (Cont.)

The options and SAR's outstanding as of December 31, 2016, have been separated into ranges of exercise price, as follows:

	Outstanding			Exercisable		
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$1.41	32,144	2.05	1.41	32,144	2.05	1.41
$4.81	27,083	2.62	4.81	27,083	2.62	4.81
$6.30-11.95	4,781,231	4.56	9.11	2,711,926	3.53	9.88
$12.09-14.10	370,000	3.62	12.38	281,878	3.43	12.41
$1.41-14.10	5,210,458	4.47	9.27	3,053,031	3.49	7.35

The weighted average fair values of options granted (including those granted to non-employees but excluding RSUs) during the years ended December 31, 2016, 2015 and 2014 were:

	Year ended December 31,		
	2016	2015	2014
Weighted average exercise prices	$ 7.12	$ 10.85	$ 10.81
Weighted average fair value on grant date	$ 2.54	$ 3.59	$ 4.02

The weighted average estimated fair value of employee stock options granted during the years ended December 31, 2016, 2015 and 2014 was calculated using the binomial model with the following weighted-average assumptions:

	Year ended December 31,		
	2016	2015	2014
Volatility	39.5%	35%	38.5%
Risk-free interest rate	1.06%	1.18%	1.65%
Dividend yield	0.00%	0.00%	0.00%
Post-vesting forfeiture rate	4.0%	5.56%	5.56%
Suboptimal exercise factor	2.0	2.0	2.0
Contractual life (in years)	7-10	7-10	7-10

Volatility is based on the historical volatility of the Company ordinary share, for a period equal to the stock options excepted life.

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

NOTE 16:- EQUITY (Cont.)

The share-based payments are denominated in U.S. dollars, and consequently, in accordance with ASC 718, when the binomial model is applied, the Company looks for yields on the U.S. treasury zero-coupon bonds with maturity that is commensurate with the contractual term of the award.

The Company is required to assume a dividend yield as an input in the binomial model. The dividend yield assumption is based on the Company's historical and expectation of future dividend payouts and may be subject to substantial change in the future.

The post-vest forfeiture rate was calculated on a monthly basis and is presented on an annual basis.
The sub optimal exercise factor is based on the average ratio between the stock price and the exercise price.

The binomial model assumes that employees' exercise behavior is a function of the option's remaining contractual life and the extent to which the option is in-the-money (i.e., the average stock price during the period is above the strike price of the stock option). The binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and factors in also the post-vesting termination rate of employees, as termination triggers the truncation of employee awards shortly thereafter.

As equity-based compensation expense recognized in the consolidated statement of operations is based on awards ultimately expected to vest, it should be reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The total equity-based compensation expense recognized for the years ended December 31, 2016, 2015 and 2014, was comprised as follows:

	Year ended December 31,		
	2016	2015	2014
Cost of revenues	$ 160	$ 197	$ 160
Research and development	341	332	370
Sales and marketing	1,227	1,284	1,093
General and administrative	1,983	1,962	2,077
Total equity-based compensation expense before taxes	$ 3,711	$ 3,775	$ 3,700

As of December 31, 2016, there was $5,927 of total unrecognized stock-based compensation cost related to non-vested stock-based compensation granted under the Company's stock option plans. That cost is expected to be recognized over a weighted average period of 1.45 years.

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

NOTE 16:- EQUITY (Cont.)

d. Dividends:

The Company has never paid cash dividends to shareholders. The Company intends to retain future earnings for use in its business and does not anticipate paying cash dividends on its shares in the foreseeable future. Any future dividend policy will be determined by the Board of Directors and will be based upon conditions then existing, including results of operations, financial condition, current and anticipated cash needs, contractual restrictions, potential tax implication and other conditions as the Board of Directors may deem relevant. In the event that cash dividends are declared in the future, such dividends will be paid in U.S. dollars subject to any statutory limitations.

e. Repurchase of Shares

On December 1, 2014, the Company Board of Directors approved a share repurchase program of up to $20,000 of Syneron's ordinary shares. Under the program, ordinary shares may be repurchased from time to time through open market transactions, block purchases, or private transactions in accordance with applicable regulatory requirements. The timing of purchases and the number of shares to be purchased will depend on market conditions and other factors. The program does not obligate the Company to acquire any specific number of shares and may be discontinued at any time. The Company intends to fund any share repurchases with currently available working capital. During 2016, the Company repurchased 563,642 ordinary shares at an average price of $6.96 for an aggregate purchase price of $3,925 and completed a total share repurchase of $20,000 of Syneron's ordinary shares as approved by the Company's Board of Directors. Total consideration for the purchase of these ordinary shares was recorded as treasury shares, at cost, as part of shareholders' equity.

NOTE 17:- OTHER EXPENSES (INCOME), NET

	Year ended December 31,		
	2016	2015	2014
Impairment of intangibles assets (see also Note 9)	$ -	$ 3,289	$ 1,705
Changes in the fair value contingent consideration	(878)	(4,105)	(3,012)
Gain from deconsolidation of subsidiary (*)	(1,149)	-	-
Changes in the fair value of investment in affiliated company (**)	7,010	330	4,590
Other	-	(427)	-
Total	$ 4,983	$ (913)	$ 3,283

(*) On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary. Accordingly, on the deconsolidation date the Company recorded a gain of $1,149.

(**) During 2016, 2015 and 2014, the Company recorded a loss in the amount of $7,010, $330 and $4,590 respectively, due to changes in the fair value of its investment in Iluminage Beauty. Refer to Notes 4 and 7 for further details.

NOTE 18:- INCOME TAXES

a. Israeli taxation:

1. Corporate tax rate:

Taxable income of the Company is subject to a corporate tax rate as follow: 2014 and 2015 - 26.5% and 2016 – 25%.

On January 5, 2016, the Israeli Parliament officially published the Law for the Amendment of the Israeli Tax Ordinance (Amendment 216), that reduces the corporate tax rate from 26.5% to 25%.

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

2. Tax benefits under Israel's Law for the Encouragement of Industry (Taxes), 1969:

The Company is an "Industrial Company", as defined by the Law for the Encouragement of Industry (Taxes), 1969, and as such, the Company is entitled to certain tax benefits, mainly amortization of costs relating to know-how and patents over eight years, accelerated depreciation and the right to deduct public issuance expenses for tax purposes.

3. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (Law):

The Company has been granted the status of "Privileged Enterprise" according to the Amendment to the Law, for eligible investments ended in 2005, 2007, 2009 and 2012 ("Programs"). Those mentioned years are considered to be the election years for tax benefits under the Law.

In accordance with the Law the Company has chosen to enjoy an "alternative benefits track" status. Accordingly, Syneron Medical Ltd.'s income attributed to the Programs is exempt from taxes on income derived therefrom, the earlier of, a period of 10 years starting in the year in which the Company first generates taxable income or 12 years starting the election year.

As a "Privileged Enterprise" under the Law in Israel, the Company is partly exempt from taxes on income derived from its "Privileged Enterprise," and the Company is obligated to pay taxes on income from other sources, which are not integral to its "Privileged Enterprise".

NOTE 18:- INCOME TAXES (Cont.)

In addition, it should be noted that certain Israeli subsidiaries have a "Privileged Enterprise" status and are exempt from taxes on income derived from their "Privileged Enterprise" status. The tax consequences of such status are not significant to the Company.

Out of the Company's retained earnings as of December 31, 2016, approximately $223,091 is tax-exempt earnings attributable to its Approved Enterprise and Privileged Enterprise program. The tax-exempt income attributable to the Approved and Privileged Enterprise cannot be distributed to shareholders without subjecting the Company to taxes. If dividends are distributed out of tax-exempt profits, the Company will then become liable for tax at the rate applicable to its profits from the approved enterprise in the year in which the income was earned, as if it was not under the "alternative benefits track".

On October 27, 2013, the Company agreed to pay to the Israeli Tax Authority approximately $4,000 to free up "trapped profits" in accordance with the Trapped Profits Law. This payment gives the Company flexibility to perform certain future business transactions which apply to profits derived from "Approved Enterprise" or "Privileged Enterprise", up to a limit of approximately $58,172, without incurring any additional Israeli tax.

As of December 31, 2016, if the income attributed to the Approved Enterprise and Privileged Enterprise is distributed as a dividend, the Company will incur a tax liability of approximately up to $59,340, excluding approximately $4,000 that was paid in accordance to the Trapped Profit Low, as mentioned above. These amounts will be recorded as an income tax expense in the period in which the Company declares the dividend.

The Company's Board of Directors has determined that it will not distribute any amounts of its undistributed tax-exempt income as a dividend. The Company intends to reinvest the amount of its tax-exempt income. Accordingly, no deferred income taxes have been provided on income attributable to the Company's Approved and Privileged Enterprise programs as the undistributed tax-exempt income is essentially permanent in duration.

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the Law, regulations published thereunder and the certificates of approval for the specific investments in Approved Enterprises.

Should the Company fail to meet such requirements in the future, income attributable to its Programs could be subject to the statutory Israeli corporate tax rate and the Company could be required to refund a portion of the tax benefits already received, with respect to such program. The Company's management believes that the Company is meeting the aforementioned conditions.

NOTE 18:- INCOME TAXES (Cont.)

Income from sources other than the "Approved Enterprise" and/or "Privileged Enterprise" is subject to tax at regular Israeli corporate tax rate state above.

4. Amendments to the Law:

In January 2011, the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment") was enacted. The Amendment prescribes, among others, amendments to the Law for the Encouragement of Capital Investments, 1959 ("the Law"). The Amendment became effective as of January 1, 2011. According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income under its status as a preferred company with a preferred enterprise. Commencing from the 2011 tax year, the Company can elect (without possibility of reversal) to apply the Amendment in a certain tax year and from that year and thereafter, it will be subject to the amended tax rates, as detailed below.

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which includes Amendment 71 to the Law for the Encouragement of Capital Investments ("the Amendment") was enacted. According to the Amendment, the tax rate on preferred income from a preferred enterprise in 2014 and thereafter will be 16% (in development area A - 9%). As for changes in tax rates resulting from the enactment of Amendment 73 to the Law, see below.

The Amendment also prescribes that any dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

The Company has evaluated the effect on its financial statements of the transition to the preferred enterprise tax track, and as of the date of the approval of the financial statements, the Company believes that it will not transition to the preferred enterprise tax track. Accordingly, the Company did not adjust its deferred tax balances as of December 31, 2016. The Company's position may change in the future.

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 73):

NOTE 18:- INCOME TAXES (Cont.)

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law for the Encouragement of Capital Investments ("the Amendment") was published. According to the Amendment, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

The Amendment also prescribes special tax tracks for technological enterprises, which are subject to rules that are to be issued by the Minister of Finance by March 31, 2017.

The new tax tracks under the Amendment are as follows:

Technological preferred enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A technological preferred enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development area A - a tax rate of 7.5%).

Special technological preferred enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries exceed NIS 10 billion. Such enterprise will be subject to tax at a rate of 6% on profits deriving from intellectual property, regardless of the enterprise's geographical location.

Any dividends distributed to "foreign companies", as defined in the Law, deriving from income from the technological enterprises will be subject to tax at a rate of 4%.

Since as of December 31, 2016 definitive criteria to determine the tax benefits had not yet been established, it cannot be concluded that the legislation in respect of technological enterprises had been enacted or substantively enacted as of that date. Accordingly, the above changes in the tax rates relating to technological enterprises were not taken into account in the computation of deferred taxes as of December 31, 2016.

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

NOTE 18:- INCOME TAXES (Cont.)

b. Non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed based on tax laws in their respective jurisdictions. The Corporate income tax rate of significant jurisdictions are as follows:

	Tax rate
Australia	30%
Canada (*)	15%
China	25%
Germany	27%
Hong Kong	16.5%
Japan	35.6%
Spain	25%
United States (*)	35%

(*) Federal

c. Deferred taxes:

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2016	2015
Net operating loss carryforward	$ 20,859	$ 34,688
Tax credits	8,040	9,184
Capital losses carryforward (1)	18,797	17,045
Bad debt reserve	1,407	901
Deferred revenues	1,714	1,656
Accrued warranty reserve	1,497	1,529
Inventory reserve	1,017	727
Intangible assets – patents	808	846
Other temporary differences	6,222	6,207
Total deferred tax asset before valuation allowance	60,361	72,783
Valuation allowance	(40,482)	(49,222)
Total deferred tax asset	19,879	23,561
Deferred tax liability in respect of intangible assets acquired	(2,239)	(3,198)
Total deferred tax liability	(2,239)	(3,198)
Net deferred tax asset	$ 17,640	$ 20,363

(1) The Company has capital loss carryforwards resulting mainly from the difference between the reporting currency and the tax basis of the investments in marketable securities and from sale of subsidiaries. The Company recorded a full valuation allowance regarding to its capital loss carryforwards.

NOTE 18:- INCOME TAXES (Cont.)

At December 31, 2016, the Company's U.S. subsidiaries had cumulative net operating losses (NOL) for US federal and state income tax return purposes of $46,308 and $38,766 respectively. The federal NOL carryforwards expire between 2025 and 2033. The state NOL carryforwards begin to expire in 2017. The federal and state NOL carryforwards for tax return purposes are $35,747 greater than their NOL for financial reporting purposes due to unrecognized tax benefits and excess tax benefits. Excess tax benefits related to option exercises cannot be recognized until realized through a reduction of current taxes payable.

Such losses are subject to limitations of Internal Revenue Code, Section 382, which in general provides that utilization of NOL's is subject to an annual limitation if an ownership change results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. The annual limitations may result in the expiration of losses before utilization.

The Company has available Israeli carryforward capital tax losses of $67,772 and $52,212 in 2016 and 2015, respectively. The Company has Israeli available carryforward net operating tax losses of $69,730 and $95,854 in 2016 and 2015, respectively to offset against future tax profits for an indefinite period.

At December 31, 2016, the Company's U.S. subsidiaries had available federal research and development (R&D) tax credit carryforwards of approximately $2,331 expiring between 2023 and 2036, capital loss carryforwards of $9,169 expiring in 2017, and alternative minimum tax credits of approximately $1,370 with an unlimited carryforward period. The Company also had available state R&D tax credits of approximately $1,325. Federal and state R&D credit carryforwards for tax return purposes are $482 greater than their federal and state R&D credit carryforwards for financial reporting purposes due to unrecognized tax benefits.

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

NOTE 18:- INCOME TAXES (Cont.)

ASC 740 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all the deferred tax assets will not be realized. The Company evaluated the net deferred tax assets for each separate tax entity. For certain entities, the Company concluded that it is not more likely than not that the net deferred tax assets will be realized and a valuation allowance has been recorded against these assets. Based on a consideration of these factors, the Company has established a valuation allowance of $40,482 and $49,222 at December 31, 2016 and 2015, respectively. The Company's estimate of future book-taxable income considers all available evidence, both positive and negative, about its operating businesses and investments, included an aggregation of individual projections for each significant operating business and investment, estimated apportionment factors for state and local taxing jurisdictions and included all future years that the Company estimated it would have available net operating loss carryforwards ("NOLs").

For other entities, the Company has determined that the positive evidence outweighs the negative evidence for other deferred tax assets and concluded that these deferred tax assets are realizable on a "more likely than not" basis. This determination was based on many factors, including the following: (i) the net temporary differences resulting in the deferred tax assets and in the deferred tax liabilities are expected to reverse in similar time periods; (ii) the history of utilizing tax benefits, (iii) certain significant costs that are not expected to occur in future periods, and (iv) expected future results of operations.

No amount for income tax has been provided on undistributed earnings of the Company's foreign subsidiaries because the Company considers the approximate $53,679 of accumulated foreign earnings to be indefinitely reinvested. The Company expects existing domestic cash and short-term investments and cash flows from operations to continue to be sufficient to fund the operating activities and cash commitments for investing and financing activities, and capital expenditures, for at least the next 12 months and thereafter for the foreseeable future. Determination of the amount of income tax liability that would be incurred is not practicable.

d. Tax contingencies for unrecognized tax benefits:

The changes to unrecognized tax benefits from January 1, 2015 through December 31, 2016, were as follows:

Gross tax liabilities at January 1, 2015	$ 1,875
Additions based on tax positions related to the current year	187
Additions for tax positions of prior years	-
Reductions for positions of prior years due to lapse of statute of limitation	(66)
Gross tax liabilities at December 31, 2015	1,996
Additions based on tax positions related to the current year	33
Additions for tax positions of prior years	-
Reductions for positions of prior years due to lapse of statute of limitation	(150)
Gross tax liabilities at December 31, 2016	1,879

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

NOTE 18:- INCOME TAXES (Cont.)

ASC 740 requires that deferred tax assets be reduced by a valuation allowance if it is included in the balance of tax contingencies for uncertain tax positions at December 31, 2016 was approximately $1,992 of unrecognized tax benefits that, if recognized, would affect the annual effective income tax rate. The unrecognized tax benefits and interest are recorded in net deferred taxes assets and long-term obligations on the balance sheets.

The liability for unrecognized tax benefits as of December 31, 2016 and 2015 included accrued interest of $113 and $184, respectively.

The Company operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited or subject to review by both domestic and foreign authorities. The associated tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2016:

Israel	-	2012 - present
United States	-	2012 - present
Australia	-	2011 - present
Germany	-	2012 - present
Canada	-	2012 - present
Japan	-	2016
Switzerland	-	2015 - present
Spain	-	2012 - present

e. Income (loss) before taxes on income:

	Year ended December 31,		
	2016	2015	2014
Domestic	$ (13,600)	$ (15,013)	$ (9,759)
Foreign	17,592	8,721	6,854
	$ 3,992	$ (6,292)	$ (2,905)

f. Taxes on income:

Current taxes:			
Domestic	$ -	$ 187	$ 1,385
Foreign	938	1,656	1,886
	938	1,843	3,271
Deferred taxes:			
Domestic	-	-	96
Foreign	2,875	(1,795)	(1,072)
	2,875	(1,795)	(976)
Taxes on income	$ 3,813	$ 48	$ 2,295

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

NOTE 18:- INCOME TAXES (Cont.)

g. Reconciliation of the theoretical tax expenses:

Reconciliation between the theoretical tax expenses, assuming all income is taxed at the statutory rate in Israel and the actual income tax as reported in the statements of operations is as follows:

	Year ended December 31,		
	2016	2015	2014
Income (loss) before taxes on income	$ 3,992	$ (6,292)	$ (2,905)
Statutory tax rate in Israel	25.0%	26.5%	26.5%
Theoretical tax benefits on the above amount at the Israeli statutory tax rate	$ 998	$ (1,667)	$ (770)
Difference in basis of measurement for tax purpose	4,393	(1,938)	4,853
Change in valuation allowance, net	(8,740)	3,484	(6,784)
Non-deductible stock-based compensation	920	1,001	1,215
Non-deductible expenses	675	106	355
State deferred taxes	252	253	174
Difference and changes in tax rates (*)	5,612	(1,846)	658
Tax contingencies	(163)	131	60
Tax credits	324	82	(491)
Impairment charges	-	840	1,216
Withholding taxes	-	-	1,386
Return to provision	56	(443)	227
Other	(514)	45	196
Actual tax expense	$ 3,813	$ 48	$ 2,295

(*) Mainly resulting from the Legislative Amendments described in note 18a1 which reduces the corporate income tax rate from 26.5% to 23% effective from January 1, 2018. The major change in 2016 is due to the NOLs in Israel for which the Company provided a valuation allowance.

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

NOTE 19:- INANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2016	2015	2014
Income:			
Interest on cash equivalents	$ 15	$ 88	$ 24
Gain and interest on available-for-sale marketable securities, net	320	386	528
Foreign currency translation adjustments, net	648	-	-
Interest on bank deposits	-	82	77
Expenses:			
Interest on short-term credit and bank commissions	(219)	-	(68)
Foreign currency translation adjustments, net	-	(389)	(1,249)
	$ 764	$ 167	$ (688)

NOTE 20:- GEOGRAPHIC INFORMATION

a. General:

The Company operates in one reportable segment. The Company's chief operating decision-maker (CODM) is a combination of both its Chief Executive Officer and its Chief Financial Officer, who evaluates the Company's performance and allocates resources based on the Company's business results. The CODM uses one measurement of profitability and does not segregate its business for internal reporting.

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

NOTE 20:- GEOGRAPHIC INFORMATION (Cont.)

b. The Company provides one group of similar products and services to its customers. The Company considers its products to be a group of similar products since each product in the Company's portfolio has similar characteristics, including the fact that they are used by customers to perform a comprehensive aesthetic service, are sold to similar classes of customers and have similar production processes and are subject to similar degrees of economic risks and uncertainties. Additionally, all of the products are physically-tested in the Company's manufacturing process and are each controlled by similar launch processes.

c. Financial data relating to geographic areas:

The Company's total revenues are attributed to geographic areas based on the location of the end customer.

The following table presents total revenues and long lived assets for the years ended December 31, 2016, 2015 and 2014. Other than as shown, no foreign country contributed materially to revenues or long-lived assets for these periods.

	2016		2015		2014	
	Total revenue	Long-lived assets	Total revenue	Long-lived assets	Total revenue	Long-lived assets
North America	$ 105,727	$ 5,085	$ 107,527	$ 2,933	$ 91,825	$ 2,601
Europe and Middle East (excluding Israel)	84,020	1,163	79,615	207	82,786	296
Asia Pacific	63,978	701	62,324	390	44,406	138
Japan	30,968	783	16,193	365	25,460	9
Israel	2,853	4,797	4,461	5,928	3,217	3,967
Other	10,556	-	7,729	-	8,056	-
	$ 298,102	$ 12,529	$ 277,849	$ 9,823	$ 255,750	$ 7,011

d. Significant customers:

No major customer accounted for more than 10% of the Company's consolidated revenues for the years ended December 31, 2016, 2015 and 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 21:- NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Year ended December 31,		
	2016	2015	2014
Numerator:			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Denominator:			
Total weighted average number of shares outstanding used in computing:			
Basic net income (loss) per share	34,744,484	36,415,651	36,703,251
Diluted net income (loss) per share	34,945,387	36,415,651	36,703,251
Basic net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)
Diluted net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)

Anti-dilutive securities:

The following numbers of shares related to outstanding employees stock options were excluded from the computation of diluted net income (loss) per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

	Year ended December 31,		
	2016	2015	2014
Ordinary shares	4,494,914	4,496,769	4,285,397

NOTE 22:- DISCLOSURE ON RELATED PARTIES TRANSACTION

a. The Company Chairman of the Board of Directors of the Company, previously owned 9.85% of the issued and outstanding shares of RBT and, until February 29, 2012, has served as chairman of the Board of Directors of RBT. Together with other RBT's shareholders, the chairman sold his holdings in RBT to the Company on May 30, 2012 in consideration of his pro-rata share of: (i) an initial purchase price of $5,000, (ii) an additional $5,000 paid on May 30, 2013, (iii) certain milestone payments in the aggregate amount equal to $15,240, (iv) the repayment of certain loan amounts provided by RBT to certain of its shareholders, and (v) the payment of 2.019% of annual net sales generated by RBT intellectual properties for an unlimited period. (See also note 1b3).

b. The Company has engaged ManofIT, a consulting and systems integration firm, to assist with various information technology projects. ManofIT's co-founder and managing partner is a brother of the Company's CEO. ManofIT was first retained by the Company in 2007 and the relationship was expanded in 2014. In 2014, ManofIT received approximately $169 for the services that it provided to the Company, excluding value added tax. In 2015, ManofIT received approximately $297 for such services, excluding value added tax. In 2016, ManofIT received approximately $118 for such services, excluding value added tax.

S IGNATURES

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

Dated: March 23, 2017

Syneron Medical Ltd.

By: /s/ Amit Meridor
Amit Meridor
Chief Executive Officer

Exhibit 4.21

Execution Version

SHARE PURCHASE AGREEMENT

BY AND AMONG

A COMPANY IN FORMATION UNDER ISRAELI LAW.,

LIGHT INSTRUMENTS LTD.,

AND

SYNERON MEDICAL LTD.,

Dated as of February 22, 2016

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SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is entered into as of February 22, 2016 by and among (i) Light Instruments Ltd., an Israeli company (the "Company"), (ii) Sino-Ita International Trading Co., Ltd. on behalf of an Israeli company in formation which will be a subsidiary of Sino-Ita International Trading Co., Ltd. (the "Buyer"), (iii) Syneron Medical Ltd., an Israeli company, (the "Seller"). Each of the Company, the Buyer and the Seller is referred to herein as a "Party", and collectively, as the "Parties." The Parties agree that upon incorporation of the Buyer all rights and obligations of the Buyer hereunder shall automatically be attributed to the Buyer without any further actions on the part of any of the Parties.

RECITALS

WHEREAS, (a) the Seller owns all of the issued and outstanding Company Shares (as defined in Section 1.1 below); and (b) other than the Company Options there are no other equity securities or equity derivative securities of the Company outstanding;

WHEREAS, the Seller desires to sell to the Buyer, and the Buyer desires to purchase from the Seller 4,106,976 Company Shares, representing immediately following the Closing one hundred percent (100%) of the Company's share capital on a Fully Diluted Basis (the "Purchased Shares") all subject to the terms and conditions of this Agreement;

WHEREAS, in order to induce each other to enter into this Agreement, the Parties have agreed to execute, deliver and perform certain obligations under this Agreement and the Ancillary Documents.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual representations, warranties, covenants and agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the meanings indicated:

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person, including any Subsidiary of such Person. For purposes of this definition, "control" (including the terms "controlling," "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 policies of a Person, whether through the ownership of securities, as trustee or executor, by Contract or otherwise.

"Ancillary Documents" means any other agreements, documents, instruments and certificates prepared and delivered or to be delivered pursuant to or in connection with this Agreement.

"Business Day" means any day other than a Friday, Saturday or other day on which banks in Israel are required to be closed.

"Buyer Indemnified Parties" means the Buyer, its officers (or Persons fulfilling equivalent positions) and directors (or Persons fulfilling equivalent positions).

"Closing Working Capital" means the Working Capital as of the close of business on the Closing.

"Company Articles of Association" means the Articles of Association of the Company as amended and in effect as the Closing Date.

"Company Intellectual Property" means all Intellectual Property owned or purported to be owned by or licensed to the Company.

"Company Material Adverse Effect" means any event, change, development or state of facts that (i) is or would reasonably be expected to be, either individually or in the aggregate, materially adverse to the business, assets, Intellectual Property, Liabilities, operations, conditions (financial or otherwise), and/or prospects of the Company, taken as a whole, or (ii) would, individually or in the aggregate, prevent or materially delay or alter any of the transactions contemplated by this Agreement; *provided, however*, that the following shall not be taken into account in determining whether a Company Material Adverse Effect has occurred: (i) changes in general economic or political conditions affecting the industry in which the Company operates generally, (ii) changes in the industry in which the Company operates, (iii) changes in Law or in any authoritative interpretation of any Law by any Governmental Entity, (iii) the effect of any action required to be taken or prohibited from being taken resulting from the execution or performance of this Agreement or the consummation of the transactions hereunder.

"Company Options" means options or other equity compensation awards to purchase or receive Company Shares.

"Company Option Plan" means the Light Instruments Ltd. 2011 Share Option Plan.

"Company Ordinary Shares" means the Ordinary Shares of the Company, nominal value NIS 0.01 per share.

"Company Shares" means the Company Ordinary Shares.

"Consent" means any required approval, consent, ratification, permission, waiver or authorization (including by any Governmental Authority).

"Contract" means any legally binding agreement, obligation or commitment.

"Damage" means any Liability, loss, damage, award, fine, penalty, judgment, remediation and reasonable costs, fees or expenses (including reasonable attorney, consultant and expert fees and expenses).

"Environmental Law" means any Law which regulates or relates to (i) the protection or clean up of the environment; (ii) the use, treatment, storage, transportation, handling, disposal or release of hazardous substances, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources; or (iii) the health and safety of Persons or property, including protection of the health and safety of employees.

"Fully Diluted Basis" means all issued and outstanding shares of the Company, with all equity securities convertible into shares of the Company deemed so converted; all outstanding, options, warrants and other rights to acquire shares or that are exchangeable for shares deemed converted or exercised.

"GAAP" means generally accepted accounting principles as applicable in the United States of America and applied on a consistent basis.

"Governmental Authority" means any government, any governmental entity, governmental department, governmental commission, governmental board, governmental agency or governmental instrumentality, and any court, tribunal, arbitrator (public or private) or judicial body, in each case whether national, state, provincial, local or foreign.

"Intellectual Property" means any and all tangible (in whatever form or medium) or intangible intellectual property rights protected in any jurisdiction in the world, including:

(a) patents, provisional patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, reexaminations, extensions and continuations-in-part of the same;

(b) copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof (including software in both source and object code), whether published or unpublished, moral rights (droit moral) including but not limited to, the rights of attribution, assignation and integrity, and sui-generis rights;

(c) trademark and service mark rights, whether registered or not (including common law rights), applications to register and registrations of the same and like protections of brand names, trade names, logos, corporate names and other indications of origin;

(d) trade secrets, know-how, and other propriety and confidential information, including ideas, formulas, software source code, research and development plans and discoveries, manufacturing and production processes and techniques, technical data, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals) and other propriety information rights ("Trade Secrets"); (e) design rights (registered and unregistered), designs, utility models, mask work rights, technical designs, prototypes, and models; and

(f) Internet domain names.

"Knowledge," "to the Knowledge of" or "Known" shall mean matters which are actually known to the relevant Party after due inquiry and reasonable investigation by its officers. Notwithstanding anything to the contrary herein, the "Knowledge" of the Seller shall also constitute Knowledge of the Company for the purpose of the representations and warranties of the Company in Article 4 below.

"Laws" means all laws and ordinances; and all rules, regulations and policies promulgated by any Governmental Authority.

"Liability" means, as to any Person, any debt, adjudicated adverse claim by a competent authority, liability, obligation or commitment of such Person, whether determined or determinable, liquidated or unliquidated.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, title defect, restriction, easement, agreement to sell or purchase, preemptive right, right of refusal, right of possession or use, security interest, encumbrance, ownership interest, asserted written claim of ownership, option, lien, lease or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, including any Contract to give or grant any of the foregoing.

"Order" means any award, decision, judgment, injunction, order, ruling, subpoena, decree, charge or verdict entered, issued, made or rendered by any Governmental Authority.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice.

"Permits" means all certifications (including those of standards-setting organizations), licenses, permits, franchises, approvals, authorizations, notices to, Consents or Orders of, or filings with, any trade association, any standards-setting organization, or any Governmental Authority, necessary or desirable for the past or present conduct or operation of the business of the Company or ownership of the assets of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, association or other entity, including any Governmental Authority.

"Proceeding" means any claim, action, suit, proceeding (including arbitration and mediation) or investigation, whether civil, criminal or administrative.

"Purchase Price" means an amount equal to US$5,850,000.

"Subsidiary" means, with respect to any Person, (i) any corporation or other legal entity of which at least 50% of the securities or interests having, by their terms, ordinary voting power to elect members to the board of directors, or other Persons performing similar functions with respect to such corporation or other legal entity, is held, directly or indirectly, by such Person; or (ii) any partnership or limited liability company of which (A) such Person is a general partner or managing member or (B) such Person possesses a 50% or greater interest in the total capital or total income of such partnership or limited liability company.

"Target Working Capital" means US$1,300,000.

"Tax" or "Taxes" means any state, local, municipal or foreign income, gross receipts, license, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, capital gain, franchise, profits, escheat, withholding, social security, national insurance, unemployment, disability, real property, personal property, unclaimed property, purchase, betterment, sales, use, transfer, registration, ad valorem, value added, alternative or add-on minimum or estimated tax or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tax Return" means any report, declaration, return, information return, claim for refund, or statement relating to Taxes, including any schedule or attachment thereto, and including any amendments thereof.

"Working Capital" means, as of the Closing, the current assets of the Company (including cash) less the current liabilities of the Company, in each case determined in accordance with GAAP and in accordance with Schedule 1.1.

1.2 Additional Defined Terms. As used in this Agreement, the following terms shall have the meanings defined in the introduction, Preamble, Recitals or Section as indicated below:

"Agreement"	Preamble
"Assets"	Section 4.10
"Basket"	Section 8.2
"Buyer"	Preamble
"Capitalization Table"	Section 4.5
"Claim"	Section 8.3
"Claim Notice"	Section 8.3
"Closing"	Section 2.4(a)
"Closing Date"	Section 2.4(a)
"Closing Target Date"	Section 9.3
"Company"	Preamble
"Company Disclosure Schedule"	Article 4
"Company Leased Real Property"	Section 4.10
"Company Registered Intellectual Property"	Section 4.11(a)
"Designated Accounting Firm"	Section 2.2(b)
"Dispute Notice"	Section 2.2(b)
"Escrow Agent"	Section 2.2(a)
"Escrow Agreement"	Section 2.2(a)
"Escrow Amount"	Section 2.2(a)
"Escrow Fund"	Section 2.2(a)
"Expert Calculations"	Section 2.2(c)
"Final Balance Sheet"	Section 2.2(b)
"Financial Statements"	Section 4.6
"Governmental Authorizations"	Section 4.18
"Grants"	Section 4.15
"Indemnified Party"	Section 8.3
"ITA"	Section 2.5
"Liability Cap"	Section 8.2
"Material Contract"	Section 4.9
"Material Customer"	Section 4.9
"Milestone Calculation"	Section 2.2(c)
"Milestone Period"	Section 2.2(b)
"Party" or "Parties"	Preamble
"Pre-Closing Period"	Section 6.1
"Preliminary Balance Sheet"	Section 2.2(b)
"Purchased Shares"	Preamble
"Related Party"	Section 4.20
"Released Claim"	Section 6.11
"Review Period"	Section 2.2(c)
"Seller"	Preamble
"Seller Calculation"	Section 2.2(c)
"Shareholders Agreement"	Section 7.2
"SI"	Preamble
"Third Party Claim"	Section 8.3
"U.S. Trademark"	Section 6.14
"Valid Certificate"	Section 2.5
"$1M Milestone Payment"	Section 2.2(c)
"$2M Milestone Payment"	Section 2.2(c)

1.3 Interpretation. In this Agreement, unless otherwise specified, the following rules of interpretation apply:

(a) references to "Articles," "Sections," "Schedules" and "Exhibits" are references to articles, sections or subsections, schedules and exhibits of this Agreement;

(b) references to any Person include references to such Person's successors and permitted assigns;

(c) words importing the singular include the plural and vice versa;

(d) words importing one gender include the other gender;

(e) references to the word "including" do not imply any limitation;

(f) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(g) references to "$", "US$" or "dollars" refer to U.S. dollars;

(h) a defined term has its defined meaning throughout this Agreement and in each Exhibit and Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined; and

(i) references to any specific provision of any Law shall also be deemed to be references to any successor provisions, amendments thereof or any rules or regulations promulgated thereunder.

ARTICLE 2
PURCHASE OF SHARES

2.1 Purchase and Sale of Shares.

(a) Sale of Shares. Subject to the terms and conditions of this Agreement, at the Closing, the Seller shall sell, transfer and assign to the Buyer, and the Buyer shall purchase from the Seller, all right, title and interest in and to the Purchased Shares free and clear of all Liens in consideration to the Purchase Price and any and all payments set forth in Section 2.2 below.

(b) No Other Securities. As a result of the foregoing sale and purchase of Purchased Shares, the Buyer will own as of the Closing 100% of the Company's share capital on a Fully Diluted Basis. For the avoidance of doubt, any failure of the Seller to cancel any Company Option (whether vested or unvested) immediately upon the Closing Date pursuant to the provisions of Section 2.3 below shall result in the dilution of Seller's shareholdings on a Fully Diluted Basis immediately following the Closing Date, without derogating from Buyer's rights and remedies herein.

2.2 Purchase Price.

(a) Purchase Price for Shares. At Closing, the Buyer shall pay, by check or wire transfer of immediately available funds, an amount equal to the Purchase Price, as follows: (i) a sum of $585,000 (the "Escrow Amount") shall be deposited with Meitav Dash Benefits (the "Escrow Agent") in a trust account to be opened by the Escrow Agent (the "Escrow Fund") as a security for the due payment of any indemnification amount payable under Article 8 below; and (ii) an amount equal to the Purchase Price less the Escrow Amount will be paid to the Seller. The Escrow Agent shall hold and release the Escrow Fund in accordance with the terms of that certain Escrow Agreement, attached hereto as Exhibit A (the "Escrow Agreement").

(b) Closing Adjustment. At Closing, the Seller will provide a preliminary unaudited balance sheet as of the Closing Date, prepared in accordance with GAAP consistently applied (the "Preliminary Balance Sheet"). If the Closing Working Capital of the Company according to the Preliminary Balance Sheet differs from the Target Working Capital in the Preliminary Balance Sheet, then the Purchase Price will be adjusted (either upward or downward) according the amount of such deficit or excess.

As promptly as reasonably practicable, but in no event later than three (3) months of the Closing, the Buyer or its auditors shall audit a final balance sheet as of the Closing Date (the "Final Balance Sheet"). To the extent the Working Capital in the Final Balance Sheet differs from the Working Capital determined in the Preliminary Balance Sheet, then there will be a final adjustment to the Purchase Price (either upward or downward). The Final Balance Sheet (i) shall have been prepared or restated in accordance with GAAP, consistently applied; and (ii) shall have been derived from and is in accordance with accurate books and records of the Company (iii) shall have presented fairly the financial condition of the Company, as of the date indicated thereon (iv) shall have presented fairly the results of its operations for the periods indicated thereon, in each case in accordance with GAAP applied on a basis consistent with prior periods. The costs of the Final Balance Sheet shall be split between the Parties.

The calculation of the Final Balance Sheet shall be final and binding on the Parties, unless, within twenty one (21) days after the delivery to Seller of a the Final Balance Sheet, the Seller shall deliver to the Buyer a written notice indicating in details any disagreements with the calculations therein (the "Dispute Notice"). After delivery of the Dispute Notice, Buyer and Seller shall promptly discuss in good faith the Dispute Notice. If the Parties are unable to reach an agreement within ten (10) days after delivery to Buyer of the Dispute Notice, the dispute shall be submitted to an independent accounting firm chosen by agreement of Seller and Buyer, or, if they are unable to agree, an independent accounting firm not affiliated with any of the Parties, chosen by the President of the Institute of Certified Public Accountants in Israel (the "Designated Accounting Firm"). The fees and expenses of the Designated Accounting Firm shall be equitably allocated by the Designated Accounting Firm. The Designated Accounting Firm shall be directed to issue a written reasoned final and binding decision within thirty (30) days following its appointment, as to the issues of disagreement referred to in the Dispute Notice and not resolved by the Parties. The Final Balance Sheet as so determined by agreement of the Parties or by the Designated Accounting Firm (if required), shall be final and binding on the Parties. Following (i) twenty one (21) day notice above without the receipt of a Dispute Notice, (ii) the agreement by both parties or the (iii) determination by a Designated Accounting Firm of the Final Balance Sheet, the amount to be paid shall be settled between Seller and Buyer and paid within seven (7) days, by wire transfer.

(c) Performance-Based Milestone Payments. As additional consideration to the Seller, subject to Section 2.2(c), the Buyer shall pay the Seller as follows:

(i) Subject to the Company achieving gross revenues of $20,000,000 or more for any twelve (12) months period commencing on January 1, 2016 and ending on December 31, 2018 (the "Milestone Period"), as shown in the Company's financial statements (profit and loss statement) prepared by the Company for such time period, no later than by March 31, 2019, a milestone payment will be made in an amount equal to US$1,000,000 (the "$1M Milestone Payment"); or

(ii) Subject to the Company achieving gross revenues of $25,000,000 or more for any twelve (12) months period during the Milestone Period, as shown in the Company's financial statements (profit and loss statement) prepared by the Company for such time period, no later than by March 31, 2019, a milestone payment will be made in an amount equal to US$2,000,000 (the "$2M Milestone Payment") (in lieu of the $1M Milestone Payment).

The Buyer shall provide to the Seller, not later than March 31, 2019, with the Company's calculation of the Company's gross revenues during the Milestone Period in connection with this Section 2.20(c) which shall be accompanied by a written confirmation from the Company's Chief Financial Officer or Chief Executive Officer as of the accuracy of the calculation thereof (the "Milestone Calculation"). The Seller shall be provided with all relevant financial information of the Company for such Milestone Calculation and during the sixty (60)-day period commencing upon the delivery of such Milestone Calculation (the "Review Period") shall have the right to audit, through an independent certified public accountant, the accounts of the Company, in connection with the $1M Milestone Payments or the $2M Milestone Payment due under Sections 2.20(c) above, if applicable. In the event that an Affiliate of the Company will sell the Company's products during the Milestone Period, the Company shall provide the Seller with the relevant financial information of such Affiliate with respect to the revenues generated therefrom.

If the Seller disputes the Milestone Calculation, then Seller shall provide the Buyer with its own calculation of the Milestone Calculation (the "Seller Calculation") and Seller and Buyer shall use commercially reasonable efforts to reach agreement on the Milestone Calculation. If the Seller and the Buyer are unable to reach agreement on the calculation of the Milestone Calculation, within twenty (20) calendar days after the end of the Review Period, Seller, on the one hand, or the Buyer, on the other hand, shall have the right to refer such dispute to the Designated Accounting Firm within ten (10) days after such twentieth (20th) day. If neither Party has referred the dispute to the Designated Accounting Firm within thirty (30) calendar days after the end of the Review Period, the Milestone Calculation provided by the Buyer shall be final and binding for all purposes of this Agreement. In connection with the resolution of any such dispute by the Designated Accounting Firm: (A) the Designated Accounting Firm shall act in its capacity as an expert and not as an arbitrator; (B) the Designated Accounting Firm shall consider only those matters as to which there is a dispute between the parties; (C) Seller shall submit to Designated Accounting Firm a copy of the Seller Calculation provided to the Buyer and each of the Buyer and the Seller shall have the opportunity to submit a "position paper" to the Designated Accounting Firm setting forth the position of such party with respect to such dispute, to be considered by such Designated Accounting Firm, and shall have a reasonable opportunity to meet with the Designated Accounting Firm to provide their respective views as to any disputed issues with respect to the Milestone Calculation; (D) the Designated Accounting Firm shall determine solely regarding the disagreement with respect to the Milestone Calculation within thirty (30) calendar days of such referral and, upon reaching such determination, shall deliver a copy of its calculations (the "Expert Calculations") to the Seller and the Buyer and provide a written explanation of its decision; and (E) the determination of the Milestone Calculation, made by the Designated Accounting Firm, shall be final and binding for all purposes of this Agreement. The fees and expenses of the Designated Accounting Firm shall be borne by the Buyer and the Seller in proportion to the amount by which their respective determinations of the Milestone Calculation, differed from the amount determined by the Designated Accounting Firm, as determined by the Designated Accounting Firm.

Within twenty (20) calendar days following (i) twenty (20) calendar days after the end of the Review Period without referring a dispute to the Designated Accounting Firm; (ii) the agreement by both Parties with respect to the Milestone Calculation; or (iii) the determination of the Milestone Calculation by the Designated Accounting Firm, the Millstone Payment, if and to the extent payable pursuant to Sections 2.2(c)(i) or 2.2(c)(ii) above, shall be paid to Seller by check or wire transfer of immediately available funds.

2.3 Company Options. Prior to the Closing, the Company and the Seller shall procure that each Company Option (whether vested or unvested) shall be cancelled immediately upon the Closing Date.

2.4 Closing; Deliverables.

(a) Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., One Azrieli Center, Round Tower, Tel Aviv, Israel, as promptly as practicable (and in any event within two (2) Business Days) after the conditions set forth in Article 7 are satisfied (other than those conditions which by their nature are normally satisfied at the Closing) or waived, or such other time and place that is agreed to in writing by the Seller and the Buyer (the "Closing Date").

(b) Deliveries at the Closing by the Company and the Seller. At the Closing, and upon satisfaction or waiver of the conditions set forth in Section 7.2, the Seller and the Company will deliver or cause to be delivered the instruments, Consents, certificates and other documents required of them by Section 7.1.

(c) Deliveries at the Closing by the Buyer. At the Closing, and upon satisfaction or waiver of the conditions set forth in Section 7.2, the Buyer will deliver or cause to be delivered the instruments, Consents, certificates and other documents required of it by Section 7.2.

2.5 Withholding. The Buyer shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to Seller such amounts as the Buyer is required to deduct and withhold under any Tax Law of the State of Israel, with respect to the making of such payment. Notwithstanding the aforementioned, however, if the Seller has provided to the Buyer a Valid Certificate at least one Business Day prior to any payment payable pursuant to this Agreement, the withholding (if any) of any amount under the Israeli tax Law from the consideration payable to such Seller hereunder, and the payment of the consideration or any portion thereof, shall be made in accordance with the provisions of such Valid Certificate. A "Valid Certificate" shall be a certificate or ruling issued by the Israeli tax authority (the "ITA") which is sufficient to enable the Buyer to conclude in its reasonable discretion that no withholding (or reduced withholding) of Israeli Tax is required with respect to such Seller. The Parties agree that a certificate of exemption from withholding with respect to "Services and Assets" issued by the ITA will be deemed a Valid Certificate if in force on the date that payment is made. Notwithstanding the above, the Buyer shall release any such withheld amounts (or such applicable portion thereof) not yet remitted to the ITA to the Seller in accordance with a Valid Certificate provided by the Seller prior to Buyer's submission of such amounts to the ITA, which submission shall be made by the Buyer not earlier than three Business Days prior to the last day on which the Buyer is required to make submission pursuant to the Israeli Tax Law. If the Buyer so withholds amounts and pays them to the ITA with respect to a Seller, the Buyer shall furnish to the Seller documents evidencing such withholding within the time period required by the Israeli Tax Law.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES
CONCERNING THE SELLER

The Seller, hereby represents and warrants to the Buyer that each of the statements contained in this Article 3 is true and correct as of the date hereof.

3.1 Power and Authority; Enforceability. The Seller has all necessary power and authority to enter into this Agreement and each Ancillary Agreement to which it is a party and has taken all actions necessary to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The Seller is a company duly organized and validly existing under the Laws of the State of Israel. This Agreement and each Ancillary Agreement to which the Seller is party have been duly executed and delivered by the Seller and constitutes the valid and binding obligation of such Seller, enforceable against Seller in accordance with their respective terms, except that enforceability may be limited by the effect of (a) bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights of creditors or (b) general principles of equity (regardless of whether enforceability is considered in a Proceeding at law or in equity).

3.2 **Title to Shares.** The Seller is the sole and lawful beneficial and record owner of the all of the Company Shares and, at the Closing, will deliver to the Buyer good and marketable title to the Purchased Shares, free and clear of all Liens. Neither Seller nor any Person have any preemptive or other rights, options, warrants or other agreements or commitments other than this Agreement to sell or acquire any securities of the Company or obligations convertible into or exchangeable for any securities of the Company, other than the Company Options which shall be canceled pursuant to Section 2.3 above.

3.3 **No Conflict; Consents and Approvals**. The Seller's execution, delivery and performance of this Agreement and the Ancillary Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, will not (a) violate or conflict with any provision of its articles of association or other governing documents, (b) violate or conflict with any Order or Law applicable to Seller that is likely to have an impact on the transactions contemplated hereunder, (c) conflict with, result in a breach of or constitute a default under (with or without notice or the passage of time), result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract to which the Seller is a party or by which it is bound or to which any of its properties or assets is subject in a manner that is likely to have an impact on the transactions contemplated hereunder or (d) result in the imposition of any Lien upon any properties or assets of the Seller in a manner that is likely to have an impact on the transactions contemplated hereunder. No declaration, filing or registration with, approvals or Consents of or assignment by any Persons (including any Governmental Authority) are necessary to be made or obtained in connection with the execution, delivery or performance of this Agreement or the Ancillary Documents by the Seller or the consummation of the transactions contemplated hereby or thereby.

3.4 **Restrictions.** Except for (i) this Agreement and the Ancillary Documents executed in connection herewith, and (ii) the Company Articles of Association, and (iii) the Shareholders' Rights Agreement, there are no Contracts restricting the voting, dividend rights or disposition of the Company Shares or otherwise granting any Person any right in respect of the Company Shares.

3.5 **Brokers' Fee**. Except for the fee due by the Seller to Sinomedis Ltd. in connection with that certain finder agreement dated October 8, 2015 by and between the Seller and Sinomedis Ltd., with respect to the transaction contemplated by this Agreement, which shall be borne exclusively by the Seller in accordance with the terms of the finder agreement , the Seller has no Liability to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES
CONCERNING THE COMPANY

Each of the Company and the Seller hereby, jointly and severally, represent and warrants to the Buyer that each of the statements contained in this Article 4 is true and correct as of the date hereof except to the extent such statements relate to an earlier date, subject to the disclosures made in the corresponding schedule of the disclosure schedule of the Company (the "Company Disclosure Schedule") delivered to the Buyer concurrently with the execution and delivery of this Agreement. The disclosures included in any section of the Company Disclosure Schedule shall be numbered to correspond to the applicable sections and subsections of this Article 4.

4.1 **Organization and Qualification**. The Company is a corporation duly organized, validly existing under the Laws of the State of Israel. The Company has all necessary corporate or similar power and authority to own its properties and to carry on its business as currently conducted and as proposed to be conducted. The current officers and directors of the Company, including their titles and a designation of the Chairman of the Company board of directors, is set forth in Section 4.1 of the Company Disclosure Schedule. There has not been any violation of any of the provisions of any of the Company Articles of Association or other charter, organizational or governing documents of the Company. The Company has not taken any action or failed to take any action, which action or failure would, to the Knowledge of the Company, preclude or prevent the Company from conducting its business after the Closing in the manner heretofore conducted and which have or could reasonably be expected to result in a Company Material Adverse Effect.

4.2 **Subsidiaries**. The Company does not have and has never had any Subsidiaries or any equity or other ownership interest (or any interest convertible or exchangeable or exercisable for, any equity or other ownership interest), whether direct or indirect, in any Person. The Company has no separate divisions or branches. The Company is not obligated to make nor is it bound by any agreement or obligation to make any investment in or capital contribution in or on behalf of any other Person.

4.3 **Power and Authority; Enforceability**. The Company has all necessary corporate power and authority to enter into this Agreement and each Ancillary Agreement to which it is a party and has taken all corporate or other action necessary to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. This Agreement and each Ancillary Agreement to which the Company is party have been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with their respective terms, except that enforceability may be limited by the effect of (a) bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to or affecting the rights of creditors or (b) general principles of equity (regardless of whether enforceability is considered in a Proceeding at law or in equity).

4.4 **No Conflict; Consents and Approvals**. Except as set forth in Section 4.4 of the Company Disclosure Schedule, the Company's execution, delivery or performance of this Agreement and the Ancillary Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, will not (a) violate or conflict with any provision of the Company Articles of Association, (b) to the Knowledge of the Company violate or conflict with any Order or Law applicable to the Company, or (c) to the Knowledge of the Company conflict with, result in a breach of or constitute a default under (with or without notice or the passage of time), result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract to which the Company is a party or by which it is bound or to which any of its properties or assets is subject. Except as set forth in Section 4.4 of the Company Disclosure Schedule, no declaration, filing or registration with, waivers, approvals or consents of or assignment by any Persons (including any Governmental Authority) are necessary to be made or obtained in connection with the execution, delivery or performance of this Agreement or the Ancillary Documents by the Company or the consummation of the transactions contemplated hereby or thereby.

4.5 **Capitalization.**

(a) Share Capital. As of the date hereof, the authorized capital of the Company consists of 10,000,000 Company Ordinary Shares, 4,106,976 shares of which are issued and outstanding and held by Seller. A true and correct copy of the Company's capitalization table (the "Capitalization Table") immediately prior to the Closing and immediately thereafter is set forth as Schedule 4.5(a). The Company has not repurchased any shares of Company Share and does not hold any Company Shares as dormant shares. All of the outstanding Company Shares have been duly authorized and validly issued, and are fully paid and nonassessable. The rights, preferences and privileges of Company Shares are as set forth in the Company Articles of Association. As of the date hereof, the Company has granted options to purchase an aggregate of 4,518 Company Ordinary Shares under the Company Option Plan, which remain unexercised and outstanding and will be cancelled prior to Closing by the Company pursuant to the terms hereof. Section 4.5(a) of the Company Disclosure Schedule sets forth the name of each holder of Company Options, the number of Company Ordinary Shares for which each such Company Option is exercisable, the vesting schedule and exercise price for each Company Option, the number of shares vested and unvested as of the date of this Agreement, and the price per share of Company Ordinary Share for which each such Company Option is exercisable. None of the Company's share purchase agreements or share option documents contains a provision for acceleration of vesting (or lapse of a repurchase right) or other changes in the vesting provisions or other terms of such agreement or understanding upon the occurrence of any event or combination of events. The Company has never adjusted or amended the exercise price of any Company Options previously awarded, whether through amendment, cancellation, replacement grant, re-pricing, or any other means.

(b) No Other Rights. Except as set forth in the Company Articles of Association and the Company Options: (i) none of the outstanding Company Shares is entitled or subject to any preemptive right, right of first offer or any similar right created by the Company or imposed under applicable Law with respect to the share capital of the Company; (ii) none of the outstanding Company Shares is subject to any right of first refusal in favor of the Company; (iii) except as set forth in Section 4.5(b) of the Company Disclosure Schedule, there is no Contract relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or granting any option or similar right with respect to), any Company Shares; (iv) there are no authorized or outstanding options, warrants, conversion rights, exchangeable rights, purchase rights, subscription rights or other Contracts or commitments that would obligate the Company to issue, sell or otherwise cause to become outstanding any additional Company Shares or any other equity securities of the Company; (v) no Person has any right of first offer, right of first refusal or preemptive right in connection with any future offer, sale or issuance of securities by the Company; and (vi) the Company is not under any obligation, or is bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding Company Shares.

(c) No Other Securities. The Purchased Shares being purchased pursuant to this Agreement together with the Company Options (which shall be cancelled or exchanged into securities of the Seller immediately prior, and subject to, to the Closing), constitute all of the issued and outstanding equity of the Company and all of the issued and outstanding securities convertible, exercisable or exchangeable therefore (whether vested or unvested).

4.6 Financial Statements.

(a) The Company has delivered to the Buyer the Company's audited consolidated balance sheet and related audited consolidated statements of income, changes in shareholders' equity, and cash flow for the fiscal year ended December 31, 2014 and the Company's unaudited reviewed (with notes) financial statements for the period ended on December 31, 2015 (the "Financial Statements"). The Company undertakes to provide Buyer with the Company's audited Financial Statements for the period ended on December 31, 2015, prior to the Closing if available, *provided* that neither the Seller or the Company shall have any obligation to obtain an audit of its Financial Statements prior to Closing

(b) The Financial Statements (i) are true and correct in all material respects and have been prepared from the books and records of the Company, (ii) complied as to form with applicable accounting requirements with respect thereto as of their respective dates, (iii) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated therein or in the notes thereto) and consistent with each other, and (iv) fairly present the financial condition, consolidated results of operations and cash flows of the Company for the periods therein specified.

(c) The books of account and other financial records of the Company have been kept in the Ordinary Course of Business consistent in all material respects with applicable Law, the transactions entered therein represent bona fide transactions, and the revenues, expenses, assets and liabilities of the Company have been properly recorded therein in all material respects.

4.7 **Absence of Certain Changes**. Since December 31, 2015, the business of the Company has been conducted in the ordinary course consistent with past practices (except for actions taken in connection with the negotiation of this Agreement and the transactions contemplated hereby) and there has not been, occurred or arisen:

(a) any event or condition of any character that has had or would reasonably be expected to have a Company Material Adverse Effect;

(b) any loss, damage or destruction to any of the assets, properties, financial condition, operating results, prospects or business of the Company (as such business is presently conducted and as it is proposed to be conducted) which could be material to the Company as a whole;

(c) any change in the methods of accounting or accounting practices of the Company, except as required by concurrent changes in GAAP, as agreed to by its auditors;

(d) the Company has not entered into any Contract (or series of related Contracts) which could involve more than $50,000 (or its equivalent in in other currency) outside the Ordinary Course of Business;

(e) the Company has not permitted the imposition of any Lien upon any of its assets, tangible or intangible.

(f) the Company has not made any capital investment in, any loan to, guarantees for the benefit of, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans and acquisitions);

(g) the Company has not sold, assigned or transferred any Intellectual Property nor granted any license or sublicense of any rights under or with respect to any Intellectual Property;

(h) there has been no change made, proposed or authorized with respect to the Company Articles of Association or other charter, organizational and governing documents of the Company;

(i) there has been no new, or change in, any Tax election, settlement or compromise of any claim, notice, audit report or assessment in respect of Taxes, change in any annual Tax accounting period, adoption or change in any method of Tax accounting, filing of any amended Tax Return or of any other Tax Return, entrance into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement relating to any Tax, surrender of any right to claim a Tax refund or consent to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;

(j) any waiver by the Company of a material debt owed to it;

(k) any material change in any compensation arrangement or agreement with any employee or consultant of the Company; or

(l) Any agreement or commitment by the Company to do any of the things described in this Section4.7.

4.8 No Undisclosed Liabilities.

Except as set forth in Section 4.8 of the Company Disclosure Schedule, the Company has no Liabilities, other than (i) Liabilities reflected in the Financial Statements or in the notes thereto, (ii) Liabilities that have been incurred by the Company since December 31, 2015 in the Ordinary Course of Business and consistent with past practice that do not, in the aggregate, have a Material Adverse Effect, (iii) Liabilities in connection with this Agreement and the transactions contemplated thereby.

4.9 Material Contracts.

(a) Except as set forth in Section 4.9 of the Disclosure Schedule, the Company is not a party to any of the following type of Contracts (any Contract responsive to any of the following categories is hereinafter referred to as a "Material Contract"):

(1) any Contract with any of the top ten (10) customers or distributors (based on the Financial Statements) of the Company (in each case, on a consolidated basis) (each, a "Material Customer");

(2) any lease of personal or real property having a value in excess of US$50,000 individually;

(3) any Contract (a) limiting either the type of business in which the Company may engage or the manner or locations in which any of them may so engage in any business, (b) providing for "most favored nations" pricing terms, (c) containing exclusivity obligations; or (d) otherwise relating to non-competition, non-disclosure, confidentiality or similar matters other than agreements between the Company and its employees;

(4) any Contract that relates to the formation, operation, management or control of any joint venture, joint ownership, revenue sharing, strategic alliance, partnership or collaboration that is material to the Company and the Subsidiaries, taken as a whole, or pursuant to which the Company has an obligation (contingent or otherwise) to make a material investment in or material extension of credit to any Person;

(5) any Contract that is reasonably likely to involve consideration payable by the Company of more than US$25,000, in the aggregate, as of January 1, 2016, and which cannot be canceled by the Company without penalty or further payment within less than sixty (60) days' notice;

(6) any Contract relating to borrowed money by or to the Company;

(7) any Contract under which (A) any Person has guaranteed any liabilities or obligations of the Company; and (B) the Company has guaranteed liabilities or obligations of any other Person;

(8) any Contract with a Governmental Authority;

(9) any Contract relating to the licensing or sublicensing (either as licensor or licensee) or purchase or sale of any interest in Intellectual Property (including any obligation to grant any of the foregoing), other than shrink-wrapped or click-wrap licenses relating to off-the-shelf products; or

(10) all other Contracts not otherwise described in this Section 4.9, the breach, violation or termination of which would have a Material Adverse Effect.

(b) Each Material Contract is a valid and binding agreement and is in full force and effect, and the Company party to such Material Contract has performed in all material respects all obligations required to be performed by it under such Material Contract. To the Knowledge of the Company, no other party to a Material Contract is in breach or violation thereof or in default thereunder. The Company has not received any written notice claim regarding any violation or breach of, or default under, any Material Contract and, to the Knowledge of the Company, no event has occurred which with notice, lapse of time or both would constitute a violation or default thereunder. The Company has not waived any of its rights under any Material Contract. The Company has furnished to the Buyer complete and correct copies of all such Material Contracts.

(c) Since December 31, 2015, there has not been a material adverse change in the business relationship of the Company with any Material Customer.

(d) Except as set forth in 4.9(a) above, the Company has not granted rights to produce, manufacture, license, market, or sell any of its products and Intellectual Property to any other Person nor is it bound by any that affects the Company's exclusive right to develop, distribute, market or sell its products and/or Intellectual Property.

4.10 Properties.

(a) The Company does not own any real property. The Company has a good and valid leasehold interest in each parcel of real property leased by the Company in the conduct of its business as currently conducted (the "Company Leased Real Property") and there exists no material default under any such lease by the Company. Section 4.10 of the Company Disclosure Schedule lists each lease, subleases, or other occupancy agreement relating to the Company Leased Real Property.

(b) The Company owns and has good and marketable title to, or a valid license or leasehold interest in, all material tangible personal property and assets owned or used by the Company in its business as currently conducted (the "Assets"). Except as set forth in Section 4.10(b) of the Company Disclosure Schedule, none of the Assets is subject to any Lien, except for (i) statutory Liens for current Taxes not yet due or payable or for future Taxes or other governmental or regulatory assessments which are not delinquent, or which are contested in good faith by the appropriate procedures, (ii) mechanic's, carrier's, worker's, material man's, warehouse man's, supplier's, vendor's or (iii) similar Liens arising or incurred in the Ordinary Course of Business with respect to Liabilities that are not yet due and payable.

(c) The Assets have been reasonably maintained consistent with standards generally followed in the industry and have no material defects, are in such operating condition and repair, ordinary wear and tear excepted (giving due account to the age and length of use of same) as is adequate and suitable for their present uses.

(d) The Assets constitute all of the tangible personal property and assets used or held for use in the business of the Company and represent all of the tangible personal property and assets necessary for the conduct of the business of the Company as currently conducted and as currently proposed to be conducted.

4.11 Intellectual Property.

(a) The Company owns and has developed, or has obtained the right to use, free and clear of all Liens, claims and restrictions, all Company Intellectual Property, to the extent exists, used and sufficient for use in the conduct of its business as now conducted and as currently proposed to be conducted, to the Company's best knowledge, without infringing upon, misappropriating, misusing or violating any right, Lien, or claim of others. Section 4.11(a) of the Company Disclosure Schedule lists all of the Company Intellectual Property that is subject to an application, certificate, filing or registration issued, filed with, or recorded by any Governmental Authority, including all the Trademarks and domain names that are assigned to the Company by Seller hereunder ("Company Registered Intellectual Property") and all applicable filings, recordings and other acts, that are required to be made within 90 days after Closing to maintain the validity and enforceability of such Company's Intellectual Property and the Company's interest therein.

(b) Any and all Company Intellectual Property of any kind which has been developed, is currently being developed, by any past and present employee, consultant or independent contractor of the Company shall be the sole and exclusive property of the Company and, to the Company's Knowledge, is not based in any way or manner or makes any use in any way or manner of Intellectual Property belonging to third parties including past and present employees consultants or independent contractors.

(c) The Company has taken security measures to protect the secrecy, confidentiality and value of all the Company Intellectual Property, which measures are reasonable and customary in the industry in which the Company operates, including, with respect to Company Registered Intellectual Property, filing the necessary documents with the relevant Governmental Authorities, domestic or foreign, and duly registering with or causing the respective Company Registered Intellectual Property to be issued by such Governmental Authorities. The Company has taken all reasonable steps to protect and preserve the secrecy, confidentiality and value of all of its Trade Secrets used in the conduct of its business and to the Knowledge of the Company there are no unauthorized uses, disclosures or misappropriations of any such Trade Secret.

(d) Each of the Company's present employees, consultants or independent contractors have entered into or will on Closing enter written agreements with the Company assigning to the Company all rights in Company Intellectual Property developed in the course of their employment and/or engagement by the Company and waiving any royalties or other form of compensation relating to the creation of such Company Intellectual Property, including for the purpose of section 134 of the Israeli Patent Law 1967 if applicable, and each of the Company's past and present employees, consultants, independent contractors and other persons who, either alone or in concert with others, developed, invented, discovered, derived, programmed or designed the Company Intellectual Property, or who has knowledge of or access to information about the Company Intellectual Property, have entered into or will at Closing enter into such valid and enforceable written agreement with the Company, copies of which were provided to the Buyer.

(e) During the two (2) years preceding the date of execution of this Agreement, the Company has not received any communications (in a written or oral manner) alleging that the Company has violated or by conducting its business as proposed, would violate, any Intellectual Property rights of any other Person, nor, to Company's Knowledge, are there any facts or circumstances that reasonably could form the basis for any claim against the Company of infringement, unauthorized use, or violation of any Intellectual Property of any third party, or challenging the ownership, use, validity or enforceability of any Company Intellectual Property. To the Company's Knowledge, the use, practice or other commercial exploitation of the Company Intellectual Property by the Company and the manufacturing, licensing, marketing, importation, offer for sale, sale or use of the Company Intellectual Property, and the operation of the Company's businesses have not and do not infringe, constitute an unauthorized use of or misappropriate any Intellectual Property of any third party.

(f) To the Company's Knowledge, no Person is engaging in any activity that infringes, violates, misuse or misappropriates the rights of the Company Intellectual Property. Except as set forth in Section 4.11(f) of the Company Disclosure Schedule, the Company did not grant any license or other right to any third party with respect to the Company Intellectual Property.

(g) Except as set forth in Section 4.11(g) of the Company Disclosure Schedule, no government funding, facilities of a university or any government institution (including but not limited to governmental or publicly-owned hospital), college, other educational institution or research center or funding from third parties was used in the development of any of the Intellectual Property owned, in whole or in part, by the Company. Except as set forth in Section 4.11(g), no current or former employee, consultant or independent contractor of the Company, who was involved in, or who contributed to, the creation or development of any of the Company Intellectual Property, has performed services for, was an employee of or was otherwise engaged by the government, government institution (including but not limited to governmental or publicly-owned hospital), university, college, or other educational institution or research center during a period of time during which such employee, consultant or independent contractor was also performing services for the Company or during the time such employee, consultant or independent contractor invented, created or developed any of the Company Intellectual Property owned.

(h) The Company Registered Intellectual Property is valid and fully enforceable by the Company; none of the Company Registered Intellectual Property rights owned by the Company have expired, been abandoned or fallen into the public domain, have been canceled or adjudicated invalid, or are subject to any outstanding judgment restricting their use or adversely affecting the Company's rights thereto; and the Company has no basis to believe that any pending application for Company Registered Intellectual Property rights that it owns or controls is unpatentable, unregistrable, or will be invalid or unenforceable upon issuance. The Company has no Knowledge of allegations by any third party that such Company Registered Intellectual Property rights owned by the Company that have been granted or applied for or filed with the relevant Governmental Authorities and that have not been registered, granted or issued by such relevant Governmental Authorities, are not entitled to registration, grant or issuance by the relevant Governmental Authorities; and to the Knowledge of the Company, all necessary registration, maintenance and renewal fees in connection with all Company Registered Intellectual Property have been paid and all necessary documents in connection with such Company Registered Intellectual Property have been filed with the relevant patent, copyright, trademark or other authorities in any applicable jurisdiction for the purposes of maintaining such Company Registered Intellectual Property as of the date hereof, other than such failures to so register, maintain and pay any renewal fees which have not resulted, or would not reasonably be expected to result, in the abandonment, lapse, cancellation, forfeiture, relinquishment, invalidation, unenforceability, or devaluation of Company Registered Intellectual Property. .

(i) The Company is not currently obligated or under any contractual liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner, author or licensee of, or other claimant to, any Intellectual Property, with respect to the use thereof or in connection with the conduct of its business or otherwise.

(j) Except as set forth in Section 4.11(j), none of the Company Intellectual Property (including its software) includes or incorporates any open source software that is licensed under the General Public License or another open source code license having a similar "contaminating" effect on the Company's software, or that would otherwise require the Company to release any portion of their source code, or to permit free redistribution, reverse engineering, or modification of any of the Company's software.

4.12 Insurance Coverage.

Section 4.12 of the Company Disclosure Schedule identifies each insurance policy maintained by or for the benefit of the Company or its business or assets. The Company's insurance policies are in full force and effect with coverage which the Company is in the opinion that is reasonably sufficient in amount (subject to reasonable deductions). There is no claim by the Company pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies or in respect of which such underwriters have reserved their rights. To the Knowledge of the Company, all premiums payable under all such policies have been timely paid.

4.13 Tax Matters.

(a) To the Knowledge of the Company, since January 1, 2011, all Tax Returns that were required to be filed by or with respect to the Company have been timely effected and filed or will be filed in a timely manner (with applicable extension periods), and such Tax Returns are true, accurate and complete in all material respects and are not, to the Knowledge of the Company, subject of any dispute with the Tax Authorities. All Taxes shown to be due on such Tax Returns have been timely paid in full or will be timely paid in full by the due date thereof, any deficiencies resulting from examinations of such Tax Returns have either been paid or are being contested in good faith, and no extensions or waivers of statutes of limitation have been given by or requested with respect to any Taxes of the Company. The Company has withheld or collected for each payment made to each of its employees, the amount of all Taxes required to be withheld or collected therefrom and has timely paid the same to the proper Tax Authorities.

(b) To the Knowledge of the Company, since January 1, 2011, the Company has complied in all material respects with applicable Laws relating to the payment and withholding of Taxes and has duly and timely withheld and have paid over to the appropriate Governmental Authority all amounts required to be so withheld and paid over on or prior to the due date thereof in accordance, in all material respects, with applicable Laws.

(c) The Company has not received notice of any claim made by a Governmental Authority in a jurisdiction in which the Company does not file Tax Returns that the Company may be required to file Tax Returns or to pay Taxes to that jurisdiction. The Company has not received any written notice of deficiency or assessment from any Governmental Authority for any amount of Tax that has not been fully settled or satisfied.

(d) To the Knowledge of the Company, there is no material Lien for Taxes (other than for current Taxes not yet due and payable) against the assets of the Company.

4.14 Employment Matters.

(a) Section 4.14(a) of the Company Disclosure Schedule sets forth a list of all employees engaged by the Company, which correctly reflects, in all material respects, the following: the current salary and any other material compensation payable to such employee, title, full-time or part-time status, date of commencement of employment, prior notice of termination, vacation days entitlement, sick leave entitlement, car entitlement and applicability of Section 14 under the Israeli Severance Pay Law 5732-1963.

(b) There are no Proceedings pending or, to the Knowledge of the Company, threatened between the Company and any of its current employees or other service providers. The Company is not a party to any collective bargaining agreement, works council agreement, work force agreement or labor union contract applicable to persons employed by it. There is no strike, slowdown, work stoppage or lockout, or, to the Knowledge of the Company, threat thereof, by or with respect to any employees of any of the Company. The Company is not subject to any extension order (*tzavei harchava*) other than those applicable generally in the industry in which the Company operates. To the Company's Knowledge, the Company is in material compliance with all applicable Laws, agreements, orders, and consent decrees respecting labor, employment, immigration, fair employment practices, terms and conditions of employment, and wages and hours.

(c) Except as set forth in Section 4.14(c) of the Disclosure Schedule, the Company's obligations to provide statutory severance pay to its employees pursuant to the Israeli Severance Pay Law 5732-1963 and vacation pursuant to the Israeli Annual Leave Law 5711-1951 are fully funded or accrued on the Financials Statements.

(d) The Company is not delinquent in payments or contributions due to any of its employees for any wages, salaries, commissions, bonuses, managers insurance funds, vocational study funds, pension funds, severance pay accrual or other direct compensation for any services performed for it to the date hereof or amounts required to be reimbursed to such employees.

(e) Section 4.14(c)(e) of the Disclosure Schedule sets forth a true and complete list of all present independent contractors and consultants of the Company (including their name, date of commencement, and rate of all regular compensation and benefits, bonus or any other compensation payable).

(f) To the Company's Knowledge, no employee of the Company, nor any consultant with whom the Company has contracted, is in violation of any material term of any employment contract or proprietary information agreement and the continued employment by the Company of its present employees and the performance of the Company's contracts with its independent contractors, will not result in any such violation. The Company has not received notice alleging that any such violation has occurred.

(g) Except as set forth in Section 4.14(g) of the Disclosure Schedule, no employee or consultant of the Company has been granted the right to continued employment or engagement by the Company or to any material compensation following termination of employment or engagement with the Company, subject to notice as required under applicable law and their respective individual agreements. To the Company's Knowledge and as provided in this Agreement, no key employee or officer intends to terminate his or her employment with the Company, nor does the Company have a present intention to terminate the employment of any key employee or officer. To the Company's Knowledge, none of its employees is 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 materially interfere with such employee's ability to promote the interest of the Company or that would conflict with the Company's business.

4.15 Government Funding.

Section 4.15 of the Company Disclosure Schedule sets forth all subsidies, grants and incentives from the Government of the State of Israel or any agency thereof, or from any other Governmental Authority, granted to the Company and/or to the Seller (in connection with the Company's activities) or for which the Company has an outstanding application (including the grant of "approved/ privileged enterprise" status under the Israeli Law for the Encouragement of Capital Investment, 5719 1959 and grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade & Labor and the (collectively, the "Grants"). The Company and the Seller (in connection with the Company's activities) are in compliance in all material respects with the terms and conditions of all Grants and the laws applicable thereto, and has duly fulfilled all the undertakings required thereby. The Company and Seller are not aware of any event or other set of circumstances which would reasonably be expected to lead to the revocation or modification of any of the Grants.

4.16 **Litigation**. The Company is not subject to, and none of the assets or properties of the Company is bound by, any Order. The Company or any of its officers, directors, or employees (in their capacity as such) are not a party, or, to the Knowledge of the Company, are threatened to be made a party, to any Proceeding nor is the Company aware that there is any basis for the foregoing. There are no Proceedings that the Company currently intends to initiate.

4.17 **Environmental Matters**. The Company (a) is now and at all times has been in compliance with all Environmental Laws and (b) has not received any written notice, report or other information regarding any actual or alleged violation of any Environmental Law, or any Liabilities or potential Liabilities (whether accrued, absolute, contingent unliquidated or otherwise), including any investigatory, remedial or corrective obligations, relating to the Company or its facilities arising under any Environmental Law. There is not now and has not been any hazardous substances used, generated, treated, stored, transported, disposed of, released, handled or otherwise existing on, under, about or emanating from or to, any property currently or previously owned, leased or operated by the Company, except in full compliance with all applicable Environmental Laws.

4.18 **Regulatory Compliance**. During the five (5) years preceding the date of execution of this Agreement, and except as set forth in Section 4.18 of the Company Disclosure Schedule, the Company: (i) is in material compliance with all Laws to which it is subject or which are applicable to its business, operations, products, assets or properties; (ii) holds all Permits necessary for the conduct of its business as now being conducted by it, and the Company believes it can obtain, without undue burden or expense, any similar Permit for the conduct of its business as planned to be conducted, and is operating in compliance in all material respects with all Permits ("Governmental Authorizations"), and has not received any notice of adverse finding, untitled letter or other correspondence or notice from any Governmental Authority alleging or asserting noncompliance with any Laws or Governmental Authorizations, including any warning letter from the U.S. Food and Drug Administration Israel Ministry of Health or similar agencies containing any unresolved issues concerning noncompliance with any Laws or Governmental Authorizations; (iii) has not received notice of any Proceeding from any Governmental Authority alleging that any product, operation or activity is in violation of any Laws or Governmental Authorizations, and have no Knowledge that any such Governmental Authority is considering any such claim, litigation, arbitration, action, suit, investigation or proceeding; (iv) has not received notice that any Governmental Authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any Governmental Authorizations and it has no Knowledge that any such Governmental Authority is considering such action; and (v) has filed, obtained or submitted all material reports that are required to be filed obtained or submitted in order to reasonably be expected to maintain any Governmental Authorization.

4.19 **Brokers and Financial Advisors** Except as disclosed on Section 4.19 of the Company Disclosure Schedule, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for the Company in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment in respect thereof.

4.20 **Related Party Transactions**. Other than as set forth on Section 4.20 of the Company Disclosure Schedules or as contemplated by this Agreement, no shareholder, director (or Person fulfilling an equivalent position) or officer (or Person fulfilling an equivalent position) of the Company (or any relative thereof) (a "Related Party"), owns, directly or indirectly, any interest in (excepting not more than 5% stock holdings for investment purposes in securities of publicly held and traded companies) or is a member, manager, partner, officer, director or shareholder of any Person (excepting not more than 5% stock holdings for investment purposes in securities of public held and traded companies) that is a lessor, lessee, franchisee, customer, service provider, contractor or supplier of, or indebted to, the Company nor is the Company indebted (or committed to make loans or extend or guarantee credit) to any of them, except for the reimbursement of business expenses incurred in the ordinary course of business. Except as set forth on Section 4.20 of the Company Disclosure Schedules, no Related Party or member of their immediate family is directly or indirectly interested in any Contract with the Company. The terms of any transaction with a Related Party are on arms' length for any purpose, and have been approved by the Company in accordance with applicable laws, rules and regulations. No terms of such transactions could reasonably be expected to result in a Material Adverse Effect to the Company.

4.21 **Accounts at Banks or Other Financial Institutions**. Schedule 4.21 provides the following information with respect to each account maintained by or for the benefit of the Company at any bank or other financial institution: (a) the name of the bank or other financial institution at which such account is maintained; (b) the account number; and (c) the names of all Persons who are authorized to sign checks or other documents with respect to such account.

4.22 **Anti-Bribery Law**. Neither the Seller not the Company has, nor any predecessor of the Company or the Seller, nor any shareholder, officer, director, employee or agent, the Seller or any predecessor has, directly or indirectly, used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds, violated any provision of Section 291A of the Israeli Penal Code, as amended, the U.S. Foreign Corrupt Practices Act, or any other applicable Law or made any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment.

4.23 **Powers of attorney and authority**. Other than the authorized signatories, directors or officers of the Company, there is no power of attorney in effect given by the Company to any Person which relates to any material asset or business of the Company or is outside the ordinary course of the Company's business, and no Person has authority to make any firm commitment obligate, or give any warranties on behalf of the Company.

4.24 **Records**.. To the Knowledge of the Company, the corporate documents of the Company which have been provided to the Buyer contain accurate and complete copies of the resolutions of every meeting of the Shareholders and the board of directors (and any committee thereof). There are no applications or filing outstanding which would alter in any way such documents or the corporate status of the Company. During the five (5) years preceding the date of execution of this Agreement, no resolutions have been passed, enacted, consented to or adopted by the board of directors (or any committee thereof) or the Shareholders except for those contained in such corporate documents.

4.25 **Insolvency**. No order has been made or petition presented (which has not been withdrawn) or meeting convened for the purpose of considering a resolution for the winding up of the Company nor has any such resolution been passed. No petition has been presented for an administration order to be made in relation to the Company and no receiver (including any administrative receiver) has been appointed in respect of the whole or any part of any of the property, assets or undertaking of the Company.

4.26 **Disclosure**. The representations and warranties of the Seller and the Company contained in this Agreement and the Ancillary Documents (including the Company Disclosure Schedule) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained in this Agreement and the Ancillary Documents (including the Company Disclosure Schedule) not false or misleading. The Company and Seller represent that they have provided to the Buyer all information that they believe is reasonably necessary for Buyer's determination whether or not to consummate the transactions contemplated in this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Seller and the Company that each of the statements contained in this Article 5 is true and correct as of the date hereof.

5.1 **Power and Authority; Enforceability**. The Buyer is a company duly organized, validly existing and in good standing under the Laws of the State of Israel. The Buyer has all necessary corporate power and authority to enter into this Agreement and each Ancillary Agreement to which it is a party and has taken all corporate or other action necessary to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. This Agreement and each Ancillary Agreement to which the Buyer is party have been duly executed and delivered by the Buyer and constitutes the valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with their respective terms.

5.2 **No Conflict; Consents and Approvals**. The Buyer's execution, delivery or performance of this Agreement and the Ancillary Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, will not (a) violate or conflict with any provision of the governing documents of the Buyer; (b) violate or conflict with any Order or Law applicable to the Buyer, (c) result in a breach of or constitute a default under any provision of any material Contract to which the Buyer is party; or (d) otherwise give any Person the right to: (i) declare a default or exercise any remedy under any such material Contract; (ii) accelerate the maturity or performance of any such material Contract; or (iii) cancel, terminate or modify any such material Contract, in each case, except as would not have and would not reasonably be expected to have or result in a material adverse effect on the ability of the Buyer to consummate the transactions contemplated in the Agreement and the Ancillary Documents. No material declaration, filing or registration with, approvals or consents of or assignment by any Persons (including any Governmental Authority) are necessary to be made or obtained in connection with the execution, delivery or performance of this Agreement or the Ancillary Documents by the Buyer or the consummation of the transactions contemplated hereby or thereby.

5.3 **Experience; Receipt of Information**. The Buyer has such knowledge and experience in business matters as to be fully capable of evaluating the merits and risks relating to the acquisition of the Company Shares, and has reviewed and inspected to its full satisfaction all of the data and information provided to it by the Seller and the Company in connection with this Agreement. The Buyer has been furnished by the Seller and the Company with documents and information regarding the Company, and has been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Seller and the Company concerning the Company's business, assets, liabilities, Intellectual Property Rights, legal, regulatory and financial position. The Buyer acknowledges and represents that except for the representations and warranties expressly and specifically made by the Seller and the Company in Article 3 and Article 4, respectively, neither the Company nor the Seller make any representation or warranty, whether expressed or implied, and the Company and the Seller hereby disclaim all other representations and warranties of any kind or nature, express or implied. The foregoing, however, does not limit or modify the representations and warranties made by the Seller and the Company in Article 3 and Article 4 or the right of the Buyer to rely thereon.

5.4 **Funds**. The Buyer has sufficient cash, available lines of credit or other sources of immediately available funds to enable the Buyer to consummate the transactions contemplated in this Agreement and to pay the Purchase Price and any other payments set forth in Section 2.12.2 to the Seller.

5.5 **Investor Representation**. The Buyer is acquiring the Purchased Shares for its own account and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing the same.

5.6 **Brokers and Financial Advisors**. Except for the broker fee due by the Buyer to Mr. Eric Ben-Mayor in connection with the transaction contemplated by this Agreement, which shall be borne exclusively by the Buyer promptly following the Closing, no Person has acted, directly or indirectly, as a broker, finder or financial advisor for the Buyer in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment in respect thereof.

5.7 **Review of Company Information**. The Buyer and its representatives have conducted a legal, financial, tax, technical and operational due diligence, during which the they have been furnished with certain materials and access to information relating to the business, finances and operations of the Company, including for purposes of examining commercial, legal, tax, information technology, intellectual property, human resources and financial issues relating thereto. The Buyer and its representatives have received all information requested by them to their satisfaction and have been afforded the opportunity to ask questions of, and receive answers from, the Company, and their respective representatives. The Buyer has sought such accounting, legal, technical and tax advice as it has considered necessary to make an informed investment decision with respect to the transactions contemplated by this Agreement. The foregoing, however, does not limit or modify the representations and warranties made by the Seller and the Company in Article 3 and Article 4 or the right of the Buyer to rely thereon.

5.8 **Litigation**. There is no pending or, to the Buyer's Knowledge, threatened Proceeding against the Buyer that challenges, or that may be reasonably expected to have the effect of preventing, delaying or making illegal the transactions contemplated by this Agreement.

ARTICLE 6
COVENANTS

The Parties undertake to comply with the following provisions that are applicable thereto, during the relevant periods detailed below:

6.1 **Maintenance of Business**. From the date of this Agreement until the Closing Date (the "Pre-Closing Period"), or the earlier termination of this Agreement in accordance with its terms, except as permitted herein or otherwise necessary to consummate the transactions, Seller undertake that the Company shall conduct its business in the Ordinary Course of Business consistent with past practice and use commercially reasonable efforts, consistent with past practice, to (i) preserve the Company's present business and organization and the Company's relations with customers and suppliers and not to perform any act or omission that will detrimentally affect the business and goodwill of the Company, (ii) maintain its respective assets and properties in their current condition (ordinary wear and tear, casualty and condemnation excepted), (iii) keep available the services of the respective officers and key employees of the Company, and (iv) not make or induce any changes in the Company's issued and outstanding capital or undergo any transactions with any Related Party. Subject to the terms of Section 2.2(b) above, it is agreed that between the date of this Agreement and the Closing Date, and subject to applicable Law, the Company shall be permitted to declare and pay cash dividends, or make cash distributions, to the Seller under the joint understanding that the transactions contemplated by this Agreement are on a cash free debt free basis.

6.2 Notification.

(a) During the Pre-Closing Period, each Party shall promptly notify the other Parties in writing of: (i) the discovery by such Party of any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes an inaccuracy in or breach of any representation or warranty made by such Party in this Agreement; (ii) any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that is reasonably likely to cause or constitute an inaccuracy in or breach of any representation or warranty made by such Party in this Agreement if such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement; (iii) any breach of any covenant or obligation of such Party set forth in this Agreement; and (iv) any event, condition, fact or circumstance that are reasonably expected to make the timely satisfaction of any of the conditions set forth in Article 7 impossible or unlikely.

(b) If any event, condition, fact or circumstance that is required to be disclosed by the Seller or the Company pursuant to Section 6.3 would require any change in the Company Disclosure Schedule in order to make the representation or warranty accurate, or if any such event, condition, fact or circumstance would require such a change assuming the Company Disclosure Schedule was dated as of the date of the occurrence, existence or discovery of such event, condition, fact or circumstance, then the Company shall be entitled to deliver to Buyer an update to the Company Disclosure Schedule, provided however that (i) to the extent the Company's and Seller's representations are misleading on the Closing Date, the update to the Company Disclosure Schedule will not cure any such misrepresentation made as of the date of the Closing; and (ii) any fact or circumstances set out in the update to the Company Disclosure Schedule do not constitute a breach of this Agreement. Such update shall not be deemed to supplement or amend the Company Disclosure Schedule for the purpose of determining the closing condition in Section 7.1; *provided, however*, that if Buyer, despite such update, confirms or otherwise waives the satisfaction of the condition under Section 7.1 and the Closing takes place, then notwithstanding any provision to the contrary herein, Damages arising from the update to the Company Disclosure Schedule may give rise to an indemnification claim of the Buyer in accordance with Article 8 below.

6.3 Regulatory Permits. Each Party will promptly execute and file, or join in the execution and filing of, any application, notification or other document that may be necessary in order to obtain the authorization, approval or Consent of any Governmental Authority that may be reasonably required, or which another Party may reasonably request, in connection with the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement.

6.4 Notice. During the Pre-Closing Period, each Party will notify the others in writing promptly after learning of any Proceeding by or before any court, arbitrator or arbitration panel, board or Governmental Authority, initiated by or against it, or known by such Party to be threatened against it that could materially delay or alter the consummation of the transactions contemplated by this Agreement and the Ancillary Documents.

6.5 Necessary Consents. Each Party will use commercially reasonable efforts to promptly obtain such written Consents and authorizations of third parties and Governmental Authorities, give notices to third parties and take such other actions as may be necessary or appropriate in order to effect the consummation of the transactions contemplated by this Agreement and the Ancillary Documents and to enable the Buyer and the Company to carry on all of the Business of the Company immediately after the Closing, unless otherwise specifically agreed to in writing by the Parties.

6.6 Litigation. During the Pre-Closing Period, each Party will notify the others in writing promptly after learning of any Proceeding by or before any court, arbitrator or arbitration panel, board or Governmental Authority, initiated by or against it, or known by such Party to be threatened against it that could adversely affect the consummation of the transactions contemplated by this Agreement and the Ancillary Documents.

6.7 Access to Information. During the Pre-Closing Period, the Company will allow the Buyer and its agents access at reasonable times to the files, books, records, technology, Contracts, personnel and offices of the Company, including any and all information relating to the Taxes, commitments, Contracts, leases, licenses, Liabilities, financial condition and real, personal and intangible property of the Company. Buyer undertakes to maintain all such information of the Company and, if applicable, third parties, in strict confidence and not to use it for any purpose except in connection with the execution and performance of this Agreement. In the event of termination of this Agreement, Buyer shall return all such information to the Company, without maintaining any copies thereof, and shall continue to be bound by the confidentiality and non-use provisions of this Section 6.7. Such confidentiality and non-use obligations shall not apply to any information which (a) is known to the Buyer by reason of having been or become generally known to the public, other than by breach by Buyer, (b) was lawfully available with Buyer on a non-confidential basis prior to disclosure by the Company as can be demonstrated by written dated records, (c) is disclosed to the Buyer by a third party who was not, at the time of such disclosure, under any direct or indirect obligation of confidentiality to the Company, (d) has been developed independently by the Buyer without reference to or reliance on the Company's confidential information as can be demonstrated by written dated records, or (e) is required to be disclosed under applicable Laws, regulations, or court, judicial, or Governmental Authority Orders.

6.8 Satisfaction of Conditions Precedent.

During the Pre-Closing Period, the Company, the Seller and the Buyer will use all commercially reasonable efforts to satisfy or cause to be satisfied all the conditions set forth in Article 7 and to cause the transactions contemplated by this Agreement to be consummated by such Party in accordance with the terms of this Agreement.

6.9 Further Assurances. In case at any time after the Closing Date, any further action of any Party is necessary or desirable to carry out the purposes of this Agreement or the Ancillary Documents, such Party shall, at its own expense, execute and deliver such documents and other documents and take such further actions as may be reasonably required to carry out the provisions of this Agreement and to give effect to the transactions contemplated by this Agreement and the Ancillary Documents.

6.10 Publicity.

Except as required by applicable Law, no Party shall issue any press release or make any public statement regarding the transactions contemplated by this Agreement without the prior written consent of the other Parties; *provided, however*, that prior to Closing the Seller shall be permitted to make any public statement relating to the transactions contemplated hereunder and consistent therewith without obtaining the consent of the Company or the Seller if the disclosure is deemed by the Buyer to be required by applicable Laws or the requirements of the Securities and Exchange Commission or NASDAQ Global Market.

6.11 Release and Waiver.

The Seller hereby irrevocably, unconditionally and completely releases the Company from any past or present disputes, claims, controversies, demands, rights, obligations, liabilities, actions and causes of action of every kind and nature ("Released Claim"), and hereby irrevocably, unconditionally and completely waives and relinquishes each and every Released Claim that Seller or its Affiliates may have had in the past or may now have against the Company, directly or indirectly relating to or arising out of: (a) any written or oral agreements or arrangements occurring, existing or entered into by the Seller or any Affiliate thereof at any time up to and including the date of this Agreement; (b) any events, matters, causes, things, acts, omissions or conduct, occurring or existing at any time up to and including the date of this Agreement in relation to any Released Claim: (i) to the effect that the Seller is or may be entitled to any payments, compensation, benefits or perquisites from the Company, including, without limitation any preemptive, anti-dilution or other rights in connection with the issuance of securities of the Company; or (ii) otherwise arising (directly or indirectly) out of or in any way connected with any license between Seller and the Company, Seller's consultancy or other relationship with the Company (if any); or (iii) any loans, guarantees, notes and other financial arrangements between the Seller or its Affiliates and the Company. Seller hereby undertake to promptly indemnify the Company for any Damages it may incur as a result of any claim or demand the Seller or its Affiliates may have against any of the Company's current or former directors, officers, agents, attorneys and representatives (in their capacity as such).

6.12 Employees.

Without derogating from the representations and warranties of Section 4.14 above, in the event that the engagement of Mr. Erez Bendet, the CEO of the Company, is terminated within 6 months after Closing, the Seller shall be exclusively liable to any claim or demand of Mr. Erez Bendet for any severance, termination or other similar payments, and shall indemnify the Buyer for any Damages the Buyer and/or the Company may incur as a result of any such claim or demand.

Without derogating form the above, it is clarified that the Seller shall be solely responsible for any payment due to any employee or consultant of the Company (including Mr. Erez Bendet, the CEO of the Company), in connection with the transaction contemplated by this Agreement.

6.13 Non-Compete; Non-Solicitation.

(a) Without derogating from any other non-compete or non-solicitation obligation of the Seller in any other agreement between the Parties, for a period of 4 (Four) years as from the Closing Date, Seller and its Affiliates shall not, directly or indirectly: (i) own any interest in (other than as a holder of not more than 5% of the shares of a publicly traded company), manage, operate, join, control, or participate in or be engaged with, as an officer, employee, partner, stockholder, consultant or otherwise, in any project, or any entity, at such time, which competes with the business of the Company in the field of dental lasers technology as currently conducted and currently contemplated to be conducted in the future; and (ii) solicit, endeavor to entice away from the Company or otherwise interfere with the relationship between the Company and any current employee of the Company; and (iii) solicit, endeavor to entice away from the Company or otherwise interfere with the relationship of the Company with, or use the services of, any person or organization who is currently engaged by the Company other than those persons or organizations listed in Schedule 6.13. Without derogating from the foregoing, the placing of general advertisements or similar notices in newspapers, magazines or electronic media shall not, in itself, be deemed a violation of this Section 6.13 so long as such general advertisements or similar notices are not targeted specifically at employees of or consultants to Company.

(b) Paragraph (a) of this Section 6.13 shall not apply to Seller and its Affiliates in the case of an acquisition of or joint venture or merger with any Person engaged in activities which, if Seller engaged in such activities, would contravene paragraph (a) of this Section 6.13, *provided*, that such activities do not constitute a material proportion of the Person's activities.

6.14 U.S. Trademark.

During the Pre-Closing Period, the Seller and the Company will use best efforts to promptly complete the registration of the mark "LITETOUCH" with the USPTO (USPTO application no. 86746966) (the "U.S. Trademark") or enable its use in the United States of America. Seller shall have no obligation to complete the registration of the U.S. Trademark following the Closing Date. Following the Closing, the Seller shall reasonably assist the Company by providing documents and information in the possession of the Seller which are reasonably required in order to enable the Company to complete the registration of the U.S. Trademark.

6.15 Seller Board Consent.

Seller shall provide the Buyer with written confirmation by Seller's counsel that the board of directors of the Seller has approved this Agreement and the transactions contemplated hereby, no later than February 19, 2016. Failure to provide such notice shall render this Agreement null and void.

ARTICLE 7
CONDITIONS TO CLOSING

7.1 Conditions Precedent to the Buyer's Obligations. The obligation of the Buyer to consummate the transactions contemplated by this Agreement is expressly subject to the fulfillment or express written waiver by the Buyer of the following conditions on or prior to the Closing Date:

a) Representations and Warranties True. Each of the representations and warranties of the Seller and the Company set forth in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, in each case, as of the date hereof, except to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects on and as of such earlier date) and subject to the provisions of Section 6.2 above, shall be true and correct. Notwithstanding the foregoing, each of the representations and warranties of the Seller set forth in Section 3.23.2 (Title to Shares) and the Company set forth in Section 4.54.5 (Capitalization) shall be true and correct in all respects, in each case, as of the date hereof and as of the Closing as though made on and as of the Closing Date.

b) Performance. The Company and the Seller shall each have performed, on or prior to the Closing Date, all obligations contained in this Agreement which by the terms hereof are required to be performed by them on or before the Closing Date.

c) No Restraints. There shall not be any Order of any Governmental Authority restraining, enjoining, prohibiting or invalidating the consummation of the transactions which are the subject of this Agreement. No Proceeding shall be pending before any Governmental Authority or threatened in writing by any Governmental Authority wherein an unfavorable Order could reasonably be expected to (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation thereof.

d) Absence of Adverse Changes. From the date hereof until Closing, there will have been no Company Material Adverse Effect.

e) Delivery of Certain Instruments:

(i) Share Transfer Deed. The Seller shall deliver to the Buyer a duly executed Share Transfer Deed, in the form attached hereto as Exhibit B, transferring the Purchased Shares to the Buyer, effective as of the Closing.

(ii) Register of Shareholders. The Company shall deliver to the Buyer an updated Register of Shareholders of the Company showing that immediately following the Closing all of the Purchased Shares are held by the Buyer.

f) Company Options. All Company Options outstanding immediately prior to the Closing and the Company Option Plan shall be treated in accordance with the provisions of Section 2.3 and the Seller shall deliver to the Buyer waiver executed by all holders of Company Option in a form satisfactory to Buyer.

g) Transfer of Trademarks and Domain Names. The Seller shall deliver to the Buyer duly executed irrevocable deed of assignments in the forms attached hereto as Exhibit C, according to which the Trademarks and domain names identified in Exhibit C shall have been transferred from the Seller to the Company as of the Closing free from any Liens.

h) License Agreement. Written evidence satisfactory to Buyer of the execution by the Seller of that certain license agreement, attached hereto as Exhibit D, according to which Seller shall grant Buyer an irrevocable, exclusive, worldwide, royalty-free license to use the name "Syneron" solely in the combination of the mark "Syneron Dental" for a period of 6 months after the Closing.

i) Articles of Association. The Company's shareholders shall have adopted the Amended and Restated Articles of Association, in the form attached hereto as Exhibit E, which shall be in effect as of the Closing.

j) Compliance Certificate. A certificate, dated as of the Closing Date and executed on behalf of the Company by a representative of the Company, to the effect that each of the conditions set forth in Section 7.1 has been satisfied in full.

k) Transition Agreement. Written evidence satisfactory to Buyer of the execution by the Seller and the Company of that certain Transition Services Agreement, attached as Exhibit F.

l) Inter-company and Other Debts. There shall be no debt for borrowed money of the Company to any Person or debt of the Company to the Seller or any of its Affiliates. The Company shall have delivered to the Buyer written evidence satisfactory to Buyer of the payment or capitalization of any outstanding debt of the Company towards the Seller.

m) Consents. All authorizations, approvals or consents of any Governmental Authority required to be obtained in connection with the transactions contemplated by this Agreement and the Ancillary Documents, including without limitation, the Anti-Trust Authority (if applicable), shall have been obtained and shall be in full force and effect.

n) Escrow Agreement. Written evidence satisfactory to Buyer of the execution by the Seller and the Company of the Escrow Agreement.

o) Resignations of Directors. Mr. Shimon Eckhouse, holding the positions of the sole member of the board of directors of the Company, in office immediately prior to the Closing, shall have resigned from such positions in writing effective as of the Closing Date.

p) Appointment of Directors. Duly executed resolution of the shareholders of the Company appointing as members of the board of directors of the Company such individuals which will be identified in writing by the Buyer prior to Closing, effective as of the Closing Date, and a duly completed and executed notice to be filed with the Israeli Companies Registrar informing the Registrar of such appointment.

q) Company Bank Accounts. The Seller shall have delivered to the Buyer evidence, in form and substance reasonably acceptable to Buyer, a duly executed resolution of the board of directors of the Company according to which, effective no later than the Closing Date, each of the current authorized signatories on all of the bank and deposit accounts of the Company shall be removed as signatories from such accounts and the representatives of Buyer which will be identified in writing by the Buyer prior to Closing shall be appointed as the sole authorized signatories on such accounts.

r) Preliminary Balance Sheet. Buyer shall have received the Preliminary Balance Sheet in accordance with Section 2.2(b) above.

7.2 Conditions Precedent to the Seller's and the Company's Obligations. The obligation of the Seller and the Company to consummate the transactions contemplated by this Agreement is expressly subject to the fulfillment or express written waiver by the Seller of the following conditions on or prior to the Closing Date:

(a) Representations and Warranties True. Each of the representations and warranties of the Buyer set forth in this Agreement qualified as to materiality shall be true and correct in all respects, and those not so qualified shall be true and correct in all material respects, in each case, as of the date hereof and as of the Closing Date as though made on the Closing Date, except to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties qualified as to materiality shall be true and correct in all respects, and those not so qualified shall be true and correct in all material respects, on and as of such earlier date).

(b) Performance. The Buyer shall have performed on or prior to the Closing Date, all obligations contained in this Agreement which by the terms hereof are required to be performed by them on or before the Closing Date.

(c) No Restraints. There shall not be any Order of any Governmental Authority restraining, enjoining, prohibiting or invalidating the consummation of the transactions which are the subject of this Agreement. No Proceeding shall be pending before any Governmental Authority or threatened in writing by any Governmental Authority wherein an unfavorable Order could reasonably be expected to (i) prevent consummation of any of the transactions contemplated by this Agreement, or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation thereof.

(d) Governmental Approvals. The Buyer, shall have timely obtained from each Governmental Authority applicable only to the Buyer all approvals, waivers and consents, if any, necessary for consummation of Buyer's obligations hereby. For the avoidance of doubt, such Governmental Approvals shall not include authorizations, approvals or consents of any Governmental Authority required to be obtained in connection with the transactions contemplated by this Agreement pursuant to Section 7.1(m) above.

(e) Exclusive Non-Dental Field License Agreement. The Company and Seller shall have entered into an Exclusive Non-Dental Field License Agreement, in the agreed form attached hereto as Exhibit G.

(f) Incorporation of the Buyer. The Buyer shall deliver to the Seller a certificate of incorporation evidencing the incorporation of the Buyer.

(g) Payment of Purchase Price. The Buyer shall transfer the Purchase Price to the Seller and deposit the Escrow Fund in accordance with the provisions of Article 2.

(h) Escrow Agreement. Written evidence satisfactory to the Seller of the execution of the Escrow Agreement by the Buyer.

ARTICLE 8
SURVIVAL; INDEMNIFICATION

8.1 Survival.

(a) Representations and Warranties of the Company and the Seller. The representations and warranties of the Seller and the Company herein shall survive until the end of a period of twenty four (24) months from the Closing Date, other in the case of the Seller's or the Company's fraud or intentional misrepresentation or breaches of Sections 3.1 (power of Attorney; Enforceability), 3.2 (Title to Shares), 4.3 (power of Attorney; Enforceability), 4.5 (Capitalization), 4.11 (Intellectual Property), 4.13 (Tax Matters), 4.14 (Employment Matters), 4.16 (Litigation) 4.20 (Related Party Transactions), 4.22 (Anti-Bribery Law) (collectively, the "Fundamental Representations"), in which case the applicable representation or warranty will survive until the end of the applicable statute of limitations, or with respect to representations and warranties of the Seller and the Company in Section 4.16 (Litigation) shall survive five (5) years from the Closing Date.

8.2 Indemnification.

(a) General. From and after the Closing Date, the Seller shall hold harmless and indemnify each of the Buyer Indemnified Parties from and against any Damages that are suffered or incurred by any of the Buyer Indemnified Parties and that arise from or as a result of, or are connected with: (A) any inaccuracy in or breach of any representation or warranty of the Company or the Seller set forth in Article 3 or in Article 4; (B) any breach of any covenant or obligation of the Company or the Seller explicitly set forth in this Agreement; or (C) any Proceeding relating to any inaccuracy, breach or expense of the type referred to in clause (A) or (B) above (including any Proceeding commenced by any Buyer Indemnified Parties for the purpose of enforcing any of its rights under this Article 8).

(b) Liability Cap. Other than in the case of the Seller's or the Company's fraud or intentional misrepresentation or breaches of any of the Fundamental Misrepresentation, the Seller's monetary liability for indemnification under this Article 8 will not exceed US$1,000,000(the "Liability Cap").

(c) Basket. Other than in the case of the Seller's or the Company's fraud or intentional misrepresentation or breaches of any of the Fundamental Misrepresentation, the Buyer Indemnified Parties will not be entitled to indemnification under this Article 8 until the aggregate amount of Damages for which the Buyer Indemnified Parties are seeking indemnification exceeds US$25,000 (the "Basket"), in which case the Buyer Indemnified Parties shall be entitled to seek indemnification for the entire amount of Damages at issue (from the first Dollar).

(d) Notwithstanding anything contained herein to the contrary, the amount of any Damages incurred or suffered by a Buyer Indemnified Party shall be calculated taking into account: (i) any net insurance proceeds received by the Buyer Indemnified Party (or any of its Affiliates) directly as a result of such Damages; (ii) any net Tax benefit to the Buyer Indemnified Party arising from the Damages; and (iii) any net recoveries of such Damages received by the Buyer Indemnified Party from any other third party. If any such proceeds, benefits or recoveries are received by the Buyer Indemnified Party with respect to any Damages after the Buyer Indemnified Party has received the benefit of any indemnification hereunder with respect thereto, the Buyer Indemnified Party shall pay to the Seller the amount of such recoveries (up to the amount of the Seller's payment). Nothing herein shall be considered as an obligation or liability of the Buyer to pursue any such recoveries or benefits.

(e) Any claim for indemnification pursuant to this Article 8 must be made to the Seller on or before the period stated in Section 8.1 above after the Closing Date and to the extent such claims are made prior to such date, then Seller's obligation to indemnify Buyer and Buyer Indemnified Parties for such claims shall remain in effect beyond such date.

(f) In the event that the Buyer Indemnified Parties are entitled to compensation under this Article 8, the amount of indemnification will be released by the Escrow Agent in accordance with the terms of the Escrow Agreement, and to the extent that the balance of the Escrow Fund would not be sufficient to cover the indemnification amount, Seller will pay the remaining amount to the Buyer Indemnified Parties.

(g) Without derogating from the Seller obligations to indemnify and hold harmless the Buyer Indemnified Parties pursuant to this Article 8 and/or any applicable law, after 12 months from the Closing Date, the Escrow Agent will release or continue to hold the balance of the Escrow Fund in trust in accordance with the provisions of the Escrow Agreement. Seller hereby agrees that if the U.S. Trademark is not registered or the Company does not enter into a trademark co-existence agreement with the applicable third party with respect to the U.S. Trademark, by the first anniversary following the Closing Date, Seller hereby agrees that an amount equal to US$75,000 shall be released from the Escrow Fund and distributed to the Buyer in accordance with the provisions of the Escrow Agreement.

(h) Other Limitations. Any Damages which Buyer may recover under more than one provision of this Agreement shall only be taken into account one time and without duplication. Without limiting in any way the Seller's obligations hereunder and without exposing the Buyer to any liability, in asserting a claim hereunder, the Indemnified Party shall use commercially reasonable efforts to mitigate any Damages upon which the claim is based in accordance with applicable Law (It is clarified that if it is established that the Buyer Indemnified Party did not mitigate a Damage in accordance with applicable Law, the Seller will not be obligated to indemnify the Buyer Indemnified Party only with respect to such portion of the Damage that was not so mitigated). Notwithstanding anything to the contrary herein, the Seller shall have no liability for Damages if and to the extent:

(i) the matter giving rise to the Damages arises entirely from an event, circumstance, act, transaction, arrangement or omission having its cause or origin after the Closing Date;

(ii) the claim is attributable in whole or in part to, or is increased as a result of (A) the passing or coming into force of, or any change in, after the Closing Date, any Law or any administrative practice of any Governmental Authority or any increase in the rates of Tax or any imposition of Tax, in any such case not actually in force on the Closing Date or (B) any change after the Closing Date of any generally accepted interpretation of any legislation or regulation. It is clarified that the Seller will not be obligated to indemnify the Buyer Indemnified Party only with respect to such portion of the Damage that was attributable to such changes;

(iii) the claim is attributable in whole or in part to, or is increased as a result of, a change made after the Closing Date in the accounting policies or accounting or commercial practices, or any Tax reporting practice of the Buyer. It is clarified that the Seller will not be obligated to indemnify the Buyer Indemnified Party only with respect to such portion of the Damage that was attributable to such change; or

(iv) the Damages are attributable to a liability which is contingent, unless and until such contingent liability becomes due and payable by the Buyer Indemnified Party. If a claim for indemnification with respect to a contingent liability is made to the Seller on or before the period stated in Section 8.1 above, then Seller's obligation to indemnify Buyer Indemnified Parties for such claims shall remain in effect beyond such date, even if the liability becomes due and payable beyond such date.

(i) Buyer's Sole and Exclusive Remedy. From and after the Closing Date, with the exception of remedies based on fraud, intentional misconduct or willful breach, the remedies set forth in this Article 8 shall be the sole and exclusive remedy for Buyer's Indemnified Parties' money damages for any action arising out of this Agreement (it being understood that nothing in this Section (b) or elsewhere in this Agreement shall affect the Parties' rights to specific performance, preliminary or permanent injunction or other equitable remedies).

(j) Exercise of Remedies by Buyer Indemnified Parties. Any Buyer Indemnified Party may seek a claim for indemnification under this Article 8; *provided, however*, that no Buyer Indemnified Party shall be permitted to assert any indemnification claim or exercise any other remedy under this Agreement unless the Buyer shall have consented to the assertion of such indemnification claim or the exercise of such other remedy.

8.3 Procedure for Claims. If a claim for indemnification pursuant to Section 8.2 (a "Claim") is to be made by a Buyer Indemnified Party entitled to indemnification hereunder, the Buyer Indemnified Party claiming such indemnification (the "Indemnified Party") shall give written notice (a "Claim Notice") to the Seller promptly after the Indemnified Party becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under Section 8.2. The failure of any Indemnified Party to give timely notice hereunder shall not affect rights to indemnification hereunder except and only to the extent that, the Seller demonstrates actual material damage caused by such failure, and then only to the extent thereof. In the case of a Claim brought pursuant to Sections 8.2 involving the assertion of a claim by a third party (whether pursuant to a lawsuit, other legal action or otherwise, a "Third Party Claim"), the Buyer shall, without derogating from the rights of the Seller to defend itself and the rights thereof, determine and conduct the defense, compromise or settlement of such Third Party Claim, provided however, that Buyer shall not agree to any settlement or compromise of such Third Party Claim relating to the Seller or affecting the Seller or Seller's rights without the prior written consent of the Seller, which shall not be unreasonably delayed or withheld; and (a) all reasonable expenses relating to the defense of such Third Party Claim shall be borne and paid exclusively by the Seller, to the extent the Seller is the indemnifying party in accordance with the provisions of this Article 8; (b) the Seller shall make available to the Buyer any documents and materials in the possession or control thereof that may be necessary to the defense of such Third Party Claim; and (c) the Buyer shall keep the Seller informed of all material developments and events relating to such Third Party Claim. The Seller shall be entitled, at its sole option and expense, to participate in, but not to determine or conduct, any defense and investigation of such Third Party Claim or settlement negotiations with respect to such Third Party Claim, provided, however, if the named parties to the Third Party Claim include both the Seller and the Indemnified Party and, in the opinion of counsel to the Indemnified Party, representation of both parties by the same counsel would be inappropriate under applicable standards of professional conduct, the reasonable expense of separate counsel for such Indemnified Party shall be paid by the Seller. The Seller shall be liable for any settlement of any Third-Party Claim affected pursuant to and in accordance with this Section 8.4 and for any final judgment (subject to any right of appeal). If there is a Third Party Claim that, if adversely determined would give rise to a right of recovery for Damages hereunder, then any amounts incurred by the respective Indemnified Party in the defense of such claim conducted in good faith, regardless of the outcome of such claim, shall be deemed "Damages" hereunder.

A RTICLE 9
TERMINATION

9.1 **Termination**. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated prior to the Closing in one of the following ways:

(a) by mutual written consent of the Seller and the Buyer;

(b) by the Buyer, if any of the conditions contained in Section 7.1 shall have become incapable of fulfillment (other than as a result of a breach of this Agreement by the Buyer) which is not cured within 30 days after the Buyer gives the Seller and, if applicable, the Company written notice identifying in reasonable detail the circumstances which rendered such condition incapable of fulfillment;

(c) by the Seller, if any of the conditions contained in Section 7.2 shall have become incapable of fulfillment (other than as a result of a breach of this Agreement by the Seller) which is not cured within 30 days after the Seller gives the Buyer written notice identifying in reasonable detail the circumstances which rendered such condition incapable of fulfillment; or

(d) by either the Seller or the Buyer, if any court or Governmental Authority has issued a final and non-appealable Order permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or if the consummation of the transactions contemplated by this Agreement is otherwise prohibited by Law.

9.2 **Effect of Termination**. In the event of the termination of this Agreement pursuant to Section 9.1, this Agreement shall be of no further force or effect (and, except as provided in this Section 9.2 and in Section 6.7, there shall be no liability or obligation hereunder (including for costs and expenses incurred by the other Parties in connection with this Agreement or the transactions contemplated hereby) on the part of any of the Parties or their respective officers, directors, shareholders or Affiliates); *provided, however*, that (a) the provisions of this Section 9.2 and Article 10 shall survive the termination of this Agreement and shall remain in full force and effect, and (b) the termination of this Agreement shall not relieve any Party from any liability for any willful breach of any representation, warranty or covenant contained in this Agreement.

9.3 **Failure to Close**

(a) In the event that the Closing does not take place on or before April 1, 2016 (the "Closing Target Date") due to a failure to meet the Closing conditions stated in Section 7.2(a), 7.2(b), 7.2(d) and 7.2(f) or Buyer's failure to obtain any Consent of any Governmental Authority which the Buyer is required to obtain in connection with the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement or any other action or omission by Buyer which results in a failure to Close on or before the Closing Target Date, Buyer shall pay to the Company an amount equal to US$35,000 for each thirty (30) day period after the Closing Target Date until Closing.

(b) In the event of a termination of this Agreement by the Buyer for any reason (other than termination by the Buyer in accordance with Section 9.1(b) and/or 9.1(d), and/or any failure of the Seller or the Company to obtain from each Governmental Authority applicable to Seller or the Company, all approvals, waivers and Consents, if any, necessary for the consummation of the Company's or the Seller's obligations hereby), the Buyer shall pay the Seller an aggregate amount equal to US$100,000, to be paid within five (5) Business Days following the termination of this Agreement.

(c) In the event the Closing has not occurred on or before June 30, 2016 (other than as a result of a breach of this Agreement by the Seller or the Company), in addition to the amounts due under 9.3(a) and 9.3(b) above, Seller shall have the right at its sole discretion to terminate this Agreement without any penalty on the part of Seller.

ARTICLE 10
MISCELLANEOUS

10.1 **Notices**. All notices and communications to a Party hereunder shall be made in writing and shall be deemed to have been adequately given if (a) delivered in person (in a manner through which delivery may be verified), (b) sent by facsimile transmission at the facsimile number set forth below, (c) sent by nationally recognized overnight delivery service or (d) mailed, certified mail, return receipt requested, to such Party at its address set forth below (or such other address as it may from time to time designate in writing to the other Parties hereto):

If to the Company, to:

Light Instruments Ltd.
Yokneam Illit, Industrial Zone 20692
Tavor Building
P.O.B. 550
Israel
Facsimile: +972-732442610
Attn: CEO

If to the Buyer, to:

Sino-Ita International Trading Co. Ltd.
Beijing City Haidian District Zhongguancun
2 South Main St. building Tianlin Road Shanghai City Xuhui District No. 140 cross border Creative Park 28G20
Attention: George Yu, CEO
Facsimile: +86 1051626943

with a copy (which shall not constitute notice) to:
Belkind & Co., Attorneys-at-Law
11 Menachem Begin St., Ramat Gan, Israel
Attention: Eli Belkind, Adv
Facsimile: +972-77-4448777

If to the Seller, to:

Syneron Medical Ltd.
Yokneam Illit, Industrial Zone 20692
Tavor Building
P.O.B. 550
Israel
Attention: CEO
Facsimile: 972-73-244-2202

with a copy (which shall not constitute notice) to:

Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.
One Azrieli Center, Round Building
Tel Aviv 67021
Israel
Attention: Einat Meisel, Adv.
Facsimile: 972-3-607-4411

Any such notice shall be deemed to have been given when received, or if earlier, (a) upon delivery, if delivered by hand, (b) three (3) business day after the business day of deposit by overnight courier, freight prepaid or (c) one (1) business day after the business day of the e-mail or the confirmed facsimile transmission.

10.2 Entire Agreement; Amendments and Waivers. This Agreement, together with the Ancillary Documents and all Exhibits and Schedules hereto and thereto, and constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the Buyer and by the Seller, and (i) if relates to rights and/or obligations of the Company- also by the Company. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

10.3 Assignment. This Agreement, the other Ancillary Documents, the exhibits and schedules hereto and thereto shall not be assigned by operation of law or otherwise by either party to any Person except with the prior written consent of the other Party, provided that a Party hereto may assign any of the foregoing, in whole or in part, following the Closing to an Affiliate thereof or otherwise in connection with a merger, reorganization or sale of all or substantially all of the shares or assets of such party by providing a written notice of such assignment to the other party and subject to the assignee being bound by the obligations of such party hereunder. Subject to the foregoing, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective permitted successors and assigns.

10.4 Choice of Law; Jurisdiction. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the Laws of the State of Israel, without giving effect to any choice of Law provision or rule that would cause the application of the Laws of any jurisdiction other than the State of Israel. Any dispute arising under or in relation to this Agreement shall be resolved exclusively in the competent court in Tel Aviv, and each of the parties hereby irrevocably submits to the exclusive jurisdiction of such court.

10.5 **Representation by Counsel**.. Each Party hereto represents and agrees with each other that it has been represented by or had the opportunity to be represented by, independent counsel of its own choosing, and that it has had the full right and opportunity to consult with its respective attorney(s), that to the extent, if any, that it desired, it availed itself of this right and opportunity, that it or its authorized officers (as the case may be) have carefully read and fully understand this Agreement in its entirety and have had it fully explained to them by such Party's respective counsel, that each is fully aware of the contents thereof and its meaning, intent and legal effect, and that it or its authorized officer (as the case may be) is competent to execute this Agreement and has executed this Agreement free from coercion, duress or undue influence.

10.6 **Attorney Fees**. If any Party hereto brings an action to enforce its rights under this Agreement in accordance with the provisions hereof, the prevailing Party shall be entitled to recover its actual out-of-pocket costs and expenses, including reasonable attorneys' fees reasonably incurred in connection with such action, including any appeal of such action.

10.7 **Invalidity**. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

10.8 **Expenses**. Except as otherwise provided in this Agreement, the Seller shall bear and pay all fees, costs and expenses (including legal fees and accounting fees) that have been incurred or that are incurred by the Seller and by the Company in connection with the transactions contemplated by this Agreement and the Ancillary Documents. Except as otherwise provided in this Agreement, the Buyer shall bear and pay all fees, costs and expenses (including legal fees and accounting fees) that have been incurred or that are incurred by the Buyer in connection with the transactions contemplated by this Agreement and the Ancillary Documents.

10.9 **No Third Party Beneficiaries**. The Parties rights under this Agreement shall inure to the benefit of its heirs, successors and permitted assigns. Except as otherwise expressly set forth in this Agreement, nothing in this Agreement will be construed as giving any Person, other than the Parties hereto and their respective heirs, successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof.

10.10 **Remedies Cumulative; Specific Performance**. Subject to the provisions of Article 8 above, the rights and remedies of the Parties hereto shall be cumulative (and not alternative). The Parties hereto agree that, in the event of any breach or threatened breach by any Party to this Agreement of any covenant, obligation or other provision set forth in this Agreement for the benefit of any other party to this Agreement, such other Party shall be entitled (in addition to any other remedy that may be available to it) to seek (a) a decree or Order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision, and (b) an injunction restraining such breach or threatened breach.

10.11 **No Strict Construction**. The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises under any provision of this Agreement, this Agreement shall be construed as if drafted jointly by the Parties thereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of authoring any of the provisions of this Agreement.

10.12 **Headings**. The headings of Articles and Sections herein are inserted for convenience of reference only and shall be ignored in the construction or interpretation hereof.

10.13 **Counterparts**. This Agreement may be executed in one or more counterparts and signatures may be delivered by electronic transmission or by facsimile transmission, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, each Party hereto has executed this Agreement or caused this Agreement to be duly executed on its behalf by its officer thereunto duly authorized, as of the day and year first above written.

COMPANY:

LIGHT INSTRUMENTS LTD.

By:/s/ Shimon Eckhouse
Name: Shimon Eckhouse
Title: Chairman

BUYER:

Sino-Ita International Trading Co., Ltd. on behalf of an Israeli company in formation which will be a subsidiary of Sino-Ita International Trading Co., Ltd.

By: /s/ Yu Yue
Name: Yu Yue
Title:

SELLER:

SYNERON MEDICAL LTD.
By: /s/ Amit Meridor
Name: Amit Meridor
Title: CEO

[Signature Page to Share Purchase Agreement]

Schedule 1.1

Schedule 6.13

Company Disclosure Schedule

Exhibit A

Exhibit B

Exhibit C

Exhibit D

Exhibit E

Exhibit F

Exhibit G
Draft to be agreed between the Parties

EXHIBIT 8.1

List of Subsidiaries

Name	Jurisdiction of Incorporation
Candela Corporation	Delaware
Syneron Inc.	Delaware
Syneron Canada Corp.	Canada
Syneron Candela Corp. Australia PTY. Ltd.	Australia
Candela Laser (Deutschland) GmbH	Germany
Candela France SARL	France
Candela Iberica S.A.	Spain
Candela Italia	Italy
Candela KK	Japan
Candela Portugal, Unipessoal Lda.	Portugal
Candela (U.K.) Limited	United Kingdom
Inlight Corp.	California
Medical Holdings (BVI) Inc.	British Virgin Islands
Medical Holdings (Cayman) Inc.	Cayman Islands
Primaeva Medical Inc.	Delaware
Rakuto Bio Technologies Ltd.	Israel
Syneron (Beijing) Medical & Cosmetics Enterprise Ltd.	China
Syneron/Candela (Beijing) Medical Technologies Co., Ltd.	China
Syneron Switzerland GmbH	Switzerland
Syneron Holdings LLC	Delaware
Syneron GmbH	Germany
Syneron Medical (HK) Ltd.	Hong Kong
UltraShape Europe B.V.	Netherlands
UltraShape Ltd.	Israel
New Star Lasers, Inc. (CoolTouch)	California

EXHIBIT 12.(a)(1)

CERTIFICATION

I, Amit Meridor, certify that:

1. I have reviewed this Annual Report on Form 20-F of Syneron Medical 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 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:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 23, 2017

/s/ Amit Meridor
Amit Meridor
Chief Executive Officer

EXHIBIT 12.(a)(2)

CERTIFICATION

I, Hugo Goldman, certify that:

1. I have reviewed this Annual Report on Form 20-F of Syneron Medical 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 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:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 23, 2017

/s/ Hugo Goldman
Hugo Goldman
Chief Financial Officer

Exhibit 13.(a).1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Syneron Medical Ltd. (the "Company") on Form 20-F for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to our knowledge:

1. The Report 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 23, 2017

/s/ Amit Meridor
Name: Amit Meridor
Title: Chief Executive Officer

/s/ Hugo Goldman
Name: Hugo Goldman
Title: Chief Financial Officer

Exhibit 15.(a).1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-120559, 333-164250, 333-164351, 333-192729, and 213539) pertaining to the equity incentive plans and share option plans of Syneron Medical Ltd. of our reports, dated March __, 2017, with respect to the consolidated financial statements of Syneron Medical Ltd. for the year ended December 31, 2016 and the effectiveness of internal control over financial reporting of Syneron Medical Ltd. included in this Annual Report (Form 20-F) for the year ended December 31, 2016.

/s/ KOST, FORER, GABBAY and KASIERER
KOST, FORER, GABBAY and KASIERER
A member of Ernst & Young Global

Tel-Aviv, Israel
March 23, 2017

Document and Entity Information	12 Months Ended Dec. 31, 2016 shares
Document and Entity Information [Abstract]	
Document Type	20-F
Amendment Flag	false
Document Period End Date	Dec. 31, 2016
Entity Registrant Name	Syneron Medical Ltd.
Entity Central Index Key	0001291361
Current Fiscal Year End Date	--12-31
Document Fiscal Period Focus	FY
Document Fiscal Year Focus	2016
Entity Filer Category	Accelerated Filer
Entity Common Stock, Shares Outstanding	34,730,185
Entity Current Reporting Status	Yes
Entity Well-known Seasoned Issuer	No

CONSOLIDATED STATEMENTS OF OPERATIONS - USD ($) shares in Thousands, $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Revenues:			
Lasers and other products	$ 222,195	$ 204,124	$ 182,770
Product-related services	75,907	73,725	72,980
Total revenues	298,102	277,849	255,750
Cost of revenues:			
Lasers and other products	101,735	88,614	81,533
Product-related services	40,734	40,270	38,238
Total cost of revenues	142,469	128,884	119,771
Gross profit	155,633	148,965	135,979
Operating expenses, net:			
Research and development	23,043	25,270	24,619
Selling and marketing	95,889	97,163	80,741
General and administrative	28,490	30,061	28,368
Other expenses (income), net	4,983	(913)	3,283
Impairment of goodwill		3,843	1,185
Total operating expenses, net	152,405	155,424	138,196
Operating income (loss)	3,228	(6,459)	(2,217)
Financial income (expenses), net	764	167	(688)
Income (loss) before taxes on income	3,992	(6,292)	(2,905)
Taxes on income	3,813	48	2,295
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Net income (loss) per share:			
Basic net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)
Diluted net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)
Weighted average number of shares used in per share calculations (in thousands):			
Basic	34,745	36,416	36,703
Diluted	34,945	36,416	36,703

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Statement of Comprehensive Income [Abstract]			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Other comprehensive income (loss):			
Foreign currency translation adjustments	(562)	(2,826)	(3,249)
Available-for-sale securities:			
Changes in unrealized losses	(156)	(7)	(122)
Reclassification adjustments for losses included in net income (loss)	20	11	122
Net change	(136)	4	
Cash flow hedges:			
Unrealized gains (loss), net	66	124	(33)
Reclassification adjustments for gains included in net income (loss)	(38)	(25)	(82)
Net change	28	99	(115)
Other comprehensive loss	(670)	(2,723)	(3,364)
Comprehensive loss	$ (491)	$ (9,063)	$ (8,564)

CONSOLIDATED BALANCE SHEETS - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 56,756	$ 56,330
Short-term bank deposits	326	357
Short-term marketable securities	10,817	14,274
Trade receivables, net of allowance for doubtful accounts of $6,173 and $5,223	57,337	53,423
Other accounts receivable and prepaid expenses	12,587	12,438
Inventories	47,376	49,352
Total current assets	185,199	186,174
LONG-TERM ASSETS:		
Long-term deposits and others	312	292
Long-term marketable securities	18,522	15,695
Deferred tax assets, net	17,640	20,363
Severance pay fund	479	509
Investment in affiliated company	15,730	19,800
Property and equipment, net	12,529	9,823
Intangible assets, net	8,516	12,694
Goodwill	18,258	21,442
Total long-term assets	91,986	100,618
Total assets	277,185	286,792
CURRENT LIABILITIES:		
Trade payables	22,659	23,045
Deferred revenues	12,838	12,481
Other accounts payable and accrued expenses	28,976	36,316
Total current liabilities	64,473	71,842
LONG-TERM LIABILITIES:		
Deferred revenues	2,939	3,395
Warranty accruals	1,794	861
Contingent consideration		878
Accrued severance pay	559	603
Total long-term liabilities	5,292	5,737
Total liabilities	69,765	77,579
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary shares of NIS 0.01 par value: Authorized - 100,000,000 Ordinary shares; Issued – 38,356,055 and 38,336,805 shares; Outstanding – 34,730,185 and 35,274,577 shares at December 31, 2016 and 2015, respectively	91	91
Additional paid-in capital	201,671	199,048
Treasury shares at cost - 3,625,870 and 3,062,228 Ordinary shares at December 31, 2016 and 2015, respectively	(29,587)	(25,662)

Accumulated other comprehensive loss	(8,228)	(7,558)
Retained earnings	43,473	43,294
Total shareholders' equity	207,420	209,213
Total liabilities and shareholders' equity	$ 277,185	$ 286,792

CONSOLIDATED BALANCE SHEETS (Parenthetical) $ in Thousands	Dec. 31, 2016 USD ($) shares	Dec. 31, 2015 USD ($) shares
Statement of Financial Position [Abstract]		
Trade receivables, allowance for doubtful accounts | $	$ 6,173	$ 5,223
Ordinary shares, shares authorized	100,000,000	100,000,000
Ordinary shares, shares issued	38,356,055	38,336,805
Ordinary shares, shares outstanding	34,730,185	35,274,577
Treasury shares, shares	3,625,870	3,062,228

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY - USD ($) $ in Thousands	Ordinary shares [Member]	Additional paid-in capital [Member]	Accumulated other comprehensive loss [Member]	Treasury Shares, at cost [Member]	Retained earnings [Member]	Total
Balance at Dec. 31, 2013	$ 89	$ 187,924	$ (1,471)	$ (9,587)	$ 54,834	$ 231,789
Issuance of shares upon exercise of stock-based awards	1	1,524				1,525
Equity-based compensation expenses		3,700				3,700
Repurchase of Ordinary shares				(485)		(485)
Other comprehensive loss			(3,364)			(3,364)
Net loss					(5,200)	(5,200)
Balance at Dec. 31, 2014	90	193,148	(4,835)	(10,072)	49,634	227,965
Issuance of shares upon exercise of stock-based awards	1	2,125				2,126
Equity-based compensation expenses		3,775				3,775
Repurchase of Ordinary shares				(15,590)		(15,590)
Other comprehensive loss			(2,723)			(2,723)
Net loss					(6,340)	(6,340)
Balance at Dec. 31, 2015	91	199,048	(7,558)	(25,662)	43,294	209,213
Equity-based compensation expenses		3,711				3,711
Additional payment to non-controlling shareholders		(1,088)				(1,088)
Repurchase of Ordinary shares				(3,925)		(3,925)
Other comprehensive loss			(670)			(670)
Net loss					179	179
Balance at Dec. 31, 2016	$ 91	$ 201,671	$ (8,228)	$ (29,587)	$ 43,473	$ 207,420

CONSOLIDATED STATEMENTS OF CASH FLOWS - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Cash flows from operating activities:			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	8,447	8,965	8,283
Share-based compensation	3,711	3,775	3,700
Changes in fair value of investment in affiliated company	7,010	330	4,590
Impairment of intangible assets and goodwill		7,132	2,890
Gain from sale of subsidiary	[1] (1,149)		
Decrease in accrued interest, amortization of premium and accretion of discount and gain from sale of marketable securities	647	1,770	757
Change in fair value of contingent consideration, net	(878)	(4,105)	(3,012)
Deferred income taxes, net	2,751	957	(976)
Decrease (increase) in trade receivables, net	(5,021)	1,613	(2,817)
Decrease (increase) in other accounts receivable and prepaid expenses	525	(5,222)	183
Increase in inventories	(2,521)	(14,370)	(3,503)
Increase in trade payables	446	921	3,994
Increase (decrease) in deferred revenues	(7)	(1,725)	1,910
Increase in warranty accruals	1,704	657	675
Increase (decrease) in other accounts payable and accrued expenses	(7,474)	2,713	4,543
Other, net	(10)	101	96
Net cash provided by (used in) operating activities	8,360	(2,828)	16,113
Cash flows from investing activities:			
Proceeds from investment in short-term deposits, net	31	6,057	11,099
Purchase of available-for-sale marketable securities	(26,365)	(23,753)	(30,945)
Proceeds from sale of available-for-sale marketable securities	10,986	5,447	6,844
Redemption of available-for-sale marketable securities	15,226	33,368	30,967
Purchase of property and equipment	(3,699)	(4,870)	(2,751)
Net cash paid in acquisition of subsidiaries (a)			(11,016)
Purchases of intangible asset	(150)		
Investment in affiliated company	(2,940)		
Sale of a subsidiary	4,307		
Other, net	(25)	(25)	(9)
Net cash provided by (used in) investing activities	(2,629)	16,224	4,189
Cash flows from financing activities:			
Additional payment to non-controlling shareholders	(1,088)		
Repurchase of ordinary shares	(3,925)	(15,590)	(485)
Exercise of stock options and RSU's		2,125	1,525
Net cash provided by (used in) financing activities	(5,013)	(13,465)	1,040

Translation adjustments on cash and cash equivalents	(292)	(790)	(1,736)
Increase (decrease) in cash and cash equivalents	426	(859)	19,606
Cash and cash equivalents at the beginning of the year	56,330	57,189	37,583
Cash and cash equivalents at the end of the year	56,756	56,330	57,189
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes, net	3,157	1,656	3,278
Supplemental disclosure of non-cash financing and investing activities:			
Reclassification of inventory to property and equipment	4,348	676	544
(a) Net cash paid in acquisition of subsidiary:			
Consideration: Cash			10,969
Total consideration			10,969
Identifiable assets acquired and liabilities assumed:			
Short term bank credit			(47)
Current assets			1,944
Non-current assets			34
Intangible assets			7,180
Goodwill			5,437
Deferred tax liabilities			(1,916)
Contingent consideration			(100)
Liabilities assumed			(1,563)
Total identifiable assets acquired and liabilities assumed:			10,969
Net cash paid in acquisitions			$ 11,016

[1] On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary. Accordingly, on the deconsolidation date the Company recorded a gain of $1,149.

GENERAL

12 Months Ended
Dec. 31, 2016

Organization, Consolidation and Presentation of Financial Statements [Abstract]

GENERAL

NOTE 1:- GENERAL

a. Syneron Medical Ltd. (the "Company") commenced its operations in July 2000. The Company and its subsidiaries (together "Group") are principally engaged in manufacture, research, development, marketing and sales worldwide, directly to end-users and also to distributors of advanced equipment for the aesthetic medical industry and systems for dermatologists, plastic surgeons and other qualified practitioners (the professional market).

The Company has wholly-owned subsidiaries in Israel, the United States, France, Germany, Spain, the United Kingdom, Swiss, Japan, Korea, Canada, Australia, Italy, Hong Kong and China. The majority Company's subsidiaries are engaged primarily in sales, marketing and support activities of its core products.

The Company generates revenues from sales of systems and from provision of services, extended warranty and consumables.

b. Acquisitions and disposals:

1. New Star Lasers, Inc., which conducts business as CoolTouch, Inc. ("Cooltouch" or "CT"):

On March 5, 2014 ("the Closing Date"), the Company acquired 100% outstanding shares of Cooltouch, an aesthetic technology company based in California. The consideration to acquire Cooltouch was $10,969 in cash and additional contingent consideration of up to $4,000, based on certain milestones to be achieved by the end of 2015. Cooltouch products focus on endovascular treatment of varicose veins and minimally-invasive laser assisted lipolysis. The derived goodwill from this acquisition is attributable to additional capabilities of the Group to expand its products portfolio, including products with a consumable revenue component, broaden the Company's customer base, and the ability to enter into significant new markets.

2. Syneron China:

In November 2008, the Company entered into a joint venture (JV) agreement with Beijing Art Fact MediTech (BAFM) for the formation of Syneron China. As of December 31, 2011 the Company held 51% of the JV for a total investment of $510. The Company consolidated the JV's results and recorded the non-controlling interests in accordance with the provisions of ASC 810, "Consolidation" (ASC 810).

In August 2012, the Company entered into a share transfer agreement with BAFM to acquire its equity interest (45%) in the JV for a total amount of $2,200. Consummation of the transaction was subject to certain closing conditions, including the approval of certain governmental authorities. At the closing, the Company deposited an amount of $1,760 in escrow and shall be released upon all closing conditions met. During 2013, the Company entered into an agreement to acquire the remaining equity interest (4%) in the JV for a total amount of $156. Approvals of local authorities were received during 2013. Syneron currently holds 100% of Syneron China outstanding shares. On May 2016, the escrow was released and an amount of $1,088 paid to non-controlling shareholders.

3. Rakuto Bio Technologies Ltd. ("RBT"):

RBT is an Israeli company engaged in the development of new skin brightening treatments. RBT products are distributed through the Group.

During the years 2007-2011, the Company invested an aggregate amount of $4,275 for consideration of 49.52% of RBT's fully diluted share capital.

On May 30, 2012, the Company entered into an agreement with RBT's shareholders pursuant to which the Company acquired all the remaining shares of RBT for: (i) an initial purchase price of $5,000, (ii) an additional $5,000 to be paid on May 30, 2013, (iii) certain milestone payments in the aggregate amount equal to $15,240 ("the contingent consideration"), (iv) the repayment of certain loan amounts provided by RBT to certain of its shareholders, and (v) the payment of 2.019% of annual net sales generated by RBT intellectual properties for an unlimited period.

The Company records the contingent consideration at fair value. Refer to Notes 2k and Note 4.

4. Light Instruments Ltd. ("LI"):

On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary for total consideration of approximately $ 5,850, subjects to certain post-closing adjustments and expenses. The Company recorded a net gain of $1,149 in the statements of operations under other expenses (income), net.

SIGNIFICANT ACCOUNTING POLICIES	12 Months Ended Dec. 31, 2016
Accounting Policies [Abstract]	
SIGNIFICANT ACCOUNTING POLICIES	

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

a. Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On an ongoing basis, the Company's management evaluates estimates, including those related to fair values and useful lives of intangible assets, tax assets and liabilities, fair values of stock-based awards and the investment in affiliated company. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

b. Financial statements in U.S. dollars:

A major part of the Group's operations is carried out by the Company and its subsidiaries in the United States and Israel. The functional currency of these entities is the U.S. dollar (dollar or $) as the revenues and a substantial portion of the costs are denominated in dollar.

The Company's management believes that the dollar is the primary currency of the economic environment in which the Company and certain of its subsidiaries operate. Thus, the functional and reporting currency of the Company and certain of its subsidiaries is the dollar.

Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with ASC 830, "Foreign Currency Matters" (ASC 830). All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

The functional currency of certain foreign subsidiaries, whose functional currency has been determined to be their local currency, has been translated into dollar. Assets and liabilities have been translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts

have been translated using monthly average exchange rates in accordance with ASC 830. The resulting translation adjustments are reported as a component of equity in accumulated other comprehensive income (loss).

c. Principles of consolidation:

The consolidated financial statements include the accounts of Syneron Medical Ltd. and its wholly owned subsidiaries. All intercompany balances and transactions including profits from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation.

Changes in the parent's ownership interest in a subsidiary with no change of control are treated as equity transactions, with any difference between the amount of consideration paid and the change in the carrying amount of the non-controlling interest, recognized in equity (APIC) which is based on ASC 810.

d. Cash and cash equivalents:

Cash and cash equivalents are short-term highly liquid investments that are readily convertible into cash with original maturities of three months or less, at acquisition.

e. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term deposits. Such short-term deposits are stated at cost which approximates market values. Interest on deposits is recorded as financial income. As of December 31, 2016 and 2015, the Company held short-term interest bearing deposits with weighted average interest rates of 0.06%.

f. Marketable securities:

Marketable securities consist primarily of government treasury bonds and corporate bonds. The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. In accordance with ASC 320 "Investments- Debt and Equity Securities" (ASC320), the Company classifies all of its marketable debt securities as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in "accumulated other comprehensive income (loss)", in shareholders' equity. Realized gains and losses on sales of marketable securities, as determined on a specific identification basis, are included in financial income (expenses), net. The amortized cost of marketable debt securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in financial income (expenses), net.

The Company recognizes an impairment charge when a decline in the fair value of its investments in debt securities below the cost basis of such securities is judged to be other-than-temporary. Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and the

Company's intent to sell, including whether it is more likely than not that the Company will be required to sell the investment before recovery of cost basis. For securities that are deemed other-than-temporarily impaired ("OTTI"), the amount of impairment is recognized in the statement of operations and is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income (loss). The Company did not recognize OTTI impairment loss with respect to its marketable securities in 2016, 2015 and 2014.

g. Derivatives and hedging activities:

The Company implemented the requirements of ASC 815, "Derivatives and Hedging" which requires companies to recognize all of their derivative instruments as either assets or liabilities in the balance sheets at fair value. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualified as part of a hedging transaction and further, on the type of hedging transaction. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings.

The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

The Company measured the fair value of the forward contracts in accordance with ASC 820 (classified as level 2).

Due to the Company's global operations, it is exposed to foreign currency exchange rate fluctuations in the normal course of its business.

The Company's policy allows it to offset the risks associated with the effects of certain foreign currency exposures through the purchase of foreign exchange forward or option contracts (Hedging Contracts).

The Company entered into forward contracts to hedge and protect against the risk of changes in future cash flow from payments of payroll and related expenses denominated in Israeli Shekels (NIS) during the year and for certain forecasted revenue transactions in currencies other than the U.S. dollar, the Company instituted a foreign currency cash flow hedging program. The Company hedges portions of the anticipated payroll of its Israeli employees denominated in NIS or revenues anticipated in currencies other than the U.S. dollar for a period of one to twelve months.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any

gain or loss on a derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item is recognized in current earnings during the period of change. As of December 31, 2016 and 2015, the Company had outstanding liabilities forward contracts that met the requirement for cash flow hedge accounting was $(4) and $(32), with a notional amount of $3,641 and $3,478, respectively, and outstanding option contracts with a notional amount of $5,105 and $8,477, respectively.

h. Inventories:

Inventories are stated at the lower of cost or market value. Inventory reserve, for slow-moving items, is provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories and discontinued products.

Cost is determined as follows:

Raw materials - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis. The Company calculates at least on a quarterly basis the variance between an items' standard cost and the latest purchasing prices of those items; the variance is investigated; adjustments are made as necessary and have been included in cost of revenues.

Work in process - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis, including materials, labor and other direct and indirect manufacturing costs.

Finished products - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis, and which includes materials, labor and manufacturing overhead. Standard costs are monitored and updated as necessary, to reflect the changes in raw material costs and labor and overhead rates.

The Company assesses the carrying value of its inventory for each reporting period to ensure inventory is reported at the lower of cost or market in accordance with ASC 330-10-35. Charges for obsolete and slow moving inventories are recorded based upon an analysis of specific identification of obsolete inventory items and quantification of slow moving inventory items. These assessments consider various factors, including historical usage rate, technological obsolescence, estimated current and future market values and new product introduction. In cases when there is evidence that the anticipated utility of goods, in their disposal in the ordinary course of business, will be less than the historical cost of the inventory, the Company recognizes the difference as a current period charge to earnings and carries the inventory at the reduced cost basis until it is sold or disposed of.

When recorded, the reserves are intended to reduce the carrying value of inventory to its net realizable value. Inventory of $47,376 and $49,352 as of December 31, 2016 and 2015, respectively, is stated net of inventory reserves of $8,543 and $5,740, respectively. If actual demand for the Company's products deteriorates, or market conditions are less favorable than those projected, additional inventory reserves may be required.

i. Property and equipment, net:

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

	%
Computers, software, manufacturing, laboratory equipment and demonstration equipment (*)	10 - 50 (mainly 33)
Office furniture and equipment	6 - 30 (mainly 15)
Leasehold improvements	The shorter of the term of the lease or the useful life of the asset

(*) Demonstration equipment consists of systems for use in marketing and selling activities. Demonstration equipment is generally not held for sale and is recorded as property and equipment. The demonstration equipment is amortized on a straight-line method over their estimated economic life not to exceed two years.

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

The Company's property and equipment and identifiable intangibles subject to amortization are reviewed for impairment in accordance with ASC 360, "Impairment or Disposal of Long-Lived Assets" ("ASC 360"), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the
carrying amount of the asset exceeds its fair value.

Intangible assets acquired in a business combination are recorded at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives, which range from 5 to 8 years. Some of the acquired customer arrangements are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such customer arrangements as compared to the straight-line method. All other intangible assets are amortized over their estimated useful lives on a straight-line basis.

During 2016 no impairment charges were recorded related to intangible assets. During 2015 and 2014 the Company recorded impairment charges, related to intangible assets, in the amount of $3,289 and $1,705, respectively.

k. Business combinations:

The Company accounts for business combinations in accordance with ASC 805, "Business Combinations". ASC 805 requires recognition of assets

acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over the purchase price and any subsequent changes in estimated contingencies are to be recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and acquired income tax positions are to be recognized in earnings.

Contingent considerations to former owners agreed in a business combination, e.g, in the form of milestone payments upon the achievement of certain sales target, are recognized as liabilities at fair value as of the recognition date. Any subsequent changes in amounts recorded as liability are recognized in earnings in other expenses (income), net.

l. Investment in affiliated company (non-marketable securities):

The Company implemented ASC 323, "Investments - Equity and Joint Ventures", to determine whether it should apply the equity method of accounting to its investments.

Investment in Iluminage Beauty, the Company elected to recognize the investments at fair value at each reporting date with changes in the fair value recognized in earnings under other expenses (income), net. Refer to Notes 4 and 7 for further details.

m. Goodwill and indefinite lived assets:

Goodwill and intangible assets have been recorded as a result of acquisitions. Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired.

The Company applies ASC 350, "Intangibles - Goodwill and Other". Under ASC 350, goodwill is not amortized but rather is subject to an annual impairment test. ASC 350 requires goodwill to be tested for impairment at least annually or between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. During the fourth quarter of 2015, the Company changed the date of its annual goodwill impairment test from June 30 to December 31.The Company determined December 31 as the date of the annual impairment test for each of its reporting units.

Starting January 1, 2014, the Company operates in one operating segment which is comprised of five reporting units. As of December 31, 2016 two of the reporting units include goodwill.

The provisions of ASC 350 require that a two-step impairment test be performed on goodwill at the level of the reporting units. There is a two-step process for impairment testing of goodwill. The first step screens for potential impairment, while the second step (if necessary) measures impairment. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. In such case, the second step is then performed, and the Company measures impairment by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill.

The Company determines the fair value of each reporting unit using the income approach, which utilizes a discounted cash flow model, as it believes that this approach best approximates the reporting unit's fair value.

Judgments and assumptions related to revenue, operating income, future short-term and long-term growth rates, weighted average cost of capital, interest, capital expenditures, cash flows, and market conditions are inherent in developing the discounted cash flow model. The Company considers historical rates and current market conditions when determining the discounted and growth rates to use in its analyses. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for its goodwill. As a result of the annual impairment test in 2016, no impairment loss was recorded. During 2015 the Company recorded goodwill impairment charges of $2,500 and $1,343 related to Cooltouch and RBT goodwill, respectively. During 2014 the Company recorded goodwill impairment charge of $1,185 related to RBT goodwill. See also Note 10.

n. Revenue recognition:

Revenues are recognized in accordance with ASC 605, "Revenue Recognition" when delivery has occurred, persuasive evidence of an agreement exists, the fee is fixed and determinable, collectability is reasonably assured and no further obligations exist. Provisions are made at the time of revenue recognition for any applicable warranty cost expected to be incurred.

The timing for revenue recognition of the various products and customers is dependent upon satisfaction of such criteria and generally varies from shipment to delivery to the customer depending on the specific shipping terms of a given transaction, as stipulated in the agreement with each customer. Revenues from service contracts are recognized on a straight-line basis over the life of the related service contracts.

Other than pricing terms which may differ due to the different volumes of purchases between distributors and end-users, there are no material differences in the terms and arrangements involving direct and indirect customers.

The Company's products sold through agreements with distributors are non-exchangeable, non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, the Company considers all the distributors as end-users.

The Company assesses whether collection is reasonably assured based on a number of factors, including the customer's past transaction history and credit worthiness.

In respect of sale of systems with installation, in accordance with ASC 605, the Company has concluded that its arrangements are generally consistent with the indicators suggesting that installation is not essential to the functionality of the Company's systems. Accordingly, installation is considered inconsequential and perfunctory relative to the system, and

therefore the Company recognizes revenue for the system and installation upon delivery to the customer in accordance with the agreement delivery terms once all other revenue recognition criteria have been met, and provides an accrual for installation costs as appropriate.

According to ASC 605-25, when a sales arrangement contains multiple deliverables, such as sales of products and related services, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Under this approach, the selling price of a unit of accounting is determined by using a selling price hierarchy which requires the use of vendor-specific objective evidence (VSOE) of fair value if available, third-party evidence (TPE) if VSOE is not available, or best estimate of selling price (BESP) if neither VSOE nor TPE is available. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

Accordingly, for such products and services the Company determined the fair value based on management's best estimate of the selling price which take into consideration several external and internal factors including, but not limited to, pricing practices (including discounts, margin objectives and consideration of the Company's pricing models) and go-to-market strategy. Those estimates are corroborated by normal expected margins depending on the product, region and type of customer (i.e., clinic or a distributor).

The Company sells deliverables of products and service which consist of a system, applicators, consumables (such as spare parts), and an extended warranty. Such deliverables can be delivered either in a bundled transaction or separately.

Typically, systems and applicators or related consumables are shipped and delivered at the same time while the extended warranty is provided subsequent to the expiration of the standard warranty period. In those circumstances when not all the products have been delivered, the Company has concluded that the delivered elements have standalone value as a pre-condition for recognizing revenues for the delivered elements. The threshold for recognizing such revenues would normally be the delivery of a system with the applicator providing the System with full functionality.

In certain cases, when product arrangements are bundled with extended warranty, the separation of the extended warranty falls under the scope of ASC 605- 20-25-1 through 25-6, and the price of the extended warranty stated in the agreement is deferred and recognized ratably over the extended warranty period which is typically between one year and three years.

The Company does not provide any performance, cancelation, termination or any refund type provisions to its customers, nor does it grant a right of return, for its products.
Deferred revenue includes primarily unearned amounts received in respect of service contracts but not yet recognized as revenues and classified in short and long-term based on their contractual term.

o. Research and development costs:

Research and development costs are charged to the statement of operations, as incurred.

p. Accounting for share-based compensation:

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on their estimated fair values in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations. The Company estimates the fair value of employee stock options at the date of grant using the Binomial option-pricing model ("the Binomial model"). The Binomial model for option pricing requires a number of assumptions, of which the most significant are the suboptimal exercise factor and expected stock price volatility. The suboptimal exercise factor is estimated based on employees' historical option exercise behavior.

The suboptimal exercise factor is the ratio by which the stock price must increase over the exercise price before employees are expected to exercise their stock options. Expected volatility is based upon actual historical stock price movements and was calculated as of the grant dates for different periods, since the Binomial model can be used for different expected volatilities for different periods. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term to the contractual term of the options. The Company has historically not paid dividends and has no foreseeable plans to pay dividends therefore uses an expected dividend yield of zero.

The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

The Company recognizes share-based compensation expenses for the value of its awards based on the straight line method over the requisite service period of each of the awards, net of estimated forfeitures.

q. Basic and diluted net income (loss) per share:

Basic net income (loss) per share is computed based on the weighted average number of ordinary shares outstanding during each year. Basic net income (loss) per share was determined by dividing net income (loss) by the weighted average ordinary shares outstanding during the period.

Diluted net income (loss) per share was determined by dividing net income (loss) by the diluted weighted average shares outstanding. Diluted weighted average shares reflect the dilutive effect, if any, of stock options, stock appreciation rights, and restricted share units based on the treasury stock method, in accordance with ASC, 260, "Earning Per Share".

r. Fair value of financial instruments:

The carrying amounts of financial instruments, including cash and cash equivalents, bank deposits, marketable securities, trade receivables, other accounts receivable and prepaid expenses, trade payables and other accounts payable and accrued expenses, approximate fair value because of their generally short maturities.

The Company applies ASC 820, "Fair Value and Disclosure" (ASC 820). Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace;

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

Assets and liabilities measured at fair value on a recurring basis are comprised of marketable securities, investment in affiliated company (Iluminage Beauty), hedging contracts and contingent considerations which represent future amounts the Company may be required to pay in conjunction with various business combinations. Each reporting period, the Company revalues these contingent considerations and records increases or decreases in their fair value as an adjustment to contingent consideration within the consolidated statement of operations. Changes in the fair value of the contingent consideration can result from adjustments to the discount rates, the probability of achievement of any revenue milestones and due to discounting to present value each reporting date. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market. See also Note 4.

The fair value of the Company's equity interest in Iluminage Beauty was determined by the Company's Board of Directors after consideration of, among other things, a written report prepared by a third party appraisal firm which calculated fair value using the discounted cash flow and the OPM method, which uses significant unobservable inputs such as cash flows to be generated from the underlying investment and discounted at a weighted average cost of capital. Management considered the reasonableness of the assumptions, methodologies, analysis and conclusions set forth in the report. The Board of Directors and the management also considered other factors, including but not limited to consideration of external market conditions

affecting the home use aesthetic industry, and Iluminage Beauty's projected results of operations and financial position. After deliberation, the Board of Directors and the management determined the fair market value of the Company's equity interest in Iluminage Beauty. As of December 31, 2016 and 2015, the fair value of Iluminage Beauty investment amounted to $15,730 and $19,800, respectively.

s. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized, based on the weight of available positive and negative evidence.

Deferred tax liabilities and assets are classified as non-current in accordance with ASU 2015-17 (see also Note 2ab).

The Company accounts for uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative probability) likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits under taxes on income (tax benefit).

t. Employee benefit plan:

401K profit sharing plans in US:

The company has two types of retirement plans in which US employees may participate: Roth 401k plan which is a post-tax benefit offering and a retirement plan under Section 401(k) which is a pre-tax benefit offering. Certain population of the Candela Corporation Inc.'s ("Candela") U.S. employees is eligible to participate in a defined contribution retirement plan (Plan). Participants in the Plan may elect to defer a portion of their pre-tax earnings into the Plan, which is run by an independent party. Employees also have the option to contribute to the ROTH 401k plan which is post tax. Contributions to the Plan are recorded as an expense in the consolidated statements of operations.

Candela's U.S. operations maintain a retirement plan (Candela U.S. Plan) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the Candela U.S. plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. Candela matches 50% of each participant's

contributions up to a maximum of 6% of the participant's elective deferral. Each participant may contribute a percentage of their pay or a flat dollar amount. Contributions to the Candela U.S. Plan are recorded during the year contributed as an expense in the consolidated statements of operations.

The total allowable company contribution is up to exceed 3%, provided an employee is contributes 6%. The employee contribution may be a combination of contribution(s) between the Roth 401k and Section 401k of IRS Code. Contributions to a combination of the two options cannot exceed the Internal Revenue Service annual contribution limit.

Total contributions for the years ended December 31, 2016, 2015 and 2014 were $807, $594 and $621, respectively.

Severance pay in Israel:

The Company's liability for severance pay to its Israeli employees is calculated pursuant to the Israeli Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or portion thereof. The Company's liability for all its Israeli employees is covered by monthly deposits for insurance policies and by an accrual. The value of these policies is recorded as an asset on the Company's balance sheets.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Israeli Severance Pay Law or labor agreements. The value of the deposited funds is based on the cash surrender value of these policies, and includes immaterial profits accumulated up to the balance sheet date.

Most the Company's agreements with its employees in Israel are in accordance with Section 14 of the Israeli Severance Pay Law. Upon contribution of the full amount based on the employee's monthly salary, and release of the policy to the employee, no additional legal obligation exists between the parties and no additional payments are needed to be made by the Company to the employee; therefore, related assets and liabilities are not presented in the balance sheets.

Severance pay expenses for the years ended December 31, 2016, 2015 and 2014 amounted to approximately $866, $870 and $875, respectively.

u. Shipping and handling costs:

Shipping and handling costs, which amounted to $7,572, $7,162 and $6,783 for the years ended December 31, 2016, 2015 and 2014, respectively, are included in sales and marketing expenses in the consolidated statements of operations. Shipping and handling costs include all costs associated with the distribution of finished products, consumables and spare parts from the Company's point of manufacturing directly to customers and distributors.

v. Advertising expenses:

Advertising expenses are charged to the statements of operations, as incurred. Advertising expenses for the years ended December 31, 2016, 2015 and 2014 were $2,188, $2,281 and $2,331, respectively.

w. Litigation reserves and legal expenses:

The Company reserves for liabilities related to litigation brought against the Company when the amount of the potential loss is probable and can be estimated. Because of the uncertainties related to an unfavorable outcome of litigation, and the amount and range of loss on pending litigation, management is often unable to make an accurate estimate of the liability that could result from an unfavorable outcome. As litigation progresses, the Company continues to assess its potential liability and revises its estimates accordingly. Estimates of litigation reserves are recorded in other accounts payable and accrued expenses line item in the consolidated balance sheets and changes in the litigation reserves are recorded under general and administrative expense line item in the statement of operations.

Legal expenses are charged to the statements of operations as incurred.

x. Concentration of credit risk:

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, bank deposits, derivative instruments, available-for-sale marketable securities, and trade receivables.

The majority of the Group' cash and cash equivalents and bank deposits are invested in major banks in Israel and the U.S. Generally, these cash equivalents may be redeemed upon demand and, therefore management believes that it bears a low risk. The short-term bank deposits are held in financial institutions which management believes are institutions with high credit standing, and accordingly, minimal credit risk from geographic or credit concentration exists with respect to these bank deposits.

The Company's marketable securities include investments in highly rated debentures of U.S. and Israeli, corporations and governmental bonds. The financial institutions that hold the Company's marketable securities are major U.S. financial institutions, located in the United States and Canada.

Management believes that the Company's marketable securities portfolio represents a diverse portfolio of highly-rated securities and the Company's investment policy limits the amount the Company may invest in each issuer, and accordingly, management believes that minimal credit risk exists from geographic or credit concentration with respect to these securities.

The Company and its subsidiaries have no material off-balance sheet concentration of financial instruments subject to credit risk such as foreign exchange contracts, option contracts or other hedging arrangements, except those mentioned in Note 14.

The Company's trade receivables are derived mainly from sales to large independent distributors and to end-users world-wide. The Company performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. The allowance for

doubtful accounts is based on management's assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances.

The following table provides details of the change in the Company's allowance for doubtful accounts:

	2016	2015	2014
Balance at the beginning of the year	$ 5,223	$ 5,970	$ 6,497
Charged to expenses, net of recoveries	1,136	728	1,233
Deconsolidation of subsidiary	(134)	-	-
Write-off	(132)	(1,663)	(1,514)
Translation differences	80	188	(246)
Balance at the end of the year	$ 6,173	$ 5,223	$ 5,970

y. Warranty:

The Company provides a one to three year standard warranty for its products, depending on the type of product and the country in which the Company does business. The Company records a provision for the estimated cost to repair or replace products under warranty at the time of sale. Factors that affect the Company's warranty reserve include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair.

The following table provides details of the change in the Company's product warranty accrual:

	December 31,		
	2016	2015	2014
Balance at the beginning of the year	$ 8,049	$ 7,467	$ 6,981
Warranty provision related to acquisitions	-	-	50
Warranty provision related to the deconsolidation of subsidiary	(400)	-	-
Charged to costs and expenses relating to new sales	11,914	11,433	9,126
Costs of product warranty claims	(10,210)	(10,779)	(8,501)
Translation differences	(50)	(72)	(189)
Balance at the end of the year	$ 9,303	$ 8,049	$ 7,467

z. Comprehensive income (loss):

The Company reports comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income". This Statement establishes standards for the reporting and presentation of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) generally represents all changes in equity during the period except those resulting from investments by, or distributions to, stockholders. The Company determined that items of other comprehensive income (loss) relate to unrealized gains and losses on available-for-sale marketable securities, hedging contracts and currency translation adjustments.

aa. Treasury shares:

The Company repurchased its ordinary shares from time to time on the open market and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity. The voting rights attached to treasury stock are revoked.

ab. Impact of recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method. The Company is still finalizing the analysis to quantify the adoption impact of the provisions of the new standard. The FASB has issued, and may issue in the future, interpretive guidance which may cause the Company's evaluation to change. Management believes that the Company is following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption effective the beginning of fiscal year 2018.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company has early adopted this standard in the fourth quarter of 2015 on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU will be effective for the Company in the first quarter of 2019. The Company is evaluating the impact of the adoption of this update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The ASU simplifies several aspects of the accounting for employee share-based payments including the

accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU will be effective for the Company in the first quarter of 2017. The Company is currently evaluating the impact this new guidance will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which intends to reduce diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. This guidance will be effective for the Company in the first quarter of 2018. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In January 2017, the FASB issued ASU "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 will simplify the subsequent measurement of goodwill by eliminating the second step from the goodwill impairment test. ASU 2017-04 would require applying a one-step quantitative test and recording the amount of goodwill impairment as the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. The amendments in ASU 2017-04 are effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of the standard on its future financial statements and disclosures.

AVAILABLE-FOR-SALE MARKETABLE SECURITIES

Investments, Debt and Equity Securities [Abstract]

AVAILABLE-FOR-SALE MARKETABLE SECURITIES

12 Months Ended

Dec. 31, 2016

NOTE 3:- AVAILABLE-FOR-SALE MARKETABLE SECURITIES

	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market funds	$ 1,990	$ -	$ -	$ 1,990
Available-for-sale - matures within one year:				
Corporate debentures - fixed interest rate	7,713	3	(6)	7,710
	7,713	3	(6)	7,710
Available-for-sale - matures after one year through three years:				
Corporate debentures - fixed interest rate	16,866	2	(148)	16,720
	16,866	2	(148)	16,720
Available-for-sale - matures after three years through five years:				
Corporate debentures - fixed interest rate	2,963	-	(44)	2,919
	2,963	-	(44)	2,919
	$ 29,532	$ 5	$ (198)	$29,339
Reclassification of certain securities to long-term				18,522
				$10,817

	December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market funds	$ 1,506	$ -	$ -	$ 1,506
Available-for-sale - matures within one year:				
Certificate of deposit	728	-	-	728

Government sponsored enterprises - fixed interest rate	2,089	2	-	2,091
Corporate debentures - fixed interest rate	6,863	14	(7)	6,870
	9,680	16	(7)	9,689
Available-for-sale - matures after one year through three years:				
Certificate of deposit	1,248	-	(2)	1,246
Corporate debentures - fixed interest rate	15,451	10	(65)	15,396
	16,699	10	(67)	16,642
Available-for-sale - matures after three years through five years:				
Corporate debentures - fixed interest rate	2,141	-	(9)	2,132
	2,141	-	(9)	2,132
	$ 30,026	$ 26	$ (83)	$29,969
Reclassification of certain securities to long-term				15,695
				$14,274

The table below presents the fair value of investments in available-for-sale securities that have been in an unrealized loss position as of December 31, 2016 and 2015 and the length of time that those investments have been in a continuous loss position:

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 16,620	$ 185	$ 6,827	$ 13	$23,447	$ 198
	$ 16,620	$ 185	$ 6,827	$ 13	$23,447	$ 198

	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 12,274	$ 49	$ 8,333	$ 32	$20,607	$ 81
Certificate of deposit	455	-	1,229	2	1,684	2

$ 12,729	$ 49	$ 9,562	$ 34	$22,291	$ 83

As of December 31, 2016 and 2015, there were 46 and 62 securities in a loss position, respectively.

For the years ended December 31, 2016, 2015 and 2014, the Company recognized gross realized gains of $1, $2 and $31, respectively, and gross realized losses of $20, $13 and $153, respectively. The Company determines realized gains or losses on the sale of marketable securities on a specific identification method, and reflects such gains and losses as a component of financial income (expenses), net, in the Company's consolidated statements of operations.

FAIR VALUE MEASUREMENT

Fair Value Disclosures [Abstract]

FAIR VALUE MEASUREMENT

12 Months Ended Dec. 31, 2016

NOTE 4:- FAIR VALUE MEASUREMENT

The Company measures its marketable securities, foreign currency derivative contracts, investment in affiliated company (Iluminage Beauty Ltd.) and acquisition related contingent considerations at fair value. Marketable securities are classified within Level 1 or Level 2. This is because marketable securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs. Foreign currency derivative contracts that are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. Investment in Iluminage Beauty Ltd. and liabilities with respect to contingent considerations are classified within Level 3 because these assets and liabilities are valued using valuation techniques. Some of the inputs to these models are unobservable in the market and are significant.

The Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following types of instruments as of December 31, 2016 and 2015:

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Corporate debentures	$ -	$ 27,349	$ -	$ 27,349
Money markets funds	1,990	-	-	1,990
Foreign currency derivatives	-	569	-	569
Investment in affiliated company	-	-	15,730	15,730
Total	$ 1,990	$ 27,918	$ 15,730	$ 45,638
Liabilities:				
Foreign currency derivatives	$ -	$ 4	$ -	$ 4
Total	$ -	$ 4	$ -	$ 4

	December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Corporate debentures	$ -	$ 24,398	$ -	$ 24,398
Government sponsored enterprises	-	2,091	-	2,091
Money markets funds	3,480	-	-	3,480
Investment in affiliated company	-	-	19,800	19,800
Total	$ 3,480	$ 26,489	$ 19,800	$ 49,769
Liabilities:				
Foreign currency derivatives	$ -	$ 32	$ -	$ 32
Contingent consideration	-	-	878	878

Total	$ -	$ 32	$ 878	$ 910

The tables below present the changes in Level 3 and the investment in Iluminage Beauty measured on a recurring basis:

	December 31,	
	2016	2015
Iluminage Beauty:		
Fair value at the beginning of the year	$ 19,800	$ 20,130
Investment during the year	2,940	-
Changes in the fair value included in earnings	(7,010)	(330)
Fair value at the end of the year	$ 15,730	$ 19,800

The fair value of the Company equity interest in Iluminage Beauty (see Note 7) was calculated by the Company using the discounted cash flow and the Option Pricing Model method (OPM), which uses significant unobservable inputs such as cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital of 20% and 21% for 2016 and 2015, respectively.

The table below presents the changes in Level 3 contingent consideration obligations measured on a recurring basis and related to business combinations of Cooltouch in March 2014 and RBT investment in May 2012:

	December 31,	
	2016	2015
Fair value at the beginning of the year	$ 878	$ 4,983
Changes in the fair value of contingent consideration in RBT and Cooltouch, net	(878)	(4,105)
Fair value at the end of the year	$ -	$ 878

The fair value of the contingent consideration related to the investment in RBT was $0 and $878 as of December 31, 2016 and 2015, respectively.

The fair value of the contingent consideration related to the investment in RBT was based on management's analysis, forecasts and estimates, regarding the probability that the revenues milestone will be achieved until 2018 and the Company will be required to pay the contingent consideration. The Company recorded a net income of $878 and $4,005 in 2016 and 2015 respectively, due to changes in fair value resulting from several factors including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria. The Company performed a fair value valuation of RBT reporting unit and of the contingent consideration at each reporting date. The valuation was approved by the Company's Audit Committee and Board of Directors after consideration of, among other things, a valuation report prepared by a third party appraisal firm. The valuation calculated by using the discounted projected performance of RBT reporting unit, which uses significant unobservable inputs, such as operating profit (loss) and revenue, discounted at a weighted average cost of capital of 17% for 2015 and 2016. In estimating the projected performance of RBT reporting

unit, various assumptions were made based on the Company expectations, market research, historical results and growth and knowledge of the industry.

The fair value of the contingent consideration related to the investment in Cooltouch was $0 as of December 31, 2016 and 2015. The Company estimated the fair value of the contingent consideration using Monte Carlo simulation with a discounted rate of 16% and based on various probabilities for Cooltouch to meet the net revenues milestone until December 31, 2016 (refer to Note 1b1 for further details). On December 31, 2016 and December 31, 2015, the net revenue milestone for the payments of the $2,000, per each year, was not achieved and no payments to Cooltouch's shareholders were due. The Company recorded a net income of $100 in 2015 due to changes in fair value resulting from several factors including changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving specified milestone criteria. During 2016 the contractual contingent was expired without requiring payment of the contingent consideration.

Changes in the contingent consideration are recorded in the statements of operations under other expenses (income), net.

Assets measured at fair value on a nonrecurring basis:

Level 3 assets measured on a nonrecurring basis at December 31, 2016 and 2015 consisted of intangible assets and goodwill. As of December 31, 2015, certain intangible assets and goodwill were written down to their estimated fair values of $2,937, resulting in an impairment charge of $7,132, respectively. (See also Notes 9, 10 and 17).

OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

12 Months Ended

Dec. 31, 2016

Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Abstract]

OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

NOTE 5:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2016	**2015**
Prepaid expenses and advanced payments	$ 4,928	$ 5,407
Government authorities	4,388	4,695
Derivative instruments	565	-
Deposits with escrow agent (see also Note 1b2 and 1b4)	585	1,760
Other receivables	2,121	576
	$12,587	$12,438

INVENTORIES	12 Months Ended Dec. 31, 2016
Inventory Disclosure [Abstract]	
INVENTORIES	

NOTE 6:- INVENTORIES

	December 31,	
	2016	2015
Raw materials	$21,462	$14,190
Work in process	3,437	991
Finished products	22,477	34,171
	$47,376	$49,352

INVESTMENT IN AFFILIATED COMPANY	12 Months Ended Dec. 31, 2016
Equity Method Investments and Joint Ventures [Abstract]	
INVESTMENT IN AFFILIATED COMPANY	

NOTE 7:- INVESTMENT IN AFFILIATED COMPANY

On November 11, 2013, Syneron and Unilever Ventures signed a definitive agreement to form a joint venture in home beauty devices: "Iluminage Beauty". Pursuant to the agreement, which closed on December 9, 2013, Syneron sold and transferred its Syneron Beauty subsidiary to Iluminage Beauty. At the same time, Unilever Ventures, the venture capital and private equity arm of Unilever, undertook to invest $25,000 in Iluminage Beauty, and Unilever sold and transferred its luxury beauty subsidiary Iluminage to the joint venture. Unilever Ventures holds 51% of Iluminage Beauty shares (representing 100% of Iluminage Beauty preferred shares), and Syneron Medical retains the remaining 49% (representing 100% of Iluminage Beauty common shares). The Company determined at the formation of Iluminage Beauty and at the end of the reporting period, that Iluminage Beauty is neither a variable interest entity nor the primary beneficiary and it is not required to consolidate Iluminage Beauty under the voting models.

Investment in Iluminage Beauty is based on the fair value method. During 2016 the Company recorded a loss in the amount of $7,010 due to changes in the fair value of its investment. Refer to Notes 4 and 17 for further details.

PROPERTY AND EQUIPMENT, NET

12 Months Ended
Dec. 31, 2016

Property, Plant and Equipment [Abstract]

PROPERTY AND EQUIPMENT, NET

NOTE 8:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2016	**2015**
Cost:		
Computers, software, manufacturing, laboratory equipment and demonstration equipment	$ 25,445	$ 20,036
Leasehold improvements	5,424	3,386
Office furniture and equipment	3,407	2,617
	34,276	26,039
Accumulated depreciation:		
Computers, software, manufacturing, laboratory equipment and demonstration equipment	16,508	12,765
Leasehold improvements	2,442	1,961
Office furniture and equipment	2,797	1,490
	21,747	16,216
Depreciated cost	$ 12,529	$ 9,823

Depreciation expenses for the years ended December 31, 2016, 2015 and 2014 were $4,119, $3,249 and $2,746, respectively.

In 2014, the Company commenced a project for a global roll-out of its Enterprise Resource Planning systems ("ERP"). The Company capitalizes costs incurred related to the system according to ASC 350-40 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". As of December 31, 2015, the Company capitalized an amount of $3,774, which is included in "Computers, software, manufacturing, laboratory equipment and demonstration equipment". In 2016, the Company did not capitalize Computer Software Developed costs.

INTANGIBLE ASSETS, NET

12 Months Ended
Dec. 31, 2016

Intangible Assets, Net (Excluding Goodwill) [Abstract]

INTANGIBLE ASSETS, NET **NOTE 9:- INTANGIBLE ASSETS, NET**

	Weighted average useful life (years)	December 31, 2016	December 31, 2015
Original cost:			
Developed technologies (1,2,3)	6.8	$ 27,827	$ 27,677
Trade name (2)	6.8	3,930	3,930
Customer relationships (2)	8.0	10,773	10,773
Other	-	3,989	3,989
		46,519	46,369
Accumulated amortization:			
Developed technologies		21,146	17,673
Trade name		2,389	1,984
Customer relationships		10,479	10,029
Other		3,989	3,989
		38,003	33,675
Amortized cost		$ 8,516	$ 12,694

(1) During the years ended December 31, 2016 and 2015 the Company recorded impairment charges in the total amount of $0 and $3,289, respectively. A $176 impairment charge was attributed to developed technology and $3,113 impairment charge was attributed to customer relationship in 2015.

(2) Upon the acquisition of Cooltouch the Company recorded original amounts of $4,150, $2,400 and $630 of customer relationships, developed technologies and trade name, respectively. Refer to note 1b1.

(3) On November 20, 2014 the Company entered into an asset purchase agreement with Orscan Technologies Ltd. ("Orscan"). According to the agreement the Company recorded a developed technology in the amount of $600 in 2014 and additional $150 in 2016.

During 2016, 2015 and 2014, the Company recorded amortization expenses in the amount of $4,328, $5,716 and $5,816, respectively. The annual amortization expense relating to intangible assets as of December 31, 2016 is estimated to be as follows:

2017	3,461
2018	2,394
2019	1,991

2020	576
2021 and thereafter	94
Total	8,516

GOODWILL

12 Months Ended
Dec. 31, 2016

GOODWILL [Abstract]
GOODWILL

NOTE 10:- GOODWILL

a. Changes in goodwill for the years ended December 31, 2016 and 2015, by reporting units are as follows:

	Syneron *)	LI	RBT	CT	Total
As of January 1, 2015:					
Goodwill	$ 15,321	$ 3,184	$ 2,528	$ 5,437	$ 26,470
Accumulated impairment losses	-	-	(1,185)	-	(1,185)
	15,321	3,184	1,343	5,437	25,285
Acquisitions and others	-	-	-	-	-
Impairment losses	-	-	(1,343)	(2,500)	(3,843)
As of December 31, 2015:					
Goodwill	15,321	3,184	2,528	5,437	26,470
Accumulated impairment losses	-	-	(2,528)	(2,500)	(5,028)
	15,321	3,184	-	2,937	21,442
Acquisitions and others	-	-	-	-	-
Deconsolidation of subsidiary	-	(3,184)	-	-	(3,184)
Impairment losses	-	-	-	-	-
As of December 31, 2016:					
Goodwill	15,321	-	2,528	5,437	23,286
Accumulated impairment losses	-	-	(2,528)	(2,500)	(5,028)
	$ 15,321	$ -	$ -	$ 2,937	$ 18,258

*) Syneron reporting unit includes goodwill attributed to the acquisitions of UltraShape Ltd., Primaeva Medical Inc., Inlight Corp. and Traspharma.

b. Impairment of goodwill and intangibles related to Cooltouch:

An agreement termination with Cooltouch's strategic Original Equipment Manufacturer (OEM) customer, as well as other elements that were reflected in the reduction of Cooltouch's revenues and operating results in 2015 compared to the forecasted projection, were considered by the Company's management as indicators of potential impairment of Cooltouch's intangible assets and goodwill. These indicators led the Company to evaluate the value of Cooltouch's tangible and intangible assets based on the future

undiscounted cash flows expected to be generated by the assets in accordance with ASC 360. The projected undiscounted cash flows indicated that the carrying amount of the customer relationship assets deemed to be impaired. In order to assess the amount of the impairment, the Company estimated the fair value of the customer relationship using the discounted cash flow method and as a result the Company recorded an impairment loss of $ 3,113 in 2015. In addition to the above mentioned and in accordance with ASC 350, the Company recorded goodwill impairment loss of $ 2,500 in 2015, attributed to Cooltouch reporting unit. During 2016 no impairment losses were recorded.

The material assumptions used for the income approach for 2016 and 2015 were seven (7) years of projected cash flows, a long-term growth rate of 3% and a discount rate of 20% and 21% for 2016 and 2015, respectively.

c. Impairment of goodwill and intangibles related to RBT:

During 2014, RBT's management reorganized its strategy to focus mainly on the North American market, which led to a termination of a main distributor agreement in the Asia market. The discontinuing of that distributor led to a significant decrease in RBT's revenue, while the plan to increase revenues from the North American market did not succeed as expected. These reasons, led the Company to record an impairment loss of RBT's reporting unit goodwill and intangible in the amount of $1,185 and $ $990, respectively.

During 2015, the continued operational weakness of RBT, along with uncertainties regarding the future distribution of RBT's products worldwide due to the discontinuing of an agreement with the distributor in China and its failure to penetrate other Asian markets, were strong factor in management's decision to minimize the investment and business support and were reflected in the reduction of RBT's revenues and operational results in 2015, as compared to the forecasted projections in 2014. As a result of the continued unexpected weakness mentioned above, the Company recorded an impairment loss of RBT's reporting unit goodwill and intangible in the amount of $1,343 and $176, respectively.

The projected undiscounted cash flows indicated that the carrying amount of the developed technology assets deemed to be impaired. To assess the amount of the impairment, the Company estimated the fair value of the developed technology using the discounted cash flow method. The material assumptions used for the income approach for 2015 and 2014 were five (5) years of projected cash flows, a long-term growth rate of 3% and a discount rate of 17%.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated Other Comprehensive Income (Loss), Net of Tax [Abstract]

Accumulated Other Comprehensive Income (Loss)

12 Months Ended

Dec. 31, 2016

NOTE 11:- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the year ended December 31, 2016:

	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges (*)	Foreign currency translation adjustments	Total
Beginning balance	$ (57)	$ (32)	$ (7,469)	$(7,558)
Other comprehensive income (loss) before reclassifications	(156)	66	(562)	(652)
Amounts reclassified from accumulated other comprehensive income (loss)	20	(38)	-	(18)
Net current period other comprehensive income (loss)	(136)	28	(562)	(670)
Ending balance	$ (193)	$ (4)	$ (8,031)	$(8,228)

*) Refer to Note 14 for the affected line item in the statement of operations.

DEFERRED REVENUES

12 Months Ended
Dec. 31, 2016

Deferred Revenue Disclosure [Abstract]

DEFERRED REVENUES

NOTE 12:- DEFERRED REVENUES

The Company offers extended warranty contracts, generally for periods of one to three years after the standard warranty period has expired. The Company recognizes extended warranty contract revenue ratably over the life of the contract.

The following table reflects changes in the Company's deferred revenue during the years ended December 31:

	December 31,	
	2016	**2015**
Balance at the beginning of the year	$ 15,876	$ 17,836
Deferral of new sales	28,628	22,616
Recognition of previously deferred revenues	(28,635)	(24,341)
Translation differences	(92)	(235)
Balance at the end of the year	$ 15,777	$ 15,876

OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Payables and Accruals [Abstract]

OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

12 Months Ended

Dec. 31, 2016

NOTE 13:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2016	**2015**
Warranty accruals	$ 7,509	$ 7,188
Accrued expenses	7,416	8,099
Accrued commissions	4,452	5,309
Employees and related expenses	7,395	7,874
Tax authorities	2,204	7,846
	$28,976	$36,316

DERIVATIVE INSTRUMENTS	12 Months Ended Dec. 31, 2016
Derivative Instruments and Hedging Activities Disclosure [Abstract]	
DERIVATIVE INSTRUMENTS	

NOTE 14:- DERIVATIVE INSTRUMENTS

The fair values of outstanding derivative instruments were as follows:

		Fair value of derivative instruments December 31,	
	Balance sheets	2016	2015
Derivatives designated and qualified as cash flow hedging instruments:			
Foreign exchange contracts	Other account payables and accrued expenses	$ 4	$ 32
Total derivatives designated as hedging instruments		$ 4	$ 32

The effect of derivative instruments in cash flow hedging relationships in the statement of operations and other comprehensive income (loss) (OCI) is summarized below:

	Amount of gain (loss) recognized in accumulated OCI (effective portion) Year ended December 31,		
	2016	2015	2014
Foreign exchange contracts	$ 66	$ 124	$ (33)
Total	$ 66	$ 124	$ (33)

	Amount of gain (loss) reclassified from accumulated OCI into income (effective portion) Year ended December 31,		
Statements of operations	2016	2015	2014
Revenues	$ -	$ 211	$ 105
Operating expenses	38	(171)	(68)
Total	$ 38	$ 40	$ 37

	Gain (loss) recognized in income on derivatives			
		December 31,		
	Statements of operations	2016	2015	2014
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	Financial income (expenses), net	$ 87	$ (15)	$ 45
Total		$ 87	$ (15)	$ 45

COMMITMENTS AND CONTINGENCIES	12 Months Ended Dec. 31, 2016
Commitments and Contingencies Disclosure [Abstract]	
COMMITMENTS AND CONTINGENCIES	

NOTE 15:- COMMITMENTS AND CONTINGENCIES

a. Royalties:

1. In June 2004, the Company entered into an agreement effective from December 1, 2003 until December 1, 2021, for using the know-how of Tensor Technologies LLC ("Tensor"). For the usage of the know-how, the Company is obligated to pay royalties, at a rate of 4.5%, on sales of certain products to its distributors and subsidiaries.

   Royalty expenses amounting to $834, $879 and $933 for the years ended December 31, 2016, 2015 and 2014, respectively, were recorded as part of cost of revenues.

2. In August 2005, Candela entered into an agreement with the Regents of the University of California ("Regents") for exclusive license rights to the Dynamic Cooling Device ("DCD"), subject to certain limited license rights of Cooltouch, in the following fields of use: procedures that involve skin resurfacing and rejuvenation, vascular skin lesions, and laser hair removal. Cooltouch, obtained a license to the DCD on a co-exclusive basis with the Company, in certain narrower fields of use.

   Candela's agreement with the Regents called for an annual license fee, for calendar years up to 2015 of $150. The multi-year annual fee of $300 was paid to the Regents in a lump sum of $3,000 and is being amortized over the remaining life of the patent agreement. As of December 31, 2015, and 2014, the unamortized portion of the license fee payment was recorded in other receivables in the amount of $0 and $150, respectively.

   In addition, Candela's agreement with the Regents called for a minimum annual royalty obligation of $750. Candela's royalty obligation was 3% up to a certain level ("Net Sale Rate") of net sales and 2% above the Net Sale Rate.

   Royalty expenses and license fees amounted to $750, $2,060 and $2,508 for the years ended December 31, 2016, 2015 and 2014, respectively. The royalty and the amortization of the annual license fee payment are recorded as part of cost of revenues.

b. Leases:

The Company leases several facilities and automobiles under non-cancelable lease agreements. The facility leases can be adjusted for increases in maintenance and insurance costs above specified levels. In addition, certain facility leases contain escalation provisions based on certain inflationary indices. These operating leases expire in various years through fiscal year

2021. These leases may be renewed for periods ranging from one to five years.

The future minimum lease commitments of the Company under various non-cancelable operating lease agreements as of December 31, 2016, are as follows:

Year ended December 31,	
2017	5,392
2018	3,561
2019	2,729
2020	1,543
2021 and thereafter	2,127
	15,352

Rent expenses amounted to $4,360, $3,639 and $3,433 for the years ended December 31, 2016, 2015 and 2014, respectively.

c. Legal claims:

1. An action against Syneron, Inc. was commenced in New York state court on October 25, 2010 by a plaintiff related to alleged injury received while undergoing a procedure performed in January 2009 with a Triniti E-Max machine. Plaintiff alleged negligent misrepresentation, negligence, and product liability with respect to Syneron, Inc. and the "Triniti E-Max-Laser/facial laser treatment" and sought $2,000 in damages. In March 2014, the parties agreed to settle the matter in a the total amount of $430, of which $154 was paid in full by Syneron's insurer, and certain medical provider co-defendants paid the remainder.

2. On August 15, 2010, a former sales representative sued the Company in Israel for breach of employment agreement with the Company and demanded $1,500 (NIS 5.7 million). The Company filed its statement of defense rejecting the plaintiff's allegations in their entirety. After an initial preliminary hearing, the plaintiff subsequently filed an amended complaint pursuant to the court's order demanding $1,300 (NIS 4.8 million). Following the second preliminary hearing, the plaintiff consented to limit the claim to NIS 3 million. On April 1, 2015 the court entered a verdict rejecting all of the plaintiff's claims and ordering plaintiff to pay the Company legal expenses in the amount of NIS 0.1 million.

3. In November 2011, Estetitek S. de R.L. de C.V. (Estetitek), a Mexican distributor, filed a complaint with the arbitrator in Israel according to an arbitration clause in the distribution agreement entered into between the parties in 2006. Estetitek argues that Syneron breached the distribution agreement when it decided to cease selling products to Estetitek. Estetitek asks for compensation for the loss of profit caused to it by the failure to fulfill the distribution agreement in the amount of $1,700, and compensation for the damage to its reputation in the amount of $500. Following mediation in January 2016, a settlement

agreement was reached between the parties, according to which both parties withdrew their claims and Estetitek paid Syneron $100.

4. On December 31, 2013, Syneron Medical Ltd. and its subsidiary, Syneron Beauty Ltd. (which following a joint venture with Unilever Ventures is now a subsidiary of Iluminage Beauty), received a copy of a petition filed with the Central District Court in Israel to approve the filing of a class action suit against Syneron Medical Ltd. and Syneron Beauty Ltd. (the "Respondents"). The Petitioner claims that the Respondents violated article 2 of the Consumer Protection Act resulting from misleading advertising regarding the Syneron Beauty mē hair removal device.

   The Petitioner claims to represent the class of consumers that purchased the mē hair removal device and is seeking damages for the group in the amount of NIS 27.5 million.

   The Company is vigorously defending itself in this matter. Following evidentiary hearings, written summations were submitted by the applicant and the Company in September 2015 and February 2016, respectively. The Company, based on its legal advisors advice, assessed that contingent losses related with this case are reasonably possible and the amount cannot be reasonably estimated, pursuant to ASC 450, and an accrual has not been recorded for the loss contingencies.

5. On November 9, 2015, Air Liquide Healthcare America Corp. ("Air Liquide") filed suit against the Company in the United States District Court for the District of Massachusetts. On December 1, 2015, Air Liquide filed an Amended Complaint, which also added claims against another party. Air Liquide alleges that the Company improperly terminated a June 2011 Supply Agreement (as amended in September 2013) the ("Supply Agreement"), which required the Company to purchase certain materials exclusively from Air Liquide through June 1, 2021. Air Liquide claims, among other things, that the Company did not have valid grounds for termination. Air Liquide's Amended Complaint asserts claims for breach of contract, breach of the duty of good faith and fair dealing, violation of Massachusetts General Law Chapter 93A, defamation and unjust enrichment. Air Liquide seeks unspecified damages for the lost revenue, as well as treble damages and attorneys' fees. On December 30, 2015, the Company moved to dismiss the Amended Complaint because, inter alia, Air Liquide did not comply with alternative dispute resolution requirements in the Supply Agreement.

   Alternatively, the Company moved to dismiss all counts of the Amended Complaint directed at the Company other than the breach of contract claims, because the allegations did not support those claims. Air Liquide opposed the motion and it remains pending.

   The Company, based on its legal advisors advice, assessed that contingent losses related with this case are reasonably possible and that the amount cannot be reasonably estimated, pursuant to ASC 450, and accordingly an accrual has not been recorded for the loss contingencies.

6. From time to time, the Company is party to various legal proceedings incidental to its business. As of December 31, 2016, the Company has accrued a total amount of $334 which it deems sufficient to cover probable losses from legal proceedings and threatened litigation. During the year ended December 31, 2016 and 2015 the Company settled various legal claims and paid an amount of approximately $347 and $465 respectively.

EQUITY	12 Months Ended Dec. 31, 2016
Stockholders' Equity Note [Abstract]	
EQUITY	

NOTE 16:- EQUITY

a. Share capital:

1. Ordinary shares confer upon their holders voting rights, the right to receive dividends and the right to share in equity upon liquidation of the Company.

2. Certain of the Company's officers, directors and major shareholders that hold ordinary shares have the right to require the Company, on not more than one occasion, to file a registration statement on the appropriate form under the Securities Act in order to register the resale of their ordinary shares.

b. Syneron's option plan:

In 2014, Syneron adopted the 2014 Israel Stock Option Plan (for Israeli residents) and the 2014 Incentive Stock Option Plan (for the United States, Canada and the rest of the world) (collectively the 2014 Plans). The number of options approved under the 2014 Plans was 2,000,000 options.

Following approval by the Company’s Compensation Committee and Board of Directors on November 7, 2016, the 2014 Plans were amended to add 200,000 additional shares to the pool of shares available for equity incentive awards, which increase was effectuated under the Nasdaq Foreign Private Issuer Exemption (the “FPI Exemption”).

As of December 31, 2016, options to purchase 441,500 ordinary shares were available for future grants under the 2014 Plans.

Under the 2014 Plans, options are granted to employees, officers, directors and consultants at an exercise price equal to at least the fair market value at the date of grant and are granted for periods not to exceed ten years. Options granted under the 2014 Plans vest over a period of three to four years of employment. Any options that are cancelled or forfeited before expiration become available for future grants. In addition to granting stock options, the Company granted also Restricted Stock Units (RSUs) under the 2014 Plans to its board members. RSUs vest over a period of employment of up to four years.

Upon vesting, the RSU beneficiary is entitled to receive a share per one RSU for no consideration ($0.01 per share). RSUs that are cancelled or forfeited become available for future grants.

c. The following is a summary of activities relating to the Company's stock options and Stock Appreciation Rights (SAR) granted to employees and directors among the Company's various plans during the year ended December 31, 2016:

	Number of options	Weighted average exercise price	Aggregate intrinsic value (in thousands)
Outstanding at beginning of year	4,496,769	11.45	-
Granted	1,592,450	7.12	-
Exercised	-	-	-
Forfeited	(878,761)	14.28	-
Outstanding at end of year	5,210,458	9.27	2,330
Exercisable options at end of year	3,053,031	7.35	554
Vested and expected to vest	5,014,376	10.23	2,213

The intrinsic value of exercisable options (the difference between the Company's closing share price on the last trading day in fiscal 2016 and the average exercise price of in-the-money options, multiplied by the number of in-the-money options) included above represents the amount that would have been received by the option holders had all option holders exercised their options on December 31, 2016. This amounts changes based on the fair market value of the Company's ordinary shares.

The following table summarizes the RSUs activity for the year ended December 31, 2016:

	Number of RSUs	Fair value at grant date
Non-vested at January 1, 2016	16,500	$ 11.47
Granted	226,000	$ 7.25
Vested	(11,500)	$ 11.47
Forfeited	-	-
Non-vested at December 31, 2016	231,000	$ 7.25

The fair value of non-vested RSUs is determined based on the closing trading price of the Company's shares on the grant date. The weighted-average grant-date fair value of RSUs granted during the years 2016, 2015 and 2014, was $7.25, $0 and $10.34, respectively.

The total fair value of RSU's vested during the year ended December 31, 2016 was $132.

Aggregate intrinsic value, at the date of exercise, of options, SAR's and RSU's that were exercised during the years ended on December 31, 2016, 2015 and 2014 was $129, $841 and $247, respectively.

The options and SAR's outstanding as of December 31, 2016, have been separated into ranges of exercise price, as follows:

	Outstanding			Exercisable		
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$1.41	32,144	2.05	1.41	32,144	2.05	1.41
$4.81	27,083	2.62	4.81	27,083	2.62	4.81
$6.30-11.95	4,781,231	4.56	9.11	2,711,926	3.53	9.88
$12.09-14.10	370,000	3.62	12.38	281,878	3.43	12.41
$1.41-14.10	5,210,458	4.47	9.27	3,053,031	3.49	7.35

The weighted average fair values of options granted (including those granted to non-employees but excluding RSUs) during the years ended December 31, 2016, 2015 and 2014 were:

	Year ended December 31,		
	2016	2015	2014
Weighted average exercise prices	$ 7.12	$ 10.85	$ 10.81
Weighted average fair value on grant date	$ 2.54	$ 3.59	$ 4.02

The weighted average estimated fair value of employee stock options granted during the years ended December 31, 2016, 2015 and 2014 was calculated using the binomial model with the following weighted-average assumptions:

	Year ended December 31,		
	2016	2015	2014
Volatility	39.5%	35%	38.5%
Risk-free interest rate	1.06%	1.18%	1.65%
Dividend yield	0.00%	0.00%	0.00%
Post-vesting forfeiture rate	4.0%	5.56%	5.56%
Suboptimal exercise factor	2.0	2.0	2.0
Contractual life (in years)	7-10	7-10	7-10

Volatility is based on the historical volatility of the Company ordinary share, for a period equal to the stock options excepted life.

The share-based payments are denominated in U.S. dollars, and consequently, in accordance with ASC 718, when the binomial model is applied, the Company looks for yields on the U.S. treasury zero-coupon bonds with maturity that is commensurate with the contractual term of the award.

The Company is required to assume a dividend yield as an input in the binomial model. The dividend yield assumption is based on the Company's

historical and expectation of future dividend payouts and may be subject to substantial change in the future.

The post-vest forfeiture rate was calculated on a monthly basis and is presented on an annual basis.
The sub optimal exercise factor is based on the average ratio between the stock price and the exercise price.

The binomial model assumes that employees' exercise behavior is a function of the option's remaining contractual life and the extent to which the option is in-the-money (i.e., the average stock price during the period is above the strike price of the stock option). The binomial model estimates the probability of exercise as a function of these two variables based on the history of exercises and factors in also the post-vesting termination rate of employees, as termination triggers the truncation of employee awards shortly thereafter.

As equity-based compensation expense recognized in the consolidated statement of operations is based on awards ultimately expected to vest, it should be reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The total equity-based compensation expense recognized for the years ended December 31, 2016, 2015 and 2014, was comprised as follows:

	Year ended December 31,		
	2016	**2015**	**2014**
Cost of revenues	$ 160	$ 197	$ 160
Research and development	341	332	370
Sales and marketing	1,227	1,284	1,093
General and administrative	1,983	1,962	2,077
Total equity-based compensation expense before taxes	$ 3,711	$ 3,775	$ 3,700

As of December 31, 2016, there was $5,927 of total unrecognized stock-based compensation cost related to non-vested stock-based compensation granted under the Company's stock option plans. That cost is expected to be recognized over a weighted average period of 1.45 years.

d. Dividends:

The Company has never paid cash dividends to shareholders. The Company intends to retain future earnings for use in its business and does not anticipate paying cash dividends on its shares in the foreseeable future. Any future dividend policy will be determined by the Board of Directors and will be based upon conditions then existing, including results of operations, financial condition, current and anticipated cash needs, contractual restrictions, potential tax implication and other conditions as the Board of Directors may deem relevant. In the event that cash dividends are declared in the

future, such dividends will be paid in U.S. dollars subject to any statutory limitations.

e. Repurchase of Shares

On December 1, 2014, the Company Board of Directors approved a share repurchase program of up to $20,000 of Syneron's ordinary shares. Under the program, ordinary shares may be repurchased from time to time through open market transactions, block purchases, or private transactions in accordance with applicable regulatory requirements. The timing of purchases and the number of shares to be purchased will depend on market conditions and other factors. The program does not obligate the Company to acquire any specific number of shares and may be discontinued at any time. The Company intends to fund any share repurchases with currently available working capital. During 2016, the Company repurchased 563,642 ordinary shares at an average price of $6.96 for an aggregate purchase price of $3,925 and completed a total share repurchase of $20,000 of Syneron's ordinary shares as approved by the Company's Board of Directors. Total consideration for the purchase of these ordinary shares was recorded as treasury shares, at cost, as part of shareholders' equity.

OTHER EXPENSES (INCOME), NET

12 Months Ended Dec. 31, 2016

Other Income and Expenses [Abstract]

OTHER EXPENSES (INCOME), NET

NOTE 17:- OTHER EXPENSES (INCOME), NET

	Year ended December 31,		
	2016	**2015**	**2014**
Impairment of intangibles assets (see also Note 9)	$ -	$ 3,289	$ 1,705
Changes in the fair value contingent consideration	(878)	(4,105)	(3,012)
Gain from deconsolidation of subsidiary (*)	(1,149)	-	-
Changes in the fair value of investment in affiliated company (**)	7,010	330	4,590
Other	-	(427)	-
Total	$ 4,983	$ (913)	$ 3,283

(*) On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary. Accordingly, on the deconsolidation date the Company recorded a gain of $1,149.

(**) During 2016, 2015 and 2014, the Company recorded a loss in the amount of $7,010, $330 and $4,590 respectively, due to changes in the fair value of its investment in Iluminage Beauty. Refer to Notes 4 and 7 for further details.

INCOME TAXES	12 Months Ended Dec. 31, 2016
Income Tax Disclosure [Abstract]	
INCOME TAXES	

NOTE 18:- INCOME TAXES

a. Israeli taxation:

1. Corporate tax rate:

Taxable income of the Company is subject to a corporate tax rate as follow: 2014 and 2015 - 26.5% and 2016 – 25%.

On January 5, 2016, the Israeli Parliament officially published the Law for the Amendment of the Israeli Tax Ordinance (Amendment 216), that reduces the corporate tax rate from 26.5% to 25%.

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

2. Tax benefits under Israel's Law for the Encouragement of Industry (Taxes), 1969:

The Company is an "Industrial Company", as defined by the Law for the Encouragement of Industry (Taxes), 1969, and as such, the Company is entitled to certain tax benefits, mainly amortization of costs relating to know-how and patents over eight years, accelerated depreciation and the right to deduct public issuance expenses for tax purposes.

3. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (Law):

The Company has been granted the status of "Privileged Enterprise" according to the Amendment to the Law, for eligible investments ended in 2005, 2007, 2009 and 2012 ("Programs"). Those mentioned years are considered to be the election years for tax benefits under the Law.

In accordance with the Law the Company has chosen to enjoy an "alternative benefits track" status. Accordingly, Syneron Medical Ltd.'s income attributed to the Programs is exempt from taxes on income derived therefrom, the earlier of, a period of 10 years starting in the year in which the Company first generates taxable income or 12 years starting the election year.

As a "Privileged Enterprise" under the Law in Israel, the Company is partly exempt from taxes on income derived from its "Privileged Enterprise," and the Company is obligated to pay taxes on income

from other sources, which are not integral to its "Privileged Enterprise".

In addition, it should be noted that certain Israeli subsidiaries have a "Privileged Enterprise" status and are exempt from taxes on income derived from their "Privileged Enterprise" status. The tax consequences of such status are not significant to the Company.

Out of the Company's retained earnings as of December 31, 2016, approximately $223,091 is tax-exempt earnings attributable to its Approved Enterprise and Privileged Enterprise program. The tax-exempt income attributable to the Approved and Privileged Enterprise cannot be distributed to shareholders without subjecting the Company to taxes. If dividends are distributed out of tax-exempt profits, the Company will then become liable for tax at the rate applicable to its profits from the approved enterprise in the year in which the income was earned, as if it was not under the "alternative benefits track".

On October 27, 2013, the Company agreed to pay to the Israeli Tax Authority approximately $4,000 to free up "trapped profits" in accordance with the Trapped Profits Law. This payment gives the Company flexibility to perform certain future business transactions which apply to profits derived from "Approved Enterprise" or "Privileged Enterprise", up to a limit of approximately $58,172, without incurring any additional Israeli tax.

As of December 31, 2016, if the income attributed to the Approved Enterprise and Privileged Enterprise is distributed as a dividend, the Company will incur a tax liability of approximately up to $59,340, excluding approximately $4,000 that was paid in accordance to the Trapped Profit Low, as mentioned above. These amounts will be recorded as an income tax expense in the period in which the Company declares the dividend.

The Company's Board of Directors has determined that it will not distribute any amounts of its undistributed tax-exempt income as a dividend. The Company intends to reinvest the amount of its tax-exempt income. Accordingly, no deferred income taxes have been provided on income attributable to the Company's Approved and Privileged Enterprise programs as the undistributed tax-exempt income is essentially permanent in duration.

The entitlement to the above benefits is conditional upon the Company's fulfilling the conditions stipulated by the Law, regulations published thereunder and the certificates of approval for the specific investments in Approved Enterprises.

Should the Company fail to meet such requirements in the future, income attributable to its Programs could be subject to the statutory Israeli corporate tax rate and the Company could be required to refund a portion of the tax benefits already received, with respect to such program. The Company's management believes that the Company is meeting the aforementioned conditions.

Income from sources other than the "Approved Enterprise" and/or "Privileged Enterprise" is subject to tax at regular Israeli corporate tax rate state above.

4. Amendments to the Law:

In January 2011, the Law for Economic Policy for 2011 and 2012 (Amended Legislation), 2011 ("the Amendment") was enacted. The Amendment prescribes, among others, amendments to the Law for the Encouragement of Capital Investments, 1959 ("the Law"). The Amendment became effective as of January 1, 2011. According to the Amendment, the benefit tracks in the Law were modified and a flat tax rate applies to the Company's entire preferred income under its status as a preferred company with a preferred enterprise. Commencing from the 2011 tax year, the Company can elect (without possibility of reversal) to apply the Amendment in a certain tax year and from that year and thereafter, it will be subject to the amended tax rates, as detailed below.

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which includes Amendment 71 to the Law for the Encouragement of Capital Investments ("the Amendment") was enacted. According to the Amendment, the tax rate on preferred income from a preferred enterprise in 2014 and thereafter will be 16% (in development area A - 9%). As for changes in tax rates resulting from the enactment of Amendment 73 to the Law, see below.

The Amendment also prescribes that any dividends distributed to individuals or foreign residents from the preferred enterprise's earnings as above will be subject to tax at a rate of 20%.

The Company has evaluated the effect on its financial statements of the transition to the preferred enterprise tax track, and as of the date of the approval of the financial statements, the Company believes that it will not transition to the preferred enterprise tax track. Accordingly, the Company did not adjust its deferred tax balances as of December 31, 2016. The Company's position may change in the future.

Amendment to the Law for the Encouragement of Capital Investments, 1959 (Amendment 73):

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law for the Encouragement of Capital Investments ("the Amendment") was published. According to the Amendment, a preferred enterprise located in development area A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%).

The Amendment also prescribes special tax tracks for technological enterprises, which are subject to rules that are to be issued by the Minister of Finance by March 31, 2017.

The new tax tracks under the Amendment are as follows:

Technological preferred enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A technological preferred enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development area A - a tax rate of 7.5%).

Special technological preferred enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries exceed NIS 10 billion. Such enterprise will be subject to tax at a rate of 6% on profits deriving from intellectual property, regardless of the enterprise's geographical location.

Any dividends distributed to "foreign companies", as defined in the Law, deriving from income from the technological enterprises will be subject to tax at a rate of 4%.

Since as of December 31, 2016 definitive criteria to determine the tax benefits had not yet been established, it cannot be concluded that the legislation in respect of technological enterprises had been enacted or substantively enacted as of that date. Accordingly, the above changes in the tax rates relating to technological enterprises were not taken into account in the computation of deferred taxes as of December 31, 2016.

b. Non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed based on tax laws in their respective jurisdictions. The Corporate income tax rate of significant jurisdictions are as follows:

	Tax rate
Australia	30%
Canada (*)	15%
China	25%
Germany	27%
Hong Kong	16.5%
Japan	35.6%
Spain	25%
United States (*)	35%

(*) Federal

c. Deferred taxes:

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2016	**2015**

Net operating loss carryforward	$ 20,859	$ 34,688
Tax credits	8,040	9,184
Capital losses carryforward (1)	18,797	17,045
Bad debt reserve	1,407	901
Deferred revenues	1,714	1,656
Accrued warranty reserve	1,497	1,529
Inventory reserve	1,017	727
Intangible assets – patents	808	846
Other temporary differences	6,222	6,207
Total deferred tax asset before valuation allowance	60,361	72,783
Valuation allowance	(40,482)	(49,222)
Total deferred tax asset	19,879	23,561
Deferred tax liability in respect of intangible assets acquired	(2,239)	(3,198)
Total deferred tax liability	(2,239)	(3,198)
Net deferred tax asset	$ 17,640	$ 20,363

(1) The Company has capital loss carryforwards resulting mainly from the difference between the reporting currency and the tax basis of the investments in marketable securities and from sale of subsidiaries. The Company recorded a full valuation allowance regarding to its capital loss carryforwards.

At December 31, 2016, the Company's U.S. subsidiaries had cumulative net operating losses (NOL) for US federal and state income tax return purposes of $46,308 and $38,766 respectively. The federal NOL carryforwards expire between 2025 and 2033. The state NOL carryforwards begin to expire in 2017. The federal and state NOL carryforwards for tax return purposes are $35,747 greater than their NOL for financial reporting purposes due to unrecognized tax benefits and excess tax benefits. Excess tax benefits related to option exercises cannot be recognized until realized through a reduction of current taxes payable.

Such losses are subject to limitations of Internal Revenue Code, Section 382, which in general provides that utilization of NOL's is subject to an annual limitation if an ownership change results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. The annual limitations may result in the expiration of losses before utilization.

The Company has available Israeli carryforward capital tax losses of $67,772 and $52,212 in 2016 and 2015, respectively. The Company has Israeli available carryforward net operating tax losses of $69,730 and $95,854 in 2016 and 2015, respectively to offset against future tax profits for an indefinite period.

At December 31, 2016, the Company's U.S. subsidiaries had available federal research and development (R&D) tax credit carryforwards of approximately $2,331 expiring between 2023 and 2036, capital loss carryforwards of $9,169 expiring in 2017, and alternative minimum tax credits of approximately

$1,370 with an unlimited carryforward period. The Company also had available state R&D tax credits of approximately $1,325. Federal and state R&D credit carryforwards for tax return purposes are $482 greater than their federal and state R&D credit carryforwards for financial reporting purposes due to unrecognized tax benefits.

ASC 740 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all the deferred tax assets will not be realized. The Company evaluated the net deferred tax assets for each separate tax entity. For certain entities, the Company concluded that it is not more likely than not that the net deferred tax assets will be realized and a valuation allowance has been recorded against these assets. Based on a consideration of these factors, the Company has established a valuation allowance of $40,482 and $49,222 at December 31, 2016 and 2015, respectively. The Company's estimate of future book-taxable income considers all available evidence, both positive and negative, about its operating businesses and investments, included an aggregation of individual projections for each significant operating business and investment, estimated apportionment factors for state and local taxing jurisdictions and included all future years that the Company estimated it would have available net operating loss carryforwards ("NOLs").

For other entities, the Company has determined that the positive evidence outweighs the negative evidence for other deferred tax assets and concluded that these deferred tax assets are realizable on a "more likely than not" basis. This determination was based on many factors, including the following: (i) the net temporary differences resulting in the deferred tax assets and in the deferred tax liabilities are expected to reverse in similar time periods; (ii) the history of utilizing tax benefits, (iii) certain significant costs that are not expected to occur in future periods, and (iv) expected future results of operations.

No amount for income tax has been provided on undistributed earnings of the Company's foreign subsidiaries because the Company considers the approximate $53,679 of accumulated foreign earnings to be indefinitely reinvested. The Company expects existing domestic cash and short-term investments and cash flows from operations to continue to be sufficient to fund the operating activities and cash commitments for investing and financing activities, and capital expenditures, for at least the next 12 months and thereafter for the foreseeable future. Determination of the amount of income tax liability that would be incurred is not practicable.

d. Tax contingencies for unrecognized tax benefits:

The changes to unrecognized tax benefits from January 1, 2015 through December 31, 2016, were as follows:

Gross tax liabilities at January 1, 2015	$ 1,875
Additions based on tax positions related to the current year	187
Additions for tax positions of prior years	-
Reductions for positions of prior years due to lapse of statute of limitation	(66)
Gross tax liabilities at December 31, 2015	1,996

Additions based on tax positions related to the current year	33
Additions for tax positions of prior years	-
Reductions for positions of prior years due to lapse of statute of limitation	(150)
Gross tax liabilities at December 31, 2016	1,879

ASC 740 requires that deferred tax assets be reduced by a valuation allowance if it is included in the balance of tax contingencies for uncertain tax positions at December 31, 2016 was approximately $1,992 of unrecognized tax benefits that, if recognized, would affect the annual effective income tax rate. The unrecognized tax benefits and interest are recorded in net deferred taxes assets and long-term obligations on the balance sheets.

The liability for unrecognized tax benefits as of December 31, 2016 and 2015 included accrued interest of $113 and $184, respectively.

The Company operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited or subject to review by both domestic and foreign authorities. The associated tax filings remain subject to examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The following describes the open tax years, by major tax jurisdiction, as of December 31, 2016:

Israel	-	2012-present
United States	-	2012-present
Australia	-	2011-present
Germany	-	2012-present
Canada	-	2012-present
Japan	-	2016
Switzerland	-	2015-present
Spain	-	2012-present

e. Income (loss) before taxes on income:

	Year ended December 31,		
	2016	**2015**	**2014**
Domestic	$(13,600)	$(15,013)	$ (9,759)
Foreign	17,592	8,721	6,854
	$ 3,992	$ (6,292)	$ (2,905)

f. Taxes on income:

Current taxes:			
Domestic	$ -	$ 187	$ 1,385
Foreign	938	1,656	1,886
	938	1,843	3,271
Deferred taxes:			
Domestic	-	-	96
Foreign	2,875	(1,795)	(1,072)

	2,875	(1,795)	(976)
Taxes on income	$ 3,813	$ 48	$ 2,295

g. Reconciliation of the theoretical tax expenses:

Reconciliation between the theoretical tax expenses, assuming all income is taxed at the statutory rate in Israel and the actual income tax as reported in the statements of operations is as follows:

	Year ended December 31,		
	2016	**2015**	**2014**
Income (loss) before taxes on income	$ 3,992	$ (6,292)	$ (2,905)
Statutory tax rate in Israel	25.0%	26.5%	26.5%
Theoretical tax benefits on the above amount at the Israeli statutory tax rate	$ 998	$ (1,667)	$ (770)
Difference in basis of measurement for tax purpose	4,393	(1,938)	4,853
Change in valuation allowance, net	(8,740)	3,484	(6,784)
Non-deductible stock-based compensation	920	1,001	1,215
Non-deductible expenses	675	106	355
State deferred taxes	252	253	174
Difference and changes in tax rates (*)	5,612	(1,846)	658
Tax contingencies	(163)	131	60
Tax credits	324	82	(491)
Impairment charges	-	840	1,216
Withholding taxes	-	-	1,386
Return to provision	56	(443)	227
Other	(514)	45	196
Actual tax expense	$ 3,813	$ 48	$ 2,295

(*) Mainly resulting from the Legislative Amendments described in note 18a1 which reduces the corporate income tax rate from 26.5% to 23% effective from January 1, 2018. The major change in 2016 is due to the NOLs in Israel for which the Company provided a valuation allowance.

FINANCIAL INCOME (EXPENSES), NET	12 Months Ended Dec. 31, 2016
FINANCIAL INCOME (EXPENSES), NET [Abstract]	
FINANCIAL INCOME (EXPENSES), NET	

NOTE 19:- INANCIAL INCOME (EXPENSES), NET

	Year ended December 31,		
	2016	2015	2014
Income:			
Interest on cash equivalents	$ 15	$ 88	$ 24
Gain and interest on available-for-sale marketable securities, net	320	386	528
Foreign currency translation adjustments, net	648	-	-
Interest on bank deposits	-	82	77
Expenses:			
Interest on short-term credit and bank commissions	(219)	-	(68)
Foreign currency translation adjustments, net	-	(389)	(1,249)
	$ 764	$ 167	$ (688)

GEOGRAPHIC INFORMATION	12 Months Ended Dec. 31, 2016
Segment Reporting [Abstract]	
GEOGRAPHIC INFORMATION	

NOTE 20:- GEOGRAPHIC INFORMATION

a. General:

The Company operates in one reportable segment. The Company's chief operating decision-maker (CODM) is a combination of both its Chief Executive Officer and its Chief Financial Officer, who evaluates the Company's performance and allocates resources based on the Company's business results. The CODM uses one measurement of profitability and does not segregate its business for internal reporting.

b. The Company provides one group of similar products and services to its customers. The Company considers its products to be a group of similar products since each product in the Company's portfolio has similar characteristics, including the fact that they are used by customers to perform a comprehensive aesthetic service, are sold to similar classes of customers and have similar production processes and are subject to similar degrees of economic risks and uncertainties. Additionally, all of the products are physically-tested in the Company's manufacturing process and are each controlled by similar launch processes.

c. Financial data relating to geographic areas:

The Company's total revenues are attributed to geographic areas based on the location of the end customer.

The following table presents total revenues and long lived assets for the years ended December 31, 2016, 2015 and 2014. Other than as shown, no foreign country contributed materially to revenues or long-lived assets for these periods.

	2016		2015		2014	
	Total revenue	Long-lived assets	Total revenue	Long-lived assets	Total revenue	Long-lived assets
North America	$105,727	$ 5,085	$107,527	$ 2,933	$ 91,825	$ 2,601
Europe and Middle East (excluding Israel)	84,020	1,163	79,615	207	82,786	296
Asia Pacific	63,978	701	62,324	390	44,406	138
Japan	30,968	783	16,193	365	25,460	9
Israel	2,853	4,797	4,461	5,928	3,217	3,967
Other	10,556	-	7,729	-	8,056	-
	$298,102	$ 12,529	$277,849	$ 9,823	$255,750	$ 7,011

d. Significant customers:

No major customer accounted for more than 10% of the Company's consolidated revenues for the years ended December 31, 2016, 2015 and 2014.

NET INCOME (LOSS) PER SHARE

12 Months Ended Dec. 31, 2016

Net income (loss) per share:

NET INCOME (LOSS) PER SHARE

NOTE 21:- NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Year ended December 31,		
	2016	**2015**	**2014**
Numerator:			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Denominator:			
Total weighted average number of shares outstanding used in computing:			
Basic net income (loss) per share	34,744,484	36,415,651	36,703,251
Diluted net income (loss) per share	34,945,387	36,415,651	36,703,251
Basic net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)
Diluted net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)

Anti-dilutive securities:

The following numbers of shares related to outstanding employees stock options were excluded from the computation of diluted net income (loss) per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

	Year ended December 31,		
	2016	**2015**	**2014**
Ordinary shares	4,494,914	4,496,769	4,285,397

DISCLOSURE ON RELATED PARTIES TRANSACTION	12 Months Ended
	Dec. 31, 2016
Related Party Transactions [Abstract]	
Disclosure on related parties transactions	**NOTE 22:- DISCLOSURE ON RELATED PARTIES TRANSACTION**

a. The Company Chairman of the Board of Directors of the Company, previously owned 9.85% of the issued and outstanding shares of RBT and, until February 29, 2012, has served as chairman of the Board of Directors of RBT. Together with other RBT's shareholders, the chairman sold his holdings in RBT to the Company on May 30, 2012 in consideration of his pro-rata share of: (i) an initial purchase price of $5,000, (ii) an additional $5,000 paid on May 30, 2013, (iii) certain milestone payments in the aggregate amount equal to $15,240, (iv) the repayment of certain loan amounts provided by RBT to certain of its shareholders, and (v) the payment of 2.019% of annual net sales generated by RBT intellectual properties for an unlimited period. (See also note 1b3).

b. The Company has engaged ManofIT, a consulting and systems integration firm, to assist with various information technology projects. ManofIT’s co-founder and managing partner is a brother of the Company’s CEO. ManofIT was first retained by the Company in 2007 and the relationship was expanded in 2014. In 2014, ManofIT received approximately $169 for the services that it provided to the Company, excluding value added tax. In 2015, ManofIT received approximately $297 for such services, excluding value added tax. In 2016, ManofIT received approximately $118 for such services, excluding value added tax.

SIGNIFICANT ACCOUNTING POLICIES (Policies)	12 Months Ended Dec. 31, 2016
Accounting Policies [Abstract]	
Use of estimates:	a. Use of estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Company's management evaluates estimates, including those related to fair values and useful lives of intangible assets, tax assets and liabilities, fair values of stock-based awards and the investment in affiliated company. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.
Financial statements in U.S. dollars:	b. Financial statements in U.S. dollars: A major part of the Group's operations is carried out by the Company and its subsidiaries in the United States and Israel. The functional currency of these entities is the U.S. dollar (dollar or $) as the revenues and a substantial portion of the costs are denominated in dollar. The Company's management believes that the dollar is the primary currency of the economic environment in which the Company and certain of its subsidiaries operate. Thus, the functional and reporting currency of the Company and certain of its subsidiaries is the dollar. Accordingly, monetary accounts maintained in currencies other than the dollar are re-measured into dollars in accordance with ASC 830, "Foreign Currency Matters" (ASC 830). All transaction gains and losses of the re-measurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate. The functional currency of certain foreign subsidiaries, whose functional currency has been determined to be their local currency, has been translated into dollar. Assets and liabilities have been translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts have been translated using monthly average exchange rates in accordance with ASC 830. The resulting translation adjustments are reported as a component of equity in accumulated other comprehensive income (loss).
Principles of consolidation:	c. Principles of consolidation:

The consolidated financial statements include the accounts of Syneron Medical Ltd. and its wholly owned subsidiaries. All intercompany balances and transactions including profits from intercompany sales not yet realized outside the Group, have been eliminated upon consolidation.

Changes in the parent's ownership interest in a subsidiary with no change of control are treated as equity transactions, with any difference between the amount of consideration paid and the change in the carrying amount of the non-controlling interest, recognized in equity (APIC) which is based on ASC 810.

Cash and cash equivalents:

d. Cash and cash equivalents:

Cash and cash equivalents are short-term highly liquid investments that are readily convertible into cash with original maturities of three months or less, at acquisition.

Short-term bank deposits:

e. Short-term bank deposits:

Bank deposits with maturities of more than three months but less than one year are included in short-term deposits. Such short-term deposits are stated at cost which approximates market values. Interest on deposits is recorded as financial income. As of December 31, 2016 and 2015, the Company held short-term interest bearing deposits with weighted average interest rates of 0.06%.

Marketable securities:

f. Marketable securities:

Marketable securities consist primarily of government treasury bonds and corporate bonds. The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. In accordance with ASC 320 "Investments- Debt and Equity Securities" (ASC320), the Company classifies all of its marketable debt securities as available-for-sale securities. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported in "accumulated other comprehensive income (loss)", in shareholders' equity. Realized gains and losses on sales of marketable securities, as determined on a specific identification basis, are included in financial income (expenses), net. The amortized cost of marketable debt securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in financial income (expenses), net.

The Company recognizes an impairment charge when a decline in the fair value of its investments in debt securities below the cost basis of such securities is judged to be other-than-temporary. Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and the Company's intent to sell, including whether it is more likely than not that the Company will be required to sell the investment before recovery of cost basis. For securities that are deemed other-than-temporarily impaired ("OTTI"), the amount of impairment is recognized in the statement of operations and is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income (loss). The Company did not recognize OTTI impairment loss with respect to its marketable securities in 2016, 2015 and 2014.

Derivatives and hedging activities:

g. Derivatives and hedging activities:

The Company implemented the requirements of ASC 815, "Derivatives and Hedging" which requires companies to recognize all of their derivative instruments as either assets or liabilities in the balance sheets at fair value. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualified as part of a hedging transaction and further, on the type of hedging transaction. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings.

The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

The Company measured the fair value of the forward contracts in accordance with ASC 820 (classified as level 2).

Due to the Company's global operations, it is exposed to foreign currency exchange rate fluctuations in the normal course of its business.

The Company's policy allows it to offset the risks associated with the effects of certain foreign currency exposures through the purchase of foreign exchange forward or option contracts (Hedging Contracts).

The Company entered into forward contracts to hedge and protect against the risk of changes in future cash flow from payments of payroll and related expenses denominated in Israeli Shekels (NIS) during the year and for certain forecasted revenue transactions in currencies other than the U.S. dollar, the Company instituted a foreign currency cash flow hedging program. The Company hedges portions of the anticipated payroll of its Israeli employees denominated in NIS or revenues anticipated in currencies other than the U.S. dollar for a period of one to twelve months.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gain or loss on a derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item is recognized in current earnings during the period of change. As of December 31, 2016 and 2015, the Company had outstanding liabilities forward contracts that met the requirement for cash flow hedge accounting was $(4) and $(32), with a notional amount of $3,641 and $3,478, respectively, and outstanding option contracts with a notional amount of $5,105 and $8,477, respectively.

Inventories:

h. Inventories:

Inventories are stated at the lower of cost or market value. Inventory reserve, for slow-moving items, is provided to cover risks arising from slow-moving items, technological obsolescence, excess inventories and discontinued products.

Cost is determined as follows:

Raw materials - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis. The Company calculates at least on a quarterly basis the variance between an items' standard cost and the latest purchasing prices of those items; the variance is investigated; adjustments are made as necessary and have been included in cost of revenues.

Work in process - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis, including materials, labor and other direct and indirect manufacturing costs.

Finished products - on the basis of standard cost - which approximates actual cost on a first-in, first-out basis, and which includes materials, labor and manufacturing overhead. Standard costs are monitored and updated as necessary, to reflect the changes in raw material costs and labor and overhead rates.

The Company assesses the carrying value of its inventory for each reporting period to ensure inventory is reported at the lower of cost or market in accordance with ASC 330-10-35. Charges for obsolete and slow moving inventories are recorded based upon an analysis of specific identification of obsolete inventory items and quantification of slow moving inventory items. These assessments consider various factors, including historical usage rate, technological obsolescence, estimated current and future market values and new product introduction. In cases when there is evidence that the anticipated utility of goods, in their disposal in the ordinary course of business, will be less than the historical cost of the inventory, the Company recognizes the difference as a current period charge to earnings and carries the inventory at the reduced cost basis until it is sold or disposed of.

When recorded, the reserves are intended to reduce the carrying value of inventory to its net realizable value. Inventory of $47,376 and $49,352 as of December 31, 2016 and 2015, respectively, is stated net of inventory reserves of $8,543 and $5,740, respectively. If actual demand for the Company's products deteriorates, or market conditions are less favorable than those projected, additional inventory reserves may be required.

Property and equipment, net:

i. Property and equipment, net:

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

	%
Computers, software, manufacturing, laboratory equipment and demonstration equipment (*)	10 - 50 (mainly 33)
Office furniture and equipment	6 - 30 (mainly 15)

Leasehold improvements	The shorter of the term of the lease or the useful life of the asset

(*) Demonstration equipment consists of systems for use in marketing and selling activities. Demonstration equipment is generally not held for sale and is recorded as property and equipment. The demonstration equipment is amortized on a straight-line method over their estimated economic life not to exceed two years.

Impairment of long-lived assets:

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

The Company's property and equipment and identifiable intangibles subject to amortization are reviewed for impairment in accordance with ASC 360, "Impairment or Disposal of Long-Lived Assets" ("ASC 360"), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of the asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured as the amount by which the
carrying amount of the asset exceeds its fair value.

Intangible assets acquired in a business combination are recorded at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives, which range from 5 to 8 years. Some of the acquired customer arrangements are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such customer arrangements as compared to the straight-line method. All other intangible assets are amortized over their estimated useful lives on a straight-line basis.

During 2016 no impairment charges were recorded related to intangible assets. During 2015 and 2014 the Company recorded impairment charges, related to intangible assets, in the amount of $3,289 and $1,705, respectively.

Business combinations:

k. Business combinations:

The Company accounts for business combinations in accordance with ASC 805, "Business Combinations". ASC 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over the purchase price and any subsequent changes in estimated contingencies are to be recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and acquired income tax positions are to be recognized in earnings.

Contingent considerations to former owners agreed in a business combination, e.g, in the form of milestone payments upon the achievement of certain sales target, are recognized as liabilities at fair value as of the recognition date. Any subsequent changes in amounts recorded as liability are recognized in earnings in other expenses (income), net.

Investments in affiliated companies (non-marketable securities):

l. Investment in affiliated company (non-marketable securities):

The Company implemented ASC 323, "Investments - Equity and Joint Ventures", to determine whether it should apply the equity method of accounting to its investments.

Investment in Iluminage Beauty, the Company elected to recognize the investments at fair value at each reporting date with changes in the fair value recognized in earnings under other expenses (income), net. Refer to Notes 4 and 7 for further details.

Goodwill and indefinite lived assets:

m. Goodwill and indefinite lived assets:

Goodwill and intangible assets have been recorded as a result of acquisitions. Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired.

The Company applies ASC 350, "Intangibles - Goodwill and Other". Under ASC 350, goodwill is not amortized but rather is subject to an annual impairment test. ASC 350 requires goodwill to be tested for impairment at least annually or between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. During the fourth quarter of 2015, the Company changed the date of its annual goodwill impairment test from June 30 to December 31.The Company determined December 31 as the date of the annual impairment test for each of its reporting units.

Starting January 1, 2014, the Company operates in one operating segment which is comprised of 2 reporting units. Refer to Note 20 for further details in regard to the Company's segment.

The provisions of ASC 350 require that a two-step impairment test be performed on goodwill at the level of the reporting units. There is a two-step process for impairment testing of goodwill. The first step screens for potential impairment, while the second step (if necessary) measures impairment. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. In such case, the second step is then performed, and the Company measures impairment by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill.

The Company determines the fair value of each reporting unit using the income approach, which utilizes a discounted cash flow model, as it believes that this approach best approximates the reporting unit's fair value.

Judgments and assumptions related to revenue, operating income, future short-term and long-term growth rates, weighted average cost of capital, interest, capital expenditures, cash flows, and market conditions are inherent in developing the discounted cash flow model. The Company considers historical rates and current market conditions when determining the discounted and growth rates to use in its analyses. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for its goodwill. As a result of the annual impairment test in 2016, no impairment loss was recorded. During 2015 the Company recorded goodwill impairment charges of $2,500 and $1,343 related to Cooltouch and RBT goodwill, respectively. During 2014 the

Company recorded goodwill impairment charge of $1,185 related to RBT goodwill, respectively. (See also Note 10).

Revenue recognition:

n. Revenue recognition:

Revenues are recognized in accordance with ASC 605, "Revenue Recognition" when delivery has occurred, persuasive evidence of an agreement exists, the fee is fixed and determinable, collectability is reasonably assured and no further obligations exist. Provisions are made at the time of revenue recognition for any applicable warranty cost expected to be incurred.

The timing for revenue recognition of the various products and customers is dependent upon satisfaction of such criteria and generally varies from shipment to delivery to the customer depending on the specific shipping terms of a given transaction, as stipulated in the agreement with each customer. Revenues from service contracts are recognized on a straight-line basis over the life of the related service contracts.

Other than pricing terms which may differ due to the different volumes of purchases between distributors and end-users, there are no material differences in the terms and arrangements involving direct and indirect customers.

The Company's products sold through agreements with distributors are non-exchangeable, non-refundable, non-returnable and without any rights of price protection or stock rotation. Accordingly, the Company considers all the distributors as end-users.

The Company assesses whether collection is reasonably assured based on a number of factors, including the customer's past transaction history and credit worthiness.

In respect of sale of systems with installation, in accordance with ASC 605, the Company has concluded that its arrangements are generally consistent with the indicators suggesting that installation is not essential to the functionality of the Company's systems. Accordingly, installation is considered inconsequential and perfunctory relative to the system, and therefore the Company recognizes revenue for the system and installation upon delivery to the customer in accordance with the agreement delivery terms once all other revenue recognition criteria have been met, and provides an accrual for installation costs as appropriate.

According to ASC 605-25, when a sales arrangement contains multiple deliverables, such as sales of products and related services, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. Under this approach, the selling price of a unit of accounting is determined by using a selling price hierarchy which requires the use of vendor-specific objective evidence (VSOE) of fair value if available, third-party evidence (TPE) if VSOE is not available, or best estimate of selling price (BESP) if neither VSOE nor TPE is available. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

Accordingly, for such products and services the Company determined the fair value based on management's best estimate of the selling price which take into consideration several external and internal factors including, but not limited to, pricing practices (including discounts, margin objectives and consideration of the Company's pricing models) and go-to-market strategy. Those estimates are corroborated by normal expected margins depending on the product, region and type of customer (i.e., clinic or a distributor).

The Company sells deliverables of products and service which consist of a system, applicators, consumables (such as spare parts), and an extended warranty. Such deliverables can be delivered either in a bundled transaction or separately.

Typically, systems and applicators or related consumables are shipped and delivered at the same time while the extended warranty is provided subsequent to the expiration of the standard warranty period. In those circumstances when not all the products have been delivered, the Company has concluded that the delivered elements have standalone value as a pre-condition for recognizing revenues for the delivered elements. The threshold for recognizing such revenues would normally be the delivery of a system with the applicator providing the System with full functionality.

In certain cases, when product arrangements are bundled with extended warranty, the separation of the extended warranty falls under the scope of ASC 605- 20-25-1 through 25-6, and the price of the extended warranty stated in the agreement is deferred and recognized ratably over the extended warranty period which is typically between one year and three years.

The Company does not provide any performance, cancelation, termination or any refund type provisions to its customers, nor does it grant a right of return, for its products.
Deferred revenue includes primarily unearned amounts received in respect of service contracts but not yet recognized as revenues and classified in short and long-term based on their contractual term.

Research and development costs:

o. Research and development costs:

Research and development costs are charged to the statement of operations, as incurred.

Accounting for share-based compensation:

p. Accounting for share-based compensation:

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on their estimated fair values in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations. The Company estimates the fair value of employee stock options at the date of grant using the Binomial option-pricing model ("the Binomial model"). The Binomial model for option pricing requires a number of assumptions, of which the most significant are the suboptimal exercise factor and expected stock price volatility. The suboptimal exercise factor is estimated based on employees' historical option exercise behavior.

The suboptimal exercise factor is the ratio by which the stock price must increase over the exercise price before employees are expected to exercise their stock options. Expected volatility is based upon actual historical stock price movements and was calculated as of the grant dates for different periods, since the Binomial model can be used for different expected volatilities for different periods. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term to the contractual term of the options. The Company has historically not paid dividends and has no foreseeable plans to pay dividends therefore uses an expected dividend yield of zero.

The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Estimated forfeitures are based on actual historical pre-vesting forfeitures.

The Company recognizes share-based compensation expenses for the value of its awards based on the straight line method over the requisite service period of each of the awards, net of estimated forfeitures.

Basic and diluted net income (loss) per share:

q. Basic and diluted net income (loss) per share:

Basic net income (loss) per share is computed based on the weighted average number of ordinary shares outstanding during each year. Basic net income (loss) per share was determined by dividing net income (loss) by the weighted average ordinary shares outstanding during the period.

Diluted net income (loss) per share was determined by dividing net income (loss) by the diluted weighted average shares outstanding. Diluted weighted average shares reflect the dilutive effect, if any, of stock options, stock appreciation rights, and restricted share units based on the treasury stock method, in accordance with ASC, 260, "Earning Per Share".

Fair value of financial instruments:

r. Fair value of financial instruments:

The carrying amounts of financial instruments, including cash and cash equivalents, bank deposits, marketable securities, trade receivables, other accounts receivable and prepaid expenses, trade payables and other accounts payable and accrued expenses, approximate fair value because of their generally short maturities.

The Company applies ASC 820, "Fair Value and Disclosure" (ASC 820). Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace;

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

Assets and liabilities measured at fair value on a recurring basis are comprised of marketable securities, investment in affiliated company (Iluminage Beauty), hedging contracts and contingent considerations which represent future amounts the Company may be required to pay in conjunction with various business combinations. Each reporting period, the Company revalues these contingent considerations and records increases or decreases in their fair value as an adjustment to contingent consideration within the consolidated statement of operations. Changes in the fair value of the contingent consideration can result from adjustments to the discount rates, the probability of achievement of any revenue milestones and due to discounting to present value each reporting date. These fair value measurements represent Level 3 measurements as they are based on significant inputs not observable in the market. See also Note 4.

The fair value of the Company's equity interest in Iluminage Beauty was determined by the Company's Board of Directors after consideration of, among other things, a written report prepared by a third party appraisal firm which calculated fair value using the discounted cash flow and the OPM method, which uses significant unobservable inputs such as cash flows to be generated from the underlying investment and discounted at a weighted average cost of capital. Management considered the reasonableness of the assumptions, methodologies, analysis and conclusions set forth in the report. The Board of Directors and the management also considered other factors, including but not limited to consideration of external market conditions affecting the home use aesthetic industry, and Iluminage Beauty's projected results of operations and financial position. After deliberation, the Board of Directors and the management determined the fair market value of the Company's equity interest in Iluminage Beauty. As of December 31, 2016 and 2015, the fair value of Iluminage Beauty investment amounted to $15,730 and $19,800, respectively.

Income taxes:

s. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). ASC 740 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized, based on the weight of available positive and negative evidence.

Deferred tax liabilities and assets are classified as non-current in accordance with ASU 2015-17 (see also Note 2ab).

The Company accounts for uncertain tax positions in accordance with ASC 740-10. ASC 740-10 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% (cumulative probability) likely to be realized upon ultimate settlement. The Company accrues interest and penalties related to unrecognized tax benefits under taxes on income (tax benefit).

Employee benefit plan:

t. Employee benefit plan:

401K profit sharing plans in US:

The company has two types of retirement plans in which US employees may participate: Roth 401k plan which is a post-tax benefit offering and a retirement plan under Section 401(k) which is a pre-tax benefit offering. Certain population of the Candela Corporation Inc.'s ("Candela") U.S. employees is eligible to participate in a defined contribution retirement plan (Plan). Participants in the Plan may elect to defer a portion of their pre-tax earnings into the Plan, which is run by an independent party. Employees also have the option to contribute to the ROTH 401k plan which is post tax. Contributions to the Plan are recorded as an expense in the consolidated statements of operations.

Candela's U.S. operations maintain a retirement plan (Candela U.S. Plan) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the Candela U.S. plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. Candela matches 50% of each participant's contributions up to a maximum of 6% of the participant's elective deferral. Each participant may contribute a percentage of their pay or a flat dollar amount. Contributions to the Candela U.S. Plan are recorded during the year contributed as an expense in the consolidated statements of operations.

The total allowable company contribution is up to exceed 3%, provided an employee is contributes 6%. The employee contribution may be a combination of contribution(s) between the Roth 401k and Section 401k of IRS Code. Contributions to a combination of the two options cannot exceed the Internal Revenue Service annual contribution limit.

Total contributions for the years ended December 31, 2016, 2015 and 2014 were $807, $594 and $621, respectively.

Severance pay in Israel:

The Company's liability for severance pay to its Israeli employees is calculated pursuant to the Israeli Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or portion thereof. The Company's liability for all its Israeli employees is covered by monthly deposits for insurance policies and by an accrual. The value of these policies is recorded as an asset on the Company's balance sheets.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Israeli Severance Pay Law or labor agreements. The value of the deposited funds is based on the cash surrender value of these policies, and includes immaterial profits accumulated up to the balance sheet date.

Most the Company's agreements with its employees in Israel are in accordance with Section 14 of the Israeli Severance Pay Law. Upon contribution of the full amount based on the employee's monthly salary, and release of the policy to the employee, no additional legal obligation exists between the parties and no additional payments are needed to be made by the Company to the employee; therefore, related assets and liabilities are not presented in the balance sheets.

Severance pay expenses for the years ended December 31, 2016, 2015 and 2014 amounted to approximately $866, $870 and $875, respectively.

Shipping and handling costs:

u. Shipping and handling costs:

Shipping and handling costs, which amounted to $7,572, $7,162 and $6,783 for the years ended December 31, 2016, 2015 and 2014, respectively, are included in sales and marketing expenses in the consolidated statements of operations. Shipping and handling costs include all costs associated with the distribution of finished products, consumables and spare parts from the Company's point of manufacturing directly to customers and distributors.

Advertising expenses:

v. Advertising expenses:

Advertising expenses are charged to the statements of operations, as incurred. Advertising expenses for the years ended December 31, 2016, 2015 and 2014 were $2,188, $2,281 and $2,331, respectively.

Litigation reserves and legal expenses:

w. Litigation reserves and legal expenses:

The Company reserves for liabilities related to litigation brought against the Company when the amount of the potential loss is probable and can be estimated. Because of the uncertainties related to an unfavorable outcome of litigation, and the amount and range of loss on pending litigation, management is often unable to make an accurate estimate of the liability that could result from an unfavorable outcome. As litigation progresses, the Company continues to assess its potential liability and revises its estimates accordingly. Estimates of litigation reserves are recorded in Other accounts payable and accrued expenses line item in the consolidated balance sheets and changes in the litigation reserves are recorded under general and administrative expense line item in the statement of operations.

Legal expenses are charged to the statements of operations as incurred.

Concentration of credit risk:

x. Concentration of credit risk:

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, bank deposits, derivative instruments, available-for-sale marketable securities, and trade receivables.

The majority of the Group' cash and cash equivalents and bank deposits are invested in major banks in Israel and the U.S. Generally, these cash equivalents may be redeemed upon demand and, therefore management believes that it bears a low risk. The short-term bank deposits are held in financial institutions which management believes are institutions with high

credit standing, and accordingly, minimal credit risk from geographic or credit concentration exists with respect to these bank deposits.

The Company's marketable securities include investments in highly rated debentures of U.S. and Israeli, corporations and governmental bonds. The financial institutions that hold the Company's marketable securities are major U.S. financial institutions, located in the United States and Canada.

Management believes that the Company's marketable securities portfolio represents a diverse portfolio of highly-rated securities and the Company's investment policy limits the amount the Company may invest in each issuer, and accordingly, management believes that minimal credit risk exists from geographic or credit concentration with respect to these securities.

The Company and its subsidiaries have no material off-balance sheet concentration of financial instruments subject to credit risk such as foreign exchange contracts, option contracts or other hedging arrangements, except those mentioned in Note 14.

The Company's trade receivables are derived mainly from sales to large independent distributors and to end-users world-wide. The Company performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. The allowance for doubtful accounts is based on management's assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances.

The following table provides details of the change in the Company's allowance for doubtful accounts:

	2016	2015	2014
Balance at the beginning of the year	$ 5,223	$ 5,970	$ 6,497
Charged to expenses, net of recoveries	1,136	728	1,233
Deconsolidation of subsidiary	(134)	-	-
Write-off	(132)	(1,663)	(1,514)
Translation differences	80	188	(246)
Balance at the end of the year	$ 6,173	$ 5,223	$ 5,970

Warranty:

y. Warranty:

The Company provides a one to three year standard warranty for its products, depending on the type of product and the country in which the Company does business. The Company records a provision for the estimated cost to repair or replace products under warranty at the time of sale. Factors that affect the Company's warranty reserve include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair.

The following table provides details of the change in the Company's product warranty accrual:

	December 31,		
	2016	2015	2014
Balance at the beginning of the year	$ 8,049	$ 7,467	$ 6,981

Warranty provision related to acquisitions	-	-	50
Warranty provision related to the deconsolidation of subsidiary	(400)	-	-
Charged to costs and expenses relating to new sales	11,914	11,433	9,126
Costs of product warranty claims	(10,210)	(10,779)	(8,501)
Translation differences	(50)	(72)	(189)
Balance at the end of the year	$ 9,303	$ 8,049	$ 7,467

Comprehensive income (loss):

z. Comprehensive income (loss):

The Company reports comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income". This Statement establishes standards for the reporting and presentation of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) generally represents all changes in equity during the period except those resulting from investments by, or distributions to, stockholders. The Company determined that items of other comprehensive income (loss) relate to unrealized gains and losses on available-for-sale marketable securities, hedging contracts and currency translation adjustments.

Treasury shares:

aa. Treasury shares:

The Company repurchased its ordinary shares from time to time on the open market and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity. The voting rights attached to treasury stock are revoked.

Impact of recently issued accounting standards:

ab. Impact of recently issued accounting standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers". ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method. The Company is still finalizing the analysis to quantify the adoption impact of the provisions of the new standard. The FASB has issued, and may issue in the future, interpretive guidance which may cause the Company's evaluation to change. Management believes that the Company is following an appropriate timeline to allow for proper recognition, presentation and disclosure upon adoption effective the beginning of fiscal year 2018.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified

as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company has early adopted this standard in the fourth quarter of 2015 on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU will be effective for the Company in the first quarter of 2019. The Company is evaluating the impact of the adoption of this update on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. The ASU simplifies several aspects of the accounting for employee share-based payments including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU will be effective for the Company in the first quarter of 2017. The Company is currently evaluating the impact this new guidance will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which intends to reduce diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. This guidance will be effective for the Company in the first quarter of 2018. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In January 2017, the FASB issued ASU "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 will simplify the subsequent measurement of goodwill by eliminating the second step from the goodwill impairment test. ASU 2017-04 would require applying a one-step quantitative test and recording the amount of goodwill impairment as the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. The amendments in ASU 2017-04 are effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of the standard on its future financial statements and disclosures.

SIGNIFICANT ACCOUNTING POLICIES (Tables)

12 Months Ended

Dec. 31, 2016

Accounting Policies [Abstract]

Schedule Of Depreciation Rates

	%
Computers, software, manufacturing, laboratory equipment and demonstration equipment (*)	10 - 50 (mainly 33)
Office furniture and equipment	6 - 30 (mainly 15)
Leasehold improvements	The shorter of the term of the lease or the useful life of the asset

(*) Demonstration equipment consists of systems for use in marketing and selling activities. Demonstration equipment is generally not held for sale and is recorded as property and equipment. The demonstration equipment is amortized on a straight-line method over their estimated economic life not to exceed two years.

Schedule of Allowance for Doubtful Accounts

	2016	2015	2014
Balance at the beginning of the year	$ 5,223	$ 5,970	$ 6,497
Charged to expenses, net of recoveries	1,136	728	1,233
Deconsolidation of subsidiary	(134)	-	-
Write-off	(132)	(1,663)	(1,514)
Translation differences	80	188	(246)
Balance at the end of the year	$ 6,173	$ 5,223	$ 5,970

Schedule of Product Warranty Accrual

	December 31,		
	2016	2015	2014
Balance at the beginning of the year	$ 8,049	$ 7,467	$ 6,981
Warranty provision related to acquisitions	-	-	50
Warranty provision related to the deconsolidation of subsidiary	(400)	-	-
Charged to costs and expenses relating to new sales	11,914	11,433	9,126
Costs of product warranty claims	(10,210)	(10,779)	(8,501)
Translation differences	(50)	(72)	(189)
Balance at the end of the year	$ 9,303	$ 8,049	$ 7,467

AVAILABLE-FOR-SALE MARKETABLE SECURITIES (Tables)

Investments, Debt and Equity Securities [Abstract]

Schedule of Available-For-Sale Securities

12 Months Ended

Dec. 31, 2016

	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market funds	$ 1,990	$ -	$ -	$ 1,990
Available-for-sale - matures within one year:				
Corporate debentures - fixed interest rate	7,713	3	(6)	7,710
	7,713	3	(6)	7,710
Available-for-sale - matures after one year through three years:				
Corporate debentures - fixed interest rate	16,866	2	(148)	16,720
	16,866	2	(148)	16,720
Available-for-sale - matures after three years through five years:				
Corporate debentures - fixed interest rate	2,963	-	(44)	2,919
	2,963	-	(44)	2,919
	$ 29,532	$ 5	$ (198)	$29,339
Reclassification of certain securities to long-term				18,522
				$10,817

	December 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Money market funds	$ 1,506	$ -	$ -	$ 1,506
Available-for-sale - matures within one year:				
Certificate of deposit	728	-	-	728

Government sponsored enterprises - fixed interest rate	2,089	2	-	2,091
Corporate debentures - fixed interest rate	6,863	14	(7)	6,870
	9,680	16	(7)	9,689
Available-for-sale - matures after one year through three years:				
Certificate of deposit	1,248	-	(2)	1,246
Corporate debentures - fixed interest rate	15,451	10	(65)	15,396
	16,699	10	(67)	16,642
Available-for-sale - matures after three years through five years:				
Corporate debentures - fixed interest rate	2,141	-	(9)	2,132
	2,141	-	(9)	2,132
	$ 30,026	$ 26	$ (83)	$29,969
Reclassification of certain securities to long-term				15,695
				$14,274

Schedule Of Unrealized Loss On Investments

	December 31, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 16,620	$ 185	$ 6,827	$ 13	$23,447	$ 198
	$ 16,620	$ 185	$ 6,827	$ 13	$23,447	$ 198

	December 31, 2015					
	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate debentures	$ 12,274	$ 49	$ 8,333	$ 32	$20,607	$ 81
Certificate of deposit	455	-	1,229	2	1,684	2

$ 12,729	$ 49	$ 9,562	$ 34	$22,291	$ 83

FAIR VALUE MEASUREMENT (Tables)

12 Months Ended Dec. 31, 2016

Fair Value Disclosures [Abstract]

Schedule Of Financial Assets And Liabilities Measured At Fair Value On A Recurring Basis

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate debentures	$ -	$27,349	$ -	$27,349
Money markets funds	1,990	-	-	1,990
Foreign currency derivatives	-	569	-	569
Investment in affiliated company	-	-	15,730	15,730
Total	$ 1,990	$27,918	$15,730	$45,638
Liabilities:				
Foreign currency derivatives	$ -	$ 4	$ -	$ 4
Total	$ -	$ 4	$ -	$ 4

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Corporate debentures	$ -	$24,398	$ -	$24,398
Government sponsored enterprises	-	2,091	-	2,091
Money markets funds	3,480	-	-	3,480
Investment in affiliated company	-	-	19,800	19,800
Total	$ 3,480	$26,489	$19,800	$49,769
Liabilities:				
Foreign currency derivatives	$ -	$ 32	$ -	$ 32
Contingent consideration	-	-	878	878

Total	$ -	$ 32	$ 878	$ 910

Schedule Of Changes In Level 3 marketable securities and the investment in Iluminage Beauty, Measured On A Recurring Basis

	December 31,	
	2016	2015
Iluminage Beauty:		
Fair value at the beginning of the year	$19,800	$20,130
Investment during the year	2,940	-
Changes in the fair value included in earnings	(7,010)	(330)
Fair value at the end of the year	$15,730	$19,800

Schedule Of Changes In Level 3 Contingent Consideration Obligations Measured On A Recurring Basis

	December 31,	
	2016	2015
Fair value at the beginning of the year	$ 878	$ 4,983
Changes in the fair value of contingent consideration in RBT and Cooltouch, net	(878)	(4,105)
Fair value at the end of the year	$ -	$ 878

OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES (Tables)

12 Months Ended

Dec. 31, 2016

Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Abstract]

Schedule of Other Accounts Receivable and Prepaid Expenses

	December 31,	
	2016	**2015**
Prepaid expenses and advanced payments	$ 4,928	$ 5,407
Government authorities	4,388	4,695
Derivative instruments	565	-
Deposits with escrow agent (see also Note 1b2 and 1b4)	585	1,760
Other receivables	2,121	576
	$12,587	$12,438

INVENTORIES (Tables)

12 Months Ended
Dec. 31, 2016

Inventory Disclosure [Abstract]

Schedule of Inventory

	December 31,	
	2016	**2015**
Raw materials	$21,462	$14,190
Work in process	3,437	991
Finished products	22,477	34,171
	$47,376	$49,352

PROPERTY AND EQUIPMENT, NET (Tables)

12 Months Ended
Dec. 31, 2016

Property, Plant and Equipment [Abstract]

Schedule of Property and Equipment

	December 31,	
	2016	**2015**
Cost:		
Computers, software, manufacturing, laboratory equipment and demonstration equipment	$ 25,445	$ 20,036
Leasehold improvements	5,424	3,386
Office furniture and equipment	3,407	2,617
	34,276	26,039
Accumulated depreciation:		
Computers, software, manufacturing, laboratory equipment and demonstration equipment	16,508	12,765
Leasehold improvements	2,442	1,961
Office furniture and equipment	2,797	1,490
	21,747	16,216
Depreciated cost	$ 12,529	$ 9,823

INTANGIBLE ASSETS, NET (Tables)

12 Months Ended
Dec. 31, 2016

Intangible Assets, Net (Excluding Goodwill) [Abstract]

Schedule of Components of Intangible Assets

	Weighted average useful life (years)	December 31, 2016	December 31, 2015
Original cost:			
Developed technologies (1,2,3)	6.8	$ 27,827	$ 27,677
Trade name (2)	6.8	3,930	3,930
Customer relationships (2)	8.0	10,773	10,773
Other	-	3,989	3,989
		46,519	46,369
Accumulated amortization:			
Developed technologies		21,146	17,673
Trade name		2,389	1,984
Customer relationships		10,479	10,029
Other		3,989	3,989
		38,003	33,675
Amortized cost		$ 8,516	$ 12,694

(1) During the years ended December 31, 2016 and 2015 the Company recorded impairment charges in the total amount of $0 and $3,289, respectively. A $176 impairment charge was attributed to developed technology and $3,113 impairment charge was attributed to customer relationship in 2015.

(2) Upon the acquisition of Cooltouch the Company recorded original amounts of $4,150, $2,400 and $630 of customer relationships, developed technologies and trade name, respectively. Refer to note 1b1.

(3) On November 20, 2014 the Company entered into an asset purchase agreement with Orscan Technologies Ltd. ("Orscan"). According to the agreement the Company recorded a developed technology in the amount of $600 in 2014 and additional $150 in 2016.

Schedule of Estimated Annual Amortization Expense Related to Intangible Assets

2017	3,461
2018	2,394
2019	1,991
2020	576
2021 and thereafter	94
Total	8,516

GOODWILL (Tables)

12 Months Ended
Dec. 31, 2016

GOODWILL [Abstract]

Schedule of Goodwill Activity — Changes in goodwill for the years ended December 31, 2016 and 2015, by reporting units are as follows:

	Syneron *)	LI	RBT	CT	Total
As of January 1, 2015:					
Goodwill	$ 15,321	$ 3,184	$ 2,528	$ 5,437	$ 26,470
Accumulated impairment losses	-	-	(1,185)	-	(1,185)
	15,321	3,184	1,343	5,437	25,285
Acquisitions and others	-	-	-	-	-
Impairment losses	-	-	(1,343)	(2,500)	(3,843)
As of December 31, 2015:					
Goodwill	15,321	3,184	2,528	5,437	26,470
Accumulated impairment losses	-	-	(2,528)	(2,500)	(5,028)
	15,321	3,184	-	2,937	21,442
Acquisitions and others	-	-	-	-	-
Deconsolidation of subsidiary	-	(3,184)	-	-	(3,184)
Impairment losses	-	-	-	-	-
As of December 31, 2016:					
Goodwill	15,321	-	2,528	5,437	23,286
Accumulated impairment losses	-	-	(2,528)	(2,500)	(5,028)
	$ 15,321	$ -	$ -	$ 2,937	$ 18,258

*) Syneron reporting unit includes goodwill attributed to the acquisitions of UltraShape Ltd., Primaeva Medical Inc., Inlight Corp. and Traspharma.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Tables)

Accumulated Other Comprehensive Income (Loss), Net of Tax [Abstract]

Changes in accumulated balances of other comprehensive income (loss)

	12 Months Ended Dec. 31, 2016			
	Unrealized gains (losses) on available-for-sale marketable securities	Unrealized gains (losses) on cash flow hedges (*)	Foreign currency translation adjustments	Total
Beginning balance	$ (57)	$ (32)	$ (7,469)	$(7,558)
Other comprehensive income (loss) before reclassifications	(156)	66	(562)	(652)
Amounts reclassified from accumulated other comprehensive income (loss)	20	(38)	-	(18)
Net current period other comprehensive income (loss)	(136)	28	(562)	(670)
Ending balance	$ (193)	$ (4)	$ (8,031)	$(8,228)

*) Refer to Note 14 for the affected line item in the statement of operations.

DEFERRED REVENUES
(Tables)

12 Months Ended
Dec. 31, 2016

Deferred Revenue Disclosure [Abstract]

Schedule of Current and Long-Term Deferred Revenues

	December 31,	
	2016	**2015**
Balance at the beginning of the year	$ 15,876	$ 17,836
Deferral of new sales	28,628	22,616
Recognition of previously deferred revenues	(28,635)	(24,341)
Translation differences	(92)	(235)
Balance at the end of the year	$ 15,777	$ 15,876

OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Tables)

12 Months Ended

Dec. 31, 2016

Payables and Accruals [Abstract]

Schedule of Other Accounts Payable and Accrued Expenses

	December 31,	
	2016	**2015**
Warranty accruals	$ 7,509	$ 7,188
Accrued expenses	7,416	8,099
Accrued commissions	4,452	5,309
Employees and related expenses	7,395	7,874
Tax authorities	2,204	7,846
	$28,976	$36,316

DERIVATIVE INSTRUMENTS (Tables)

12 Months Ended Dec. 31, 2016

Derivative Instruments and Hedging Activities Disclosure [Abstract]

Schedule of fair values of outstanding derivative instruments

		Fair value of derivative instruments December 31,	
	Balance sheets	**2016**	**2015**
Derivatives designated and qualified as cash flow hedging instruments:			
Foreign exchange contracts	Other account payables and accrued expenses	$ 4	$ 32
Total derivatives designated as hedging instruments		$ 4	$ 32

Summary of effect of derivative instruments in cash flow hedging relationships in the statement of operations and other comprehensive income (OCI)

	Amount of gain (loss) recognized in accumulated OCI (effective portion) Year ended December 31,		
	2016	**2015**	**2014**
Foreign exchange contracts	$ 66	$ 124	$ (33)
Total	$ 66	$ 124	$ (33)

	Amount of gain (loss) reclassified from accumulated OCI into income (effective portion) Year ended December 31,		
Statements of operations	**2016**	**2015**	**2014**
Revenues	$ -	$ 211	$ 105
Operating expenses	38	(171)	(68)
Total	$ 38	$ 40	$ 37

	Gain (loss) recognized in income on derivatives December 31,		
Statements of operations	**2016**	**2015**	**2014**
Derivatives not designated as			

hedging instruments:				
Foreign exchange contracts	Financial income (expenses), net	$ 87	$ (15)	$ 45
Total		$ 87	$ (15)	$ 45

COMMITMENTS AND CONTINGENCIES (Tables)	12 Months Ended Dec. 31, 2016
Commitments and Contingencies Disclosure [Abstract]	
Future Minimum Lease Commitments Under Operating Leases	

Year ended December 31,	
2017	5,392
2018	3,561
2019	2,729
2020	1,543
2021 and thereafter	2,127
	15,352

EQUITY (Tables)

12 Months Ended
Dec. 31, 2016

Stockholders' Equity Note [Abstract]

Schedule of Stock Options and Stock Appreciation Rights Award Activity

	Number of options	Weighted average exercise price	Aggregate intrinsic value (in thousands)
Outstanding at beginning of year	4,496,769	11.45	-
Granted	1,592,450	7.12	-
Exercised	-	-	-
Forfeited	(878,761)	14.28	-
Outstanding at end of year	5,210,458	9.27	2,330
Exercisable options at end of year	3,053,031	7.35	554
Vested and expected to vest	5,014,376	10.23	2,213

Summary of Restricted Stock Activity

	Number of RSUs	Fair value at grant date
Non-vested at January 1, 2016	16,500	$ 11.47
Granted	226,000	$ 7.25
Vested	(11,500)	$ 11.47
Forfeited	-	-
Non-vested at December 31, 2016	231,000	$ 7.25

Schedule of Stock Option Activity by Exercise Price

	Outstanding			Exercisable		
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$1.41	32,144	2.05	1.41	32,144	2.05	1.41
$4.81	27,083	2.62	4.81	27,083	2.62	4.81
$6.30-11.95	4,781,231	4.56	9.11	2,711,926	3.53	9.88
$12.09-14.10	370,000	3.62	12.38	281,878	3.43	12.41
$1.41-14.10	5,210,458	4.47	9.27	3,053,031	3.49	7.35

Schedule of Weighted Average Fair Value of Options Granted

	Year ended December 31,		
	2016	2015	2014

Weighted average exercise prices	$ 7.12	$ 10.85	$ 10.81
Weighted average fair value on grant date	$ 2.54	$ 3.59	$ 4.02

Schedule of Assumptions Used to Estimate Fair Value

	Year ended December 31,		
	2016	2015	2014
Volatility	39.5%	35%	38.5%
Risk-free interest rate	1.06%	1.18%	1.65%
Dividend yield	0.00%	0.00%	0.00%
Post-vesting forfeiture rate	4.0%	5.56%	5.56%
Suboptimal exercise factor	2.0	2.0	2.0
Contractual life (in years)	7-10	7-10	7-10

Schedule of Share-Based Compensation Expense

	Year ended December 31,		
	2016	2015	2014
Cost of revenues	$ 160	$ 197	$ 160
Research and development	341	332	370
Sales and marketing	1,227	1,284	1,093
General and administrative	1,983	1,962	2,077
Total equity-based compensation expense before taxes	$ 3,711	$ 3,775	$ 3,700

OTHER EXPENSES (INCOME), NET (Tables)

Other Income and Expenses [Abstract]

Schedule of Other Expenses (Income)

12 Months Ended Dec. 31, 2016

	Year ended December 31,		
	2016	**2015**	**2014**
Impairment of intangibles assets (see also Note 9)	$ -	$ 3,289	$ 1,705
Changes in the fair value contingent consideration	(878)	(4,105)	(3,012)
Gain from deconsolidation of subsidiary (*)	(1,149)	-	-
Changes in the fair value of investment in affiliated company (**)	7,010	330	4,590
Other	-	(427)	-
Total	$ 4,983	$ (913)	$ 3,283

(*) On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary. Accordingly, on the deconsolidation date the Company recorded a gain of $1,149.

(**) During 2016, 2015 and 2014, the Company recorded a loss in the amount of $7,010, $330 and $4,590 respectively, due to changes in the fair value of its investment in Iluminage Beauty. Refer to Notes 4 and 7 for further details.

INCOME TAXES (Tables)

12 Months Ended
Dec. 31, 2016

Income Tax Disclosure [Abstract]

Schedule Of Corporate Income Tax Rate By Jurisdiction

	Tax rate
Australia	30%
Canada (*)	15%
China	25%
Germany	27%
Hong Kong	16.5%
Japan	35.6%
Spain	25%
United States (*)	35%

(*) Federal.

Schedule of Deferred Income Taxes

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2016	2015
Net operating loss carryforward	$ 20,859	$ 34,688
Tax credits	8,040	9,184
Capital losses carryforward (1)	18,797	17,045
Bad debt reserve	1,407	901
Deferred revenues	1,714	1,656
Accrued warranty reserve	1,497	1,529
Inventory reserve	1,017	727
Intangible assets – patents	808	846
Other temporary differences	6,222	6,207
Total deferred tax asset before valuation allowance	60,361	72,783
Valuation allowance	(40,482)	(49,222)
Total deferred tax asset	19,879	23,561
Deferred tax liability in respect of intangible assets acquired	(2,239)	(3,198)
Total deferred tax liability	(2,239)	(3,198)
Net deferred tax asset	$ 17,640	$ 20,363

(1) The Company has capital loss carryforwards resulting mainly from the difference between the reporting currency and the tax basis of the investments in marketable securities and from sale of subsidiaries. The Company recorded a full valuation allowance regarding to its capital loss carryforwards.

Changes To Unrecognized Tax Benefits

Gross tax liabilities at January 1, 2015	$ 1,875

Additions based on tax positions related to the current year	187
Additions for tax positions of prior years	-
Reductions for positions of prior years due to lapse of statute of limitation	(66)
Gross tax liabilities at December 31, 2015	1,996
Additions based on tax positions related to the current year	33
Additions for tax positions of prior years	-
Reductions for positions of prior years due to lapse of statute of limitation	(150)
Gross tax liabilities at December 31, 2016	1,879

Tax Filings Subject To Examination

Israel	-	2012-present
United States	-	2012-present
Australia	-	2011-present
Germany	-	2012-present
Canada	-	2012-present
Japan	-	2016
Switzerland	-	2015-present
Spain	-	2012-present

Schedule Of Loss Before Taxes On Income

	Year ended December 31,		
	2016	2015	2014
Domestic	$(13,600)	$(15,013)	$ (9,759)
Foreign	17,592	8,721	6,854
	$ 3,992	$ (6,292)	$ (2,905)

Schedule Of Taxes On Income

Current taxes:			
Domestic	$ -	$ 187	$ 1,385
Foreign	938	1,656	1,886
	938	1,843	3,271
Deferred taxes:			
Domestic	-	-	96
Foreign	2,875	(1,795)	(1,072)
	2,875	(1,795)	(976)
Taxes on income	$ 3,813	$ 48	$ 2,295

Reconciliation Of Statutory Tax Rate To Effective Tax Rate

	Year ended December 31,		
	2016	2015	2014
Income (loss) before taxes on income	$ 3,992	$ (6,292)	$ (2,905)
Statutory tax rate in Israel	25.0%	26.5%	26.5%
Theoretical tax benefits on the above amount at the Israeli statutory tax rate	$ 998	$ (1,667)	$ (770)
Difference in basis of measurement for tax purpose	4,393	(1,938)	4,853

Change in valuation allowance, net	(8,740)	3,484	(6,784)
Non-deductible stock-based compensation	920	1,001	1,215
Non-deductible expenses	675	106	355
State deferred taxes	252	253	174
Difference and changes in tax rates (*)	5,612	(1,846)	658
Tax contingencies	(163)	131	60
Tax credits	324	82	(491)
Impairment charges	-	840	1,216
Withholding taxes	-	-	1,386
Return to provision	56	(443)	227
Other	(514)	45	196
Actual tax expense	$ 3,813	$ 48	$ 2,295

(*) Mainly resulting from the Legislative Amendments described in note 18a1 which reduces the corporate income tax rate from 26.5% to 23% effective from January 1, 2018. The major change in 2016 is due to the NOLs in Israel for which the Company provided a valuation allowance.

FINANCIAL INCOME (EXPENSES), NET (Tables)

12 Months Ended Dec. 31, 2016

FINANCIAL INCOME (EXPENSES), NET [Abstract]

Schedule of Financial Income (Expense), Net

	Year ended December 31,		
	2016	**2015**	**2014**
Income:			
Interest on cash equivalents	$ 15	$ 88	$ 24
Gain and interest on available-for-sale marketable securities, net	320	386	528
Foreign currency translation adjustments, net	648	-	-
Interest on bank deposits	-	82	77
Expenses:			
Interest on short-term credit and bank commissions	(219)	-	(68)
Foreign currency translation adjustments, net	-	(389)	(1,249)
	$ 764	$ 167	$ (688)

GEOGRAPHIC INFORMATION (Tables)

Segment Reporting [Abstract]

Summary of Information by Segment

	12 Months Ended Dec. 31, 2016					
	2016		2015		2014	
	Total revenue	Long-lived assets	Total revenue	Long-lived assets	Total revenue	Long-lived assets
North America	$105,727	$ 5,085	$107,527	$ 2,933	$ 91,825	$ 2,601
Europe and Middle East (excluding Israel)	84,020	1,163	79,615	207	82,786	296
Asia Pacific	63,978	701	62,324	390	44,406	138
Japan	30,968	783	16,193	365	25,460	9
Israel	2,853	4,797	4,461	5,928	3,217	3,967
Other	10,556	-	7,729	-	8,056	-
	$298,102	$ 12,529	$277,849	$ 9,823	$255,750	$ 7,011

NET INCOME (LOSS) PER SHARE (Tables)

12 Months Ended Dec. 31, 2016

Net income (loss) per share:

Computation of Basic and Diluted Net Income (Loss) Per Share

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Year ended December 31,		
	2016	2015	2014
Numerator:			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Denominator:			
Total weighted average number of shares outstanding used in computing:			
Basic net income (loss) per share	34,744,484	36,415,651	36,703,251
Diluted net income (loss) per share	34,945,387	36,415,651	36,703,251
Basic net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)
Diluted net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)

Schedule of Anti-dilutive Securities Excluded from Computation of Diluted Net Income (Loss) Per Share

	Year ended December 31,		
	2016	2015	2014
Ordinary shares	4,494,914	4,496,769	4,285,397

GENERAL (Narrative) (Details) - USD ($) $ in Thousands	Mar. 05, 2014	1 Months Ended May 31, 2016	Nov. 30, 2013	May 30, 2012	12 Months Ended Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2011	Nov. 30, 2008
Business Acquisition [Line Items]											
Payments to Acquire Businesses, Gross							$ 10,969				
Discount rate					16.00%						
Business Combination, Consideration Transferred							10,969				
Investments in affiliated company					15,730	19,800					
Deposits with escrow agent (see also Note 1b4)					585	1,760		$ 1,760			
Goodwill and Intangible Asset Impairment						7,132	2,890				
Impairment of goodwill						3,843	1,185				
Gain from loss of control	[1]				(1,149)						
Cool Touch Inc (CT) [Member]											
Business Acquisition [Line Items]											
Payments to Acquire Businesses, Gross	$ 10,969										
Percentage interest acquired	100.00%										
Maximum contingent consideration	$ 4,000										
Contingent consideration					$ 0	0					
Discount rate					16.00%						
Contingent payment liability paid					$ 0	0					
Impairment of goodwill						$ 2,500					
Long-term growth rate						3.00%					
Unilever Ventures [Member]											
Business Acquisition [Line Items]											
Cumulative percentage ownership			51.00%								
Syneron China [Member]											
Business Acquisition [Line Items]											
Payments to Acquire Businesses, Gross								$ 2,200			
Percentage interest acquired								45.00%	4.00%		51.00%

Joint venture, capital investment					$ 156	$ 510
Amount paid for non-controlling shareholders	$ 1,088					
Rakuto Bio Technologies Ltd. (RBT) [Member]						
Business Acquisition [Line Items]						
Contingent consideration		$ 15,240	$ 0	$ 878		
Discount rate			17.00%	17.00%		
Business Combination, Consideration Transferred		5,000				
Investments in affiliated company						$ 4,275
Cost method investment ownership percentage						49.52%
Additional amount to be paid for acquisition of shares		$ 5,000				
Contingent consideration as a percentage of net sales		2.019%				
Impairment of goodwill				$ 1,343	$ 1,185	
Long-term growth rate					3.00%	
Light Instruments Ltd. (LI) [Member]						
Business Acquisition [Line Items]						
Maximum contingent consideration			$ 5,850			
Gain from loss of control			$ 1,149			

[1] On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary. Accordingly, on the deconsolidation date the Company recorded a gain of $1,149.

SIGNIFICANT ACCOUNTING POLICIES (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Accounting Policies [Abstract]			
Weighted average interest	0.06%	0.06%	
Inventories	$ 47,376	$ 49,352	
Inventory reserves	8,543	5,740	
Impairment charges		3,289	$ 1,705
Shipping and handling costs	7,572	7,162	6,783
Advertising expenses	2,188	2,281	$ 2,331
Investment in Iluminage Beauty	$ 15,730	$ 19,800	

SIGNIFICANT ACCOUNTING POLICIES (Derivatives And Hedging Activities) (Narrative) (Details) - Cash Flow Hedging [Member] - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
Forward Contracts [Member]		
Derivative [Line Items]		
Notional amount	$ 3,641	$ 3,478
Outstanding liabilities forward contracts amount	(4)	(32)
Option Contracts [Member]		
Derivative [Line Items]		
Notional amount	$ 5,105	$ 8,477

SIGNIFICANT ACCOUNTING POLICIES (Schedule Of Depreciation Rates) (Details)	12 Months Ended Dec. 31, 2016	
Computers, software, manufacturing, laboratory equipment and demonstration equipment [Member] | Minimum [Member]		
Property, Plant and Equipment [Line Items]		
Annual depreciation rates	10.00%	[1]
Computers, software, manufacturing, laboratory equipment and demonstration equipment [Member] | Maximum [Member]		
Property, Plant and Equipment [Line Items]		
Annual depreciation rates	50.00%	[1]
Computers, software, manufacturing, laboratory equipment and demonstration equipment [Member] | Weighted Average [Member]		
Property, Plant and Equipment [Line Items]		
Annual depreciation rates	33.00%	[1]
Office furniture and equipment [Member] | Minimum [Member]		
Property, Plant and Equipment [Line Items]		
Annual depreciation rates	6.00%	
Office furniture and equipment [Member] | Maximum [Member]		
Property, Plant and Equipment [Line Items]		
Annual depreciation rates	15.00%	
Office furniture and equipment [Member] | Weighted Average [Member]		
Property, Plant and Equipment [Line Items]		
Annual depreciation rates	30.00%	
Leasehold Improvements [Member]		
Property, Plant and Equipment [Line Items]		
Estimated useful life	The shorter of the term of the lease or the useful life of the asset	

[1] Demonstration equipment consists of systems for use in marketing and selling activities. Demonstration equipment is generally not held for sale and is recorded as property and equipment. The demonstration equipment is amortized on a straight-line method over their estimated economic life not to exceed two years.

SIGNIFICANT ACCOUNTING POLICIES (Goodwill And Intangible Assets) (Narrative) (Details) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
	USD ($) item	USD ($) item	USD ($) item
Segment Reporting Information [Line Items]			
Number of operating segments | item	1	1	1
Impairment of goodwill		$ 3,843	$ 1,185
Impairment of intangible assets		3,289	1,705
Minimum [Member]			
Segment Reporting Information [Line Items]			
Useful life	5 years		
Maximum [Member]			
Segment Reporting Information [Line Items]			
Useful life	8 years		
Rakuto Bio Technologies Ltd. (RBT) [Member]			
Segment Reporting Information [Line Items]			
Impairment of goodwill		1,343	$ 1,185
Cool Touch Inc (CT) [Member]			
Segment Reporting Information [Line Items]			
Impairment of goodwill		$ 2,500	

SIGNIFICANT ACCOUNTING POLICIES (Employee Benefit Plan) (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Severance pay expenses	$ 866	$ 870	$ 875
Candela U. S. Plan [Member]			
Percentage employer matches participant's contributions	50.00%		
Participant's contributions (as a percent)	6.00%		
Participant's contributions, two (as a percent)	6.00%		
Employee contribution	3.00%		
Syneron U. S. Plan [Member]			
Employer contribution	$ 807	$ 594	$ 621

SIGNIFICANT ACCOUNTING POLICIES (Schedule Of Change In Allowance For Doubtful Accounts) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Valuation and Qualifying Accounts Disclosure [Line Items]			
Deconsolidation of subsidiary	$ (3,184)		
Allowance for Doubtful Accounts [Member]			
Valuation and Qualifying Accounts Disclosure [Line Items]			
Balance at the beginning of the year	5,223	$ 5,970	$ 6,497
Charged to expenses, net of recoveries	1,136	728	1,233
Deconsolidation of subsidiary	(134)		
Write-off	(132)	(1,663)	(1,514)
Translation differences	80	188	(246)
Balance at the end of the year	$ 6,173	$ 5,223	$ 5,970

SIGNIFICANT ACCOUNTING POLICIES (Warranty) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Minimum [Member]			
Valuation and Qualifying Accounts Disclosure [Line Items]			
Period of extended warranty	1 year		
Maximum [Member]			
Valuation and Qualifying Accounts Disclosure [Line Items]			
Period of extended warranty	3 years		
Warranty Reserves [Member]			
Valuation and Qualifying Accounts Disclosure [Line Items]			
Balance at the beginning of the year	$ 8,049	$ 7,467	$ 6,981
Charged to costs and expenses relating to new sales	11,914	11,433	9,126
Costs of product warranty claims	(10,210)	(10,779)	(8,501)
Translation differences	(50)	(72)	(189)
Balance at the end of the year	9,303	8,049	7,467
Warranty Reserves [Member] | Ultrashape [Member]			
Valuation and Qualifying Accounts Disclosure [Line Items]			
Warranty provision related to acquisitions			50
Warranty Reserves [Member] | Syneron Beauty Inc [Member]			
Valuation and Qualifying Accounts Disclosure [Line Items]			
Warranty provision related to acquisitions	$ (400)		

AVAILABLE-FOR-SALE MARKETABLE SECURITIES (Schedule Of Available-For-Sale Securities) (Details) - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	$ 29,532	$ 30,026
Gross unrealized gains	5	26
Gross unrealized losses	(198)	(83)
Fair value	29,339	29,969
Reclassification of certain securities to long-term	18,522	15,695
Short-term marketable securities	10,817	14,274
Money Market Funds [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	1,990	1,506
Gross unrealized gains		
Gross unrealized losses		
Fair value	1,990	1,506
Matures Within One Year [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	7,713	9,680
Gross unrealized gains	3	16
Gross unrealized losses	(6)	(7)
Fair value	7,710	9,689
Matures Within One Year [Member] | Corporate Debentures Fixed Interest Rate [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	7,713	6,863
Gross unrealized gains	3	14
Gross unrealized losses	(6)	(7)
Fair value	7,710	6,870
Matures Within One Year [Member] | Certificates of Deposit [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost		728
Gross unrealized gains		
Gross unrealized losses		
Fair value		728
Matures Within One Year [Member] | Government Sponsored Enterprises Fixed Interest Rate [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost		2,089
Gross unrealized gains		2

Gross unrealized losses		
Fair value		2,091
Matures After One Year Through Three Years [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	16,866	16,699
Gross unrealized gains	2	10
Gross unrealized losses	(148)	(67)
Fair value	16,720	16,642
Matures After One Year Through Three Years [Member] | Corporate Debentures Fixed Interest Rate [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	16,866	15,451
Gross unrealized gains	2	10
Gross unrealized losses	(148)	(65)
Fair value	16,720	15,396
Matures After One Year Through Three Years [Member] | Certificates of Deposit [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost		1,248
Gross unrealized gains		
Gross unrealized losses		(2)
Fair value		1,246
Matures After Three Years Through Five Years [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	29,532	2,141
Gross unrealized gains	5	
Gross unrealized losses	(198)	(9)
Fair value	29,339	2,132
Matures After Three Years Through Five Years [Member] | Corporate Debentures Fixed Interest Rate [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Amortized cost	2,963	2,141
Gross unrealized gains		
Gross unrealized losses	(44)	(9)
Fair value	$ 2,919	$ 2,132

AVAILABLE-FOR-SALE MARKETABLE SECURITIES (Schedule Of Unrealized Loss On Investments) (Details) $ in Thousands	Dec. 31, 2016 USD ($)	Dec. 31, 2015 USD ($)
Schedule of Available-for-sale Securities [Line Items]		
Available-for-sale securities, Fair Value, Less than 12 months	$ 16,620	$ 12,729
Available-for-sale securities, Unrealized losses, Less than 12 months	185	49
Available-for-sale securities, Fair Value, 12 months or longer	6,827	9,562
Available-for-sale securities, Unrealized losses, 12 months or longer	13	34
Available-for-sale securities, Fair Value Total	23,447	22,291
Available-for-sale securities, Unrealized losses, Total	$ 198	$ 83
Number of securities in a loss position	46	62
Corporate Debentures [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Available-for-sale securities, Fair Value, Less than 12 months	$ 16,620	$ 12,274
Available-for-sale securities, Unrealized losses, Less than 12 months	185	49
Available-for-sale securities, Fair Value, 12 months or longer	6,827	8,333
Available-for-sale securities, Unrealized losses, 12 months or longer	13	32
Available-for-sale securities, Fair Value Total	23,447	20,607
Available-for-sale securities, Unrealized losses, Total	$ 198	81
Certificates of Deposit [Member]		
Schedule of Available-for-sale Securities [Line Items]		
Available-for-sale securities, Fair Value, Less than 12 months		455
Available-for-sale securities, Unrealized losses, Less than 12 months		
Available-for-sale securities, Fair Value, 12 months or longer		1,229
Available-for-sale securities, Unrealized losses, 12 months or longer		2
Available-for-sale securities, Fair Value Total		1,684
Available-for-sale securities, Unrealized losses, Total		$ 2

AVAILABLE-FOR-SALE MARKETABLE SECURITIES (Realized Gains And Losses) (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Investments, Debt and Equity Securities [Abstract]			
Realized gain	$ 1	$ 2	$ 31
Gross realized losses	$ 20	$ 13	$ 153

FAIR VALUE MEASUREMENT (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended			
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	May 30, 2012
Schedule of Cost-method Investments [Line Items]				
Discount rate	16.00%			
Intangible asset and goodwill, fair value		$ 2,937		
Impairment of intangible assets and goodwill		$ 7,132	$ 2,890	
Investment in Iluminage Beauty [Member]				
Schedule of Cost-method Investments [Line Items]				
Discount rate	20.00%	21.00%		
Rakuto Bio Technologies Ltd. (RBT) [Member]				
Schedule of Cost-method Investments [Line Items]				
Contingent consideration	$ 0	$ 878		$ 15,240
Acquisition income (expense)	$ 878	$ 4,005		
Discount rate	17.00%	17.00%		
Cool Touch Inc (CT) [Member]				
Schedule of Cost-method Investments [Line Items]				
Contingent consideration	$ 0	$ 0		
Discount rate	16.00%			
Net revenues milestone	$ 2,000	2,000		
Net income due to change in fair value		$ 100		

FAIR VALUE MEASUREMENT (Schedule Of Financial Assets And Liabilities Measured At Fair Value On A Recurring Basis) (Details) - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	$ 29,339	$ 29,969
Investments in affiliated company	15,730	19,800
Money Market Funds [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	1,990	1,506
Recurring Basis [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Investments in affiliated company	15,730	19,800
Total	45,638	49,769
Foreign currency derivatives	4	32
Contingent consideration		878
Total		910
Recurring Basis [Member] | Corporate Debentures [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	27,349	24,398
Recurring Basis [Member] | Money Market Funds [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	1,990	3,480
Recurring Basis [Member] | Foreign currency derivatives [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	569	
Foreign currency derivatives	4	
Recurring Basis [Member] | Government Sponsored Enterprises [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		2,091
Recurring Basis [Member] | Level 1 [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Investments in affiliated company		
Total	1,990	3,480

Foreign currency derivatives		
Contingent consideration		
Total		
Recurring Basis [Member] | Level 1 [Member] | Corporate Debentures [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Recurring Basis [Member] | Level 1 [Member] | Money Market Funds [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	1,990	3,480
Recurring Basis [Member] | Level 1 [Member] | Foreign currency derivatives [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Foreign currency derivatives		
Recurring Basis [Member] | Level 1 [Member] | Government Sponsored Enterprises [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Recurring Basis [Member] | Level 2 [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Investments in affiliated company		
Total	27,918	26,489
Foreign currency derivatives	4	32
Contingent consideration		
Total		32
Recurring Basis [Member] | Level 2 [Member] | Corporate Debentures [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	27,349	24,398
Recurring Basis [Member] | Level 2 [Member] | Money Market Funds [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Recurring Basis [Member] | Level 2 [Member] | Foreign currency derivatives [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities	569	
Foreign currency derivatives	4	
Recurring Basis [Member] | Level 2 [Member] | Government Sponsored Enterprises [Member]		

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		2,091
Recurring Basis [Member] | Level 3 [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Investments in affiliated company	15,730	19,800
Total	15,730	19,800
Foreign currency derivatives		
Contingent consideration		878
Total		878
Recurring Basis [Member] | Level 3 [Member] | Corporate Debentures [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Recurring Basis [Member] | Level 3 [Member] | Money Market Funds [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Recurring Basis [Member] | Level 3 [Member] | Foreign currency derivatives [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		
Foreign currency derivatives		
Recurring Basis [Member] | Level 3 [Member] | Government Sponsored Enterprises [Member]		
Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis [Line Items]		
Available-for-sale securities		

FAIR VALUE MEASUREMENT (Schedule Of Changes In Level 3 Investments Measured On A Recurring Basis) (Details) - Investment in Iluminage Beauty [Member] - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Investment in Iluminage Beauty, Roll Forward		
Fair value at the beginning of the year	$ 19,800	$ 20,130
Investment during the year	2,940	
Changes in the fair value included in earnings	(7,010)	(330)
Fair value at the end of the year	$ 15,730	$ 19,800

FAIR VALUE MEASUREMENT (Changes In Level 3 Contingent Consideration Obligations Measured On A Recurring Basis) (Details) - Contingent Consideration Obligations [Member] - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Fair Value, Liabilities Measured on Recurring Basis, Unobservable Input Reconciliation [Line Items]		
Fair value at the beginning of the year	$ 878	$ 4,983
Changes in the fair value of contingent consideration in RBT and Cooltouch, net	(878)	(4,105)
Fair value at the end of the year		$ 878

OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES (Details) - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2012
Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Abstract]			
Prepaid expenses and advanced payments	$ 4,928	$ 5,407	
Government authorities	4,388	4,695	
Derivative instruments	565		
Deposits with escrow agent (see also Note 1b2 and 1b4)	585	1,760	$ 1,760
Other receivables	2,121	576	
Other accounts receivable and prepaid expenses, total	$ 12,587	$ 12,438	

INVENTORIES (Details) - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
Inventory Disclosure [Abstract]		
Raw materials	$ 21,462	$ 14,190
Work in process	3,437	991
Finished products	22,477	34,171
Inventories	$ 47,376	$ 49,352

INVESTMENT IN AFFILIATED COMPANY (Narrative) (Details) - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015	Dec. 09, 2013
Investment in Iluminage Beauty	$ 15,730	$ 19,800	
Unilever Ventures and Iluminage Beauty [Member]			
Investment in Iluminage Beauty			$ 25,000
Unilever Ventures [Member]			
Percentage of Ownership of shares			51.00%
Syneron Medical [Member]			
Percentage of Ownership of shares			49.00%

PROPERTY AND EQUIPMENT, NET (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Property, Plant and Equipment [Line Items]			
Cost	$ 34,276	$ 26,039	
Accumulated depreciation	21,747	16,216	
Depreciated cost	12,529	9,823	
Depreciation expenses	4,119	3,249	$ 2,746
Computers, software, manufacturing, laboratory equipment and demonstration equipment [Member]			
Property, Plant and Equipment [Line Items]			
Cost	25,445	20,036	
Accumulated depreciation	16,508	12,765	
Capitalized cost related to Enterprise Resource Planning systems		3,774	
Leasehold Improvements [Member]			
Property, Plant and Equipment [Line Items]			
Cost	5,424	3,386	
Accumulated depreciation	2,442	1,961	
Office furniture and equipment [Member]			
Property, Plant and Equipment [Line Items]			
Cost	3,407	2,617	
Accumulated depreciation	$ 2,797	$ 1,490	

INTANGIBLE ASSETS, NET (Schedule of Components of Intangible Assets) (Details) - USD ($) $ in Thousands		12 Months Ended		
		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Finite-Lived Intangible Assets [Line Items]				
Cost of intangible asset		$ 46,519	$ 46,369	
Accumulated amortization		38,003	33,675	
Total		8,516	12,694	
Impairment charge		0	3,289	
Intangible assets recorded in acquisition				$ 7,180
Developed Technologies [Member]				
Finite-Lived Intangible Assets [Line Items]				
Intangible assets useful life	[1],[2],[3]	6 years 9 months 18 days		
Cost of intangible asset	[1],[2],[3]	$ 27,827	27,677	
Accumulated amortization		21,146	17,673	
Impairment charge		176		
Developed Technologies [Member] | Cool Touch Inc (CT) [Member]				
Finite-Lived Intangible Assets [Line Items]				
Intangible assets recorded in acquisition		2,400		
Developed Technologies [Member] | Orscan [Member]				
Finite-Lived Intangible Assets [Line Items]				
Intangible assets recorded in acquisition		$ 150		$ 600
Trade Names [Member]				
Finite-Lived Intangible Assets [Line Items]				
Intangible assets useful life	[3]	6 years 9 months 18 days		
Cost of intangible asset	[3]	$ 3,930	3,930	
Accumulated amortization		2,389	1,984	
Trade Names [Member] | Cool Touch Inc (CT) [Member]				
Finite-Lived Intangible Assets [Line Items]				
Intangible assets recorded in acquisition		$ 630		
Customer Relationships [Member]				
Finite-Lived Intangible Assets [Line Items]				
Intangible assets useful life	[3]	8 years		
Cost of intangible asset	[3]	$ 10,773	10,773	
Accumulated amortization		10,479	10,029	
Impairment charge		3,113		
Customer Relationships [Member] | Cool Touch Inc (CT) [Member]				
Finite-Lived Intangible Assets [Line Items]				

Intangible assets recorded in acquisition	4,150	
Other Intangible Assets [Member]		
Finite-Lived Intangible Assets [Line Items]		
Cost of intangible asset	3,989	3,989
Accumulated amortization	$ 3,989	$ 3,989

[1] During the years ended December 31, 2016 and 2015 the Company recorded impairment charges in the total amount of $0 and $3,289, respectively. A $176 impairment charge was attributed to developed technology and $3,113 impairment charge was attributed to customer relationship in 2015.

[2] Following the acquisition of Orscan the Company recorded a developed technology in the amount of $600 in 2014 and additional $ 150 in 2016.

[3] Upon the acquisition of Cooltouch the Company recorded original amounts of $4,150, $2,400 and $630 of customer relationships, developed technologies and trade name, respectively. Refer to note 1b1.

INTANGIBLE ASSETS, NET (Schedule of Estimated Annual Amortization Expense Related to Intangible Assets) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Intangible Assets, Net (Excluding Goodwill) [Abstract]			
Amortization expenses	$ 4,328	$ 5,716	$ 5,816
2017	3,461		
2018	2,394		
2019	1,991		
2020	576		
2021 and Thereafter	94		
Total	$ 8,516	$ 12,694	

GOODWILL (Details) - USD ($) $ in Thousands		12 Months Ended		
		Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Goodwill [Line Items]				
Goodwill, Beginning Balance		$ 21,442	$ 26,470	
Acquisitions and others		(5,028)	(1,185)	
Deconsolidation of subsidiary		(3,184)		
Impairment of goodwill			(3,843)	$ (1,185)
Goodwill, Ending Balance		18,258	21,442	26,470
Syneron [Member]				
Goodwill [Line Items]				
Goodwill, Beginning Balance	[1]	15,321	15,321	
Acquisitions and others	[1]			
Deconsolidation of subsidiary	[1]			
Impairment of goodwill	[1]			
Goodwill, Ending Balance	[1]	15,321	15,321	15,321
Light Instruments Ltd. (LI) [Member]				
Goodwill [Line Items]				
Goodwill, Beginning Balance		3,184	3,184	
Acquisitions and others				
Deconsolidation of subsidiary		(3,184)		
Impairment of goodwill				
Goodwill, Ending Balance			3,184	3,184
Rakuto Bio Technologies Ltd. (RBT) [Member]				
Goodwill [Line Items]				
Goodwill, Beginning Balance		2,528	2,528	
Acquisitions and others		(2,528)	(1,185)	
Deconsolidation of subsidiary				
Impairment of goodwill			(1,343)	
Goodwill, Ending Balance			2,528	2,528
Cool Touch Inc (CT) [Member]				
Goodwill [Line Items]				
Goodwill, Beginning Balance		5,437	5,437	
Acquisitions and others		(2,500)		
Deconsolidation of subsidiary				
Impairment of goodwill			(2,500)	
Goodwill, Ending Balance		$ 2,937	$ 5,437	$ 5,437

[1] Syneron reporting unit includes goodwill attributed to the acquisitions of UltraShape Ltd., Primaeva Medical Inc., Inlight Corp. and Traspharma.

GOODWILL (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Impairment loss		$ 3,843	$ 1,185
Impairment loss Intangible assests	$ 0	3,289	
Cool Touch Inc (CT) [Member]			
Impairment loss		$ 2,500	
Term of material assumptions used		5 years	
Long term growth rate		3.00%	
Discount rate	21.00%	20.00%	
Rakuto Bio Technologies Ltd. (RBT) [Member]			
Impairment loss		$ 1,343	$ 1,185
Term of material assumptions used			5 years
Long term growth rate			3.00%
Discount rate			17.00%
Impairment loss Intangible assests		176	$ 1,343
Customer Relationships [Member]			
Impairment loss		$ 3,113	
Impairment loss Intangible assests	$ 3,113		

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Reclassifications out of accumulated other comprehensive income (loss)) (Details) $ in Thousands	12 Months Ended Dec. 31, 2016 USD ($)
Accumulated Other Comprehensive Income (Loss) [Line Items]	
Beginning balance	$ (7,558)
Other comprehensive income (loss) before reclassifications	(652)
Amounts reclassified from accumulated other comprehensive income (loss)	(18)
Net current period other comprehensive income (loss)	(670)
Ending balance	(8,228)
Unrealized gains (losses) on available-for-sale marketable securities [Member]	
Accumulated Other Comprehensive Income (Loss) [Line Items]	
Beginning balance	(57)
Other comprehensive income (loss) before reclassifications	(156)
Amounts reclassified from accumulated other comprehensive income (loss)	20
Net current period other comprehensive income (loss)	(136)
Ending balance	(193)
Unrealized gains (losses) on cash flow hedges [Member]	
Accumulated Other Comprehensive Income (Loss) [Line Items]	
Beginning balance	(32)
Other comprehensive income (loss) before reclassifications	66
Amounts reclassified from accumulated other comprehensive income (loss)	(38)
Net current period other comprehensive income (loss)	28
Ending balance	(4)
Foreign currency translation adjustments [Member]	
Accumulated Other Comprehensive Income (Loss) [Line Items]	
Beginning balance	(7,469)
Other comprehensive income (loss) before reclassifications	(562)
Amounts reclassified from accumulated other comprehensive income (loss)	
Net current period other comprehensive income (loss)	(562)
Ending balance	$ (8,031)

DEFERRED REVENUES (Reconciliation of Deferred Revenue) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Deferred Revenue Disclosure [Abstract]		
Balance at the beginning of the year	$ 15,876	$ 17,836
Deferral of new sales	28,628	22,616
Recognition of previously deferred revenues	(28,635)	(24,341)
Translation differences	(92)	(235)
Balance at the end of the year	$ 15,777	$ 15,876
Service contract minimum period	1 year	
Service contract maximum period	3 years	

OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Details) - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
Payables and Accruals [Abstract]		
Warranty accruals	$ 7,509	$ 7,188
Accrued expenses	7,416	8,099
Accrued commissions	4,452	5,309
Employees and related expenses	7,395	7,874
Tax authorities	2,204	7,846
Other payables and accrued expenses	$ 28,976	$ 36,316

DERIVATIVE INSTRUMENTS (Fair Value of Outstanding Derivative Instruments) (Details) - Designated as Hedging Instrument [Member] - USD ($) $ in Thousands	Dec. 31, 2016	Dec. 31, 2015
Derivatives, Fair Value [Line Items]		
Fair value of derivative instruments	$ 4	$ 32
Other account payables and accrued expenses [Member] | Foreign exchange contracts [Member] | Cash Flow Hedging [Member]		
Derivatives, Fair Value [Line Items]		
Fair value of derivative instruments	$ 4	$ 32

DERIVATIVE INSTRUMENTS (Schedule of Derivative Instruments Recognized in Other Comprehensive Income) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Derivative Instruments, Gain (Loss) [Line Items]			
Amount of gain (loss) recognized in accumulated OCI (effective portion)	$ 66	$ 124	$ (33)
Foreign exchange contracts [Member]			
Derivative Instruments, Gain (Loss) [Line Items]			
Amount of gain (loss) recognized in accumulated OCI (effective portion)	$ 66	$ 124	$ (33)

DERIVATIVE INSTRUMENTS (Schedule of Cash Flow Hedges Reclassified in Accumulated Other Comprehensive Income) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Derivative Instruments, Gain (Loss) [Line Items]			
Amounts reclassified from accumulated other comprehensive income	$ 38	$ 40	$ 37
Revenues [Member]			
Derivative Instruments, Gain (Loss) [Line Items]			
Amounts reclassified from accumulated other comprehensive income		211	105
Operating Expense [Member]			
Derivative Instruments, Gain (Loss) [Line Items]			
Amounts reclassified from accumulated other comprehensive income	$ 38	$ (171)	$ (68)

DERIVATIVE INSTRUMENTS (Schedule of Derivatives Not Designated as Hedging Instruments) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Derivative Instruments, Gain (Loss) [Line Items]			
Gain (loss) recognized in income on derivatives	$ 87	$ (15)	$ 45
Foreign exchange contracts [Member] | Derivatives not designated as hedging instruments [Member] | Financial Income Net [Member]			
Derivative Instruments, Gain (Loss) [Line Items]			
Gain (loss) recognized in income on derivatives	$ 87	$ (15)	$ 45

COMMITMENTS AND CONTINGENCIES (Royalties) (Details) - USD ($) $ in Thousands	1 Months Ended	12 Months Ended			
	Jun. 30, 2011	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Jan. 05, 2010
Dynamic Cooling Device [Member]					
Royalty Agreement [Line Items]					
Royalty rate, up to a certain level ("Net Sale Rate") of net sales (as a percent)	3.00%				
Royalty rate, above the Net Sale Rate (as a percent)	2.00%				
Royalty expense included in cost of revenues		$ 750	$ 2,060	$ 2,508	
Annual license fee		300	300	$ 300	
Lump sum payment					$ 3,000
Dynamic Cooling Device [Member] | Minimum [Member]					
Royalty Agreement [Line Items]					
Minimum annual royalty obligation					$ 750
Dynamic Cooling Device [Member] | Other Receivables [Member]					
Royalty Agreement [Line Items]					
Unamortized license fee		$ 0	$ 0		
Tensor [Member]					
Royalty Agreement [Line Items]					
Royalty rate		4.50%	4.50%	4.50%	
Royalty expense included in cost of revenues		$ 834	$ 879	$ 933	

COMMITMENTS AND CONTINGENCIES (Leases) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Future minimum payments, operating leases:			
2017	$ 5,392		
2018	3,561		
2019	2,729		
2020	1,543		
2021 and thereafter	2,127		
Future minimum lease commitments	$ 15,352		
Renewal option, minimum	1 year		
Renewal option, maximum	5 years		
Rent expenses	$ 4,360	$ 3,639	$ 3,433

COMMITMENTS AND CONTINGENCIES (Legal Claims) (Details) ₪ in Thousands, $ in Thousands	1 Months Ended							12 Months Ended		
	Apr. 01, 2015 ILS (₪)	Jan. 31, 2016 USD ($)	Mar. 31, 2014 USD ($)	Nov. 30, 2011 USD ($)	Oct. 25, 2010 USD ($)	Aug. 31, 2010 USD ($)	Aug. 31, 2010 ILS (₪)	Dec. 31, 2016 USD ($)	Dec. 31, 2016 ILS (₪)	Dec. 31, 2015 USD ($)
Loss Contingencies [Line Items]										
Litigation settlement amount			$ 430							
Accrual for litigation								$ 334		
Damages paid			$ 154					$ 347		$ 465
Syneron [Member]										
Loss Contingencies [Line Items]										
Damages sought | ₪									₪ 0	
Employment Agreement Breach [Member]										
Loss Contingencies [Line Items]										
Obligation to litigation settlement | ₪	₪ 100									
Damages sought						$ 1,500				
Employment Agreement Breach [Member] | Initial Preliminary Hearing [Member]										
Loss Contingencies [Line Items]										
Damages sought						$ 1,300				
Employment Agreement Breach [Member] | Second Preliminary Hearing [Member]										
Loss Contingencies [Line Items]										
Damages sought | ₪							₪ 3,000			
Employment Agreement Breach [Member] | ILS [Member]										
Loss Contingencies [Line Items]										
Damages sought | ₪							5,700			
Employment Agreement Breach [Member] | ILS [Member] | Initial Preliminary Hearing [Member]										
Loss Contingencies [Line Items]										
Damages sought | ₪							₪ 4,800			
Estetitek [Member]										
Loss Contingencies [Line Items]										
Obligation to litigation settlement		$ 100								
Damages sought, loss of profit				$ 1,700						
Damages sought, reputation				$ 500						

Product Liability [Member] | Syneron Inc [Member]	
Loss Contingencies [Line Items]	
Damages sought, reputation	$ 2,000

EQUITY (Option Plans and Stock Appreciation Rights) (Narrative) (Details) $ / shares in Units, $ in Thousands	12 Months Ended								
	Dec. 31, 2016 USD ($) $ / shares shares	Dec. 31, 2015 USD ($) $ / shares	Dec. 31, 2014 USD ($) $ / shares	Dec. 31, 2012	Dec. 31, 2016 ₪ / shares shares	Nov. 07, 2016 shares	Dec. 31, 2015 ₪ / shares	Dec. 01, 2014 shares	Dec. 31, 2004 shares
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]									
Ordinary shares, par value per share | ₪ / shares					₪ 0.01		₪ 0.01		
Common stock, price per share | $ / shares	$ 6.96								
Granted	1,592,450								
Fair value at grant date, RSU Granted | $ / shares	$ 7.25	$ 0.00	$ 10.34						
Aggregate intrinsic value, exercised | $	$ 129	$ 841	$ 247						
Number of shares authorized under share repurchase program								20,000	
Number of share repurchased	563,642								
Value of share repurchased | $	$ 3,925								
Fair Value RSU's Vested | $	132								
Total Share repurchase | $	$ 20,000								
2014 Plans [Member]									
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]									
Total number of shares authorized						200,000			2,000,000
Shares available for grant	441,500				441,500				
Period before expiration	10 years								
2014 Plans [Member] | Minimum [Member]									
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]									
Vesting period				3 years					
2014 Plans [Member] | Maximum [Member]									

Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]	
Vesting period	4 years

EQUITY (Schedule of Stock Options and Stock Appreciation Rights Award Activity) (Details) - USD ($) $ / shares in Units, $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Stockholders' Equity Note [Abstract]			
Number of options, Outstanding at beginning of year	4,496,769		
Number of options, Granted	1,592,450		
Number of options, Exercised			
Number of options, Forfeited	(878,761)		
Number of options, Outstanding at end of year	5,210,458	4,496,769	
Number of options, Exercisable options at end of year	3,053,031		
Number of options, Vested and expected to vest	5,014,376		
Weighted average Exercise price, Outstanding at beginning of year	$ 11.45		
Weighted average Exercise price, Granted	7.12	$ 10.85	$ 10.81
Weighted average Exercise price, Exercised			
Weighted average Exercise price, Forfeited	14.28		
Weighted average Exercise price, Outstanding at end of year	9.27	$ 11.45	
Weighted average Exercise price, Exercisable options at end of year	7.35		
Weighted average Exercise price, Vested and expected to vest	$ 10.23		
Aggregate intrinsic value, Outstanding at end of year	$ 2,330		
Aggregate intrinsic value, Exercisable options at end of year	554		
Aggregate intrinsic value, Vested and expected to vest	$ 2,213		

EQUITY (Summary of Restricted Stock Activity) (Details) - USD ($) $ / shares in Units, $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Stockholders' Equity Note [Abstract]			
Non-vested at January 1, 2016	16,500		
Number of RSUs, Granted	226,000		
Number of RSUs, Vested	(11,500)		
Number of RSUs, Forfeited			
Non-vested at December 31, 2016	231,000	16,500	
Non-vested at January 1, 2016	$ 11.47		
Fair value at grant date, RSU Granted	7.25	$ 0.00	$ 10.34
Fair value at grant date, Vested	11.47		
Fair value at grant date, Forfeited			
Non-vested at December 31, 2016	$ 7.25	$ 11.47	
Total fair value RSU vested	$ 132		

EQUITY (Schedule of Stock Option Activity by Exercise Price) (Details)	12 Months Ended Dec. 31, 2016 $ / shares shares
$1.41 [Member]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range [Line Items]	
Number of options, Outstanding | shares	32,144
Weighted average remaining contractual life, Outstanding	2 years 18 days
Weighted average exercise price, Outstanding	$ 1.41
Number of options, Exercisable | shares	32,144
Weighted average remaining contractual life, Exercisable	2 years 18 days
Weighted average exercise price, Exercisable	$ 1.41
$4.81 [Member]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range [Line Items]	
Number of options, Outstanding | shares	27,083
Weighted average remaining contractual life, Outstanding	2 years 7 months 13 days
Weighted average exercise price, Outstanding	$ 4.81
Number of options, Exercisable | shares	27,083
Weighted average remaining contractual life, Exercisable	2 years 7 months 13 days
Weighted average exercise price, Exercisable	$ 4.81
$6.30-11.95 [Member]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range [Line Items]	
Range of exercise price, lower limit	6.30
Range of exercise price, upper limit	$ 11.95
Number of options, Outstanding | shares	4,781,231
Weighted average remaining contractual life, Outstanding	4 years 6 months 21 days
Weighted average exercise price, Outstanding	$ 9.11
Number of options, Exercisable | shares	2,711,926
Weighted average remaining contractual life, Exercisable	3 years 6 months 10 days
Weighted average exercise price, Exercisable	$ 9.88
$12.09-14.10 [Member]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range [Line Items]	
Range of exercise price, lower limit	12.09
Range of exercise price, upper limit	$ 14.10
Number of options, Outstanding | shares	370,000

Weighted average remaining contractual life, Outstanding	3 years 7 months 13 days
Weighted average exercise price, Outstanding	$ 12.38
Number of options, Exercisable | shares	281,878
Weighted average remaining contractual life, Exercisable	3 years 5 months 5 days
Weighted average exercise price, Exercisable	$ 12.41
$1.41-14.10 [Member]	
Share-based Compensation, Shares Authorized under Stock Option Plans, Exercise Price Range [Line Items]	
Range of exercise price, lower limit	1.41
Range of exercise price, upper limit	$ 14.10
Number of options, Outstanding | shares	5,210,458
Weighted average remaining contractual life, Outstanding	4 years 5 months 20 days
Weighted average exercise price, Outstanding	$ 9.27
Number of options, Exercisable | shares	3,053,031
Weighted average remaining contractual life, Exercisable	3 years 5 months 27 days
Weighted average exercise price, Exercisable	$ 7.35

EQUITY (Schedule of Weighted Average Fair Value of Options Granted) (Details) - $ / shares	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Stockholders' Equity Note [Abstract]			
Weighted average exercise prices	$ 7.12	$ 10.85	$ 10.81
Weighted average fair value on grant date	$ 2.54	$ 3.59	$ 4.02

EQUITY (Schedule of Assumptions Used to Estimate Fair Value) (Details)	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Volatility	39.50%	35.00%	38.50%
Risk-free interest rate	1.06%	1.18%	1.65%
Dividend yield	0.00%	0.00%	0.00%
Post-vesting forfeiture rate	4.00%	5.56%	5.56%
Suboptimal exercise factor	2.0	2.0	2.0
Minimum [Member]			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Contractual life (in years)	7 years	7 years	7 years
Maximum [Member]			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]			
Contractual life (in years)	10 years	10 years	10 years

EQUITY (Schedule of Share-Based Compensation Expense) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]			
Share-based compensation	$ 3,711	$ 3,775	$ 3,700
Period over which unrecognized compensation cost will be recognized	1 year 5 months 12 days		
Unrecognized share-based compensation expense	$ 5,927		
Cost of revenues [Member]			
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]			
Share-based compensation	160	197	160
Research and development [Member]			
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]			
Share-based compensation	341	332	370
Sales and marketing [Member]			
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]			
Share-based compensation	1,227	1,284	1,093
General and administrative [Member]			
Share-based Compensation Arrangement by Share-based Payment Award, Compensation Cost [Line Items]			
Share-based compensation	$ 1,983	$ 1,962	$ 2,077

OTHER EXPENSES (INCOME), NET (Details) - USD ($) $ in Thousands		12 Months Ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Other Income and Expenses [Abstract]			
Impairment of intangibles assets (see also Note 9)		$ 3,289	$ 1,705
Changes in the fair value contingent consideration	(878)	(4,105)	(3,012)
Gain from sale of subsidiary	[1] (1,149)		
Changes in fair value of investment in affiliated company	[2] 7,010	330	4,590
Other		(427)	
Total	$ 4,983	$ (913)	$ 3,283

[1] On May 31, 2016, the Company signed a definitive agreement to sell its LI subsidiary. Accordingly, on the deconsolidation date the Company recorded a gain of $1,149.

[2] During 2016, 2015 and 2014, the Company recorded a loss in the amount of $7,010, $330 and $4,590 respectively, due to changes in the fair value of its investment in Iluminage Beauty. Refer to Notes 4 and 7 for further details.

OTHER EXPENSES (INCOME), NET (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Other Income And Expenses [Line Items]			
Investments in affiliated company	$ 15,730	$ 19,800	
Investment in Iluminage Beauty [Member]			
Other Income And Expenses [Line Items]			
Changes in fair value of investment in affiliated company	$ 7,010	$ 330	$ 4,590

INCOME TAXES (Corporate Tax Rate) (Narrative) (Details)	Jan. 05, 2018	Jan. 05, 2017	Jan. 05, 2016	12 Months Ended Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Income Tax Applicable Tax Rates [Line Items]						
Tax rate for Israeli corporate			25.00%	25.00%	26.50%	26.50%
Scenario, Forecast [Member]						
Income Tax Applicable Tax Rates [Line Items]						
Tax rate for Israeli corporate	23.00%					
Subsequent Event [Member]						
Income Tax Applicable Tax Rates [Line Items]						
Tax rate for Israeli corporate		24.00%				

INCOME TAXES (Encouragement Of Industry And Capital Investments) (Narrative) (Details) ₪ in Thousands, $ in Thousands	1 Months Ended	12 Months Ended		
	Jan. 31, 2017	Dec. 31, 2016 USD ($)	Dec. 31, 2016 ILS (₪)	Oct. 27, 2013 USD ($)
Encouragement Of Capital Investments Law [Line Items]				
Tax exempt period		10 years	10 years	
Amount paid in accordance with the Trapped Profits Law				$ 4,000
Tax rate on preferred income from a preferred enterprise		16.00%	16.00%	
Tax rate distributed to individuals or foreign residents from the preferred enterprise's earnings		20.00%	20.00%	
Maximum [Member]				
Encouragement Of Capital Investments Law [Line Items]				
Amount paid in accordance with the Trapped Profits Law				$ 58,172
Know-How And Patents [Member]				
Encouragement Of Capital Investments Law [Line Items]				
Tax benefit amortization period		8 years	8 years	
Development Area A [Member]				
Encouragement Of Capital Investments Law [Line Items]				
Tax rate on preferred income from a preferred enterprise		9.00%	9.00%	
Development Area A [Member] | Subsequent Event [Member]				
Encouragement Of Capital Investments Law [Line Items]				
Tax rate on preferred income from a preferred enterprise	7.50%			
Technological preferred enterprise [Member]				
Encouragement Of Capital Investments Law [Line Items]				
Tax rate on preferred income from a preferred enterprise		4.00%	4.00%	
Revenue from Subsidiaries | ₪			₪ 10,000,000	
Tax rate on profit		6.00%	6.00%	
Approved Enterprise Programs [Member]				
Encouragement Of Capital Investments Law [Line Items]				
Tax exempt earnings		$ 223,091		
Tax liability resulting from distribution of earnings		$ 59,340		

INCOME TAXES (Schedule Of Corporate Income Tax Rate By Jurisdiction) (Details)	12 Months Ended			
	Jan. 05, 2016	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate	25.00%	25.00%	26.50%	26.50%
Australia [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate		30.00%		
Canada [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate [1]		15.00%		
China [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate		25.00%		
Germany [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate		27.00%		
Hong Kong [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate		16.50%		
Japan [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate		35.60%		
Spain [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate		25.00%		
Unites States [Member]				
Income Tax Applicable Tax Rates [Line Items]				
Corporate income tax rate [1]		35.00%		

[1] Federal.

INCOME TAXES (Schedule Of Deferred Income Taxes) (Details) - USD ($) $ in Thousands		Dec. 31, 2016	Dec. 31, 2015
Income Tax Disclosure [Abstract]			
Net operating loss carryforward		$ 20,859	$ 34,688
Tax credits		8,040	9,184
Capital losses carryforward	[1]	18,797	17,045
Bad debt reserve		1,407	901
Deferred revenues		1,714	1,656
Accrued warranty reserve		1,497	1,529
Inventory reserve		1,017	727
Intangible assets - patents		808	846
Other temporary differences		6,222	6,207
Total deferred tax assets before valuation allowance		60,361	72,783
Valuation allowance		(40,482)	(49,222)
Total deferred tax asset		19,879	23,561
Deferred tax liability in respect of intangible assets acquired		(2,239)	(3,198)
Total deferred tax liability		(2,239)	(3,198)
Net deferred tax asset		$ 17,640	$ 20,363

[1] The Company has capital loss carryforwards resulting mainly from the difference between the reporting currency and the tax basis of the investments in marketable securities and from sale of subsidiaries. The Company recorded a full valuation allowance regarding to its capital loss carryforwards.

INCOME TAXES (Deferred Taxes) (Narrative) (Details) - USD ($) $ in Thousands	12 Months Ended Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Operating Loss Carryforwards [Line Items]			
Operating loss carryforwards, expiration dates	Dec. 31, 2017		
Company's capital losses carryforward	[1] $ 18,797	$ 17,045	
Excess operating loss carryforwards for tax return over financial reporting amount	35,747		
Change in valuation allowance on deferred tax assets	(8,740)	3,484	$ (6,784)
Excess research and development credit carryforwards for tax return over financial reporting amount	482		
Deferred tax assets, valuation allowance	40,482	49,222	
Undistributed earnings of the Company's foreign subsidiaries	53,679		
Unrecognized tax benefits	1,879	1,996	$ 1,875
United States [Member]			
Operating Loss Carryforwards [Line Items]			
Net operating loss carryforward	46,308		
United States [Member] | Research Tax Credit Carryforward [Member]			
Operating Loss Carryforwards [Line Items]			
Net operating loss carryforward	2,331		
Tax credit carryforwards	1,325		
United States [Member] | Capital Loss Carryforward [Member] | Unlimited			

Carryforward Period [Member]	
Operating Loss Carryforwards [Line Items]	
Tax credit carryforwards	$ 1,370
United States [Member] | Minimum [Member]	
Operating Loss Carryforwards [Line Items]	
Operating loss carryforwards, expiration dates	Dec. 31, 2025
United States [Member] | Minimum [Member] | Research Tax Credit Carryforward [Member]	
Operating Loss Carryforwards [Line Items]	
Operating loss carryforwards, expiration dates	Dec. 31, 2023
United States [Member] | Maximum [Member]	
Operating Loss Carryforwards [Line Items]	
Operating loss carryforwards, expiration dates	Dec. 31, 2033
United States [Member] | Maximum [Member] | Research Tax Credit Carryforward [Member]	
Operating Loss Carryforwards [Line Items]	
Operating loss carryforwards, expiration dates	Dec. 31, 2036
State [Member]	
Operating Loss Carryforwards [Line Items]	
Net operating loss carryforward	$ 38,766
State [Member] | Research Tax Credit Carryforward [Member]	
Operating Loss Carryforwards [Line Items]	
Tax credit carryforwards	$ 1,325
State [Member] | Minimum [Member]	

Operating Loss Carryforwards [Line Items]		
Operating loss carryforwards, expiration dates	Dec. 31, 2017	
Israel [Member]		
Operating Loss Carryforwards [Line Items]		
Company's capital losses carryforward	$ 67,772	52,212
Prior year net operating loss limitations	Such losses are subject to limitations of Internal Revenue Code, Section 382, which in general provides that utilization of NOL's is subject to an annual limitation if an ownership change results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. The annual limitations may result in the expiration of losses before utilization.	
Israel [Member] | Unlimited Carryforward Period [Member]		
Operating Loss Carryforwards [Line Items]		
Net operating loss carryforward	$ 69,730	$ 95,854

[1] The Company has capital loss carryforwards resulting mainly from the difference between the reporting currency and the tax basis of the investments in marketable securities and from sale of subsidiaries. The Company recorded a full valuation allowance regarding to its capital loss carryforwards.

INCOME TAXES (Changes To Unrecognized Tax Benefits) (Details) - USD ($) $ in Thousands	12 Months Ended	
	Dec. 31, 2016	Dec. 31, 2015
Income Tax Disclosure [Abstract]		
Gross tax liabilities at beginning of year	$ 1,996	$ 1,875
Additions based on tax positions related to the current year	33	187
Additions for tax positions of prior years		
Reductions for positions of prior years due to lapse of statute of limitation	(150)	(66)
Gross tax liabilities at end of year	1,879	1,996
Accrued interest	$ 113	$ 184

INCOME TAXES (Tax Filings Subject To Examination) (Details)	12 Months Ended Dec. 31, 2016
Israel [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2012
Unites States [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2012
Australia [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2011
Germany [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2012
Canada [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2012
Japan [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2016
Switzerland [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2015
Spain [Member]	
Income Tax Contingency [Line Items]	
Open tax years	2012

INCOME TAXES (Schedule Of Loss Before Taxes On Income) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Income Tax Disclosure [Abstract]			
Domestic	$ (13,600)	$ (15,013)	$ (9,759)
Foreign	17,592	8,721	6,854
Loss before taxes on income	$ 3,992	$ (6,292)	$ (2,905)

INCOME TAXES (Schedule Of Taxes On Income) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Income Tax Disclosure [Abstract]			
Domestic		$ 187	$ 1,385
Foreign	938	1,656	1,886
Current taxes	938	1,843	3,271
Domestic			96
Foreign	2,875	(1,795)	(1,072)
Deferred taxes	2,875	(1,795)	(976)
Taxes on income	$ 3,813	$ 48	$ 2,295

INCOME TAXES (Reconciliation Of Statutory Tax Rate To Effective Tax Rate) (Details) - USD ($) $ in Thousands		12 Months Ended		
	Jan. 05, 2016	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Income Tax Disclosure [Abstract]				
Loss before taxes on income		$ 3,992	$ (6,292)	$ (2,905)
Statutory tax rate in Israel	25.00%	25.00%	26.50%	26.50%
Theoretical tax benefits on the above amount at the Israeli statutory tax rate		$ 998	$ (1,667)	$ (770)
Difference in basis of measurement for tax purpose		4,393	(1,938)	4,853
Change in valuation allowance, net		(8,740)	3,484	(6,784)
Non-deductible stock-based compensation		920	1,001	1,215
Non-deductible expenses		675	106	355
State deferred taxes		252	253	174
Difference and changes in tax rates	[1]	5,612	(1,846)	658
Tax contingencies		(163)	131	60
Tax credits		324	82	(491)
Impairment charges			840	1,216
Withholding taxes				1,386
Return to provision		56	(443)	227
Other		(514)	45	196
Taxes on income		$ 3,813	$ 48	$ 2,295

[1] Mainly resulting from the Legislative Amendments described in note 18a1 which reduces the corporate income tax rate from 26.5% to 23% effective from January 1, 2018. The major change in 2016 is due to the NOLs in Israel for which the Company provided a valuation allowance.

FINANCIAL INCOME (EXPENSES), NET (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Income:			
Interest on cash equivalents	$ 15	$ 88	$ 24
Gain and interest on available-for-sale marketable securities, net	320	386	528
Foreign currency translation adjustments, net	648		
Interest on bank deposits		82	77
Expenses:			
Interest on short-term credit and bank commissions	(219)		(68)
Foreign currency translation adjustments, net		(389)	(1,249)
Financial income, net	$ 764	$ 167	$ (688)

GEOGRAPHIC INFORMATION (Schedule of Revenue and Long-lived Assets by Geographic Regions) (Details) - USD ($) $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	$ 298,102	$ 277,849	$ 255,750
Long-Lived Assets	12,529	9,823	7,011
North America [Member]			
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	105,727	107,527	91,825
Long-Lived Assets	5,085	2,933	2,601
Europe and Middle East (excluding Israel) [Member]			
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	84,020	79,615	82,786
Long-Lived Assets	1,163	207	296
Asia Pacific [Member]			
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	63,978	62,324	44,406
Long-Lived Assets	701	390	138
Japan [Member]			
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	30,968	16,193	25,460
Long-Lived Assets	783	365	9
Israel [Member]			
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	2,853	4,461	3,217
Long-Lived Assets	4,797	5,928	3,967
Others [Member]			
Revenues from External Customers and Long-Lived Assets [Line Items]			
Revenues from external customers	10,556	7,729	8,056
Long-Lived Assets			

NET INCOME (LOSS) PER SHARE (Computation of Basic and Diluted Net Loss Per Share) (Details) - USD ($) $ / shares in Units, shares in Thousands, $ in Thousands	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net income (loss) per share:			
Net income (loss)	$ 179	$ (6,340)	$ (5,200)
Total weighted average number of shares outstanding used in computing:			
Basic net income (loss) per share	34,745	36,416	36,703
Diluted net income (loss) per share	34,945	36,416	36,703
Basic net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)
Diluted net income (loss) per share	$ 0.01	$ (0.17)	$ (0.14)

NET INCOME (LOSS) PER SHARE (Schedule of Anti-dilutive Securities Excluded from Computation of Diluted Net Loss Per Share) (Details) - shares	12 Months Ended		
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net income (loss) per share:			
Ordinary shares	4,494,914	4,496,769	4,285,397

DISCLOSURE ON RELATED PARTIES TRANSACTION (Details) - USD ($) $ in Thousands	12 Months Ended			
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2012
Schedule of Equity Method Investments [Line Items]				
Consideration of the pro-rata initail purchase price				$ 5,000
Additional amounts paid to Shimon Eckhouse and other RBT shareholders				5,000
Certain milestone payments owed to Shimon Eckhouse and other RBT shareholders				$ 15,240
Percent of annual sales due to Shimon Eckhouse and other RBT shareholders				2.019%
Payment received by ManofIT	$ 118	$ 297	$ 169	
Rakuto Bio Technologies Ltd. (RBT) [Member]				
Schedule of Equity Method Investments [Line Items]				
Percent of issued and outstanding shares owned				9.85%