



**THE TRENDLINES GROUP LTD.**

(Incorporated in Israel)

(Company Registration No. 513970947)

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**Unaudited Financial Statements and Dividend Announcement  
For the Three Months and Nine Months Ended 30 September 2019**

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**Background**

The Company was incorporated on 1 May 2007 as a private company limited by shares under the Israeli Companies Law, under the name of “T.I.F. Ventures Ltd.”, and was subsequently renamed “The Trendlines Group Ltd.” on 16 July 2008.

The Group is focused on developing technology-based companies in the medical and agricultural fields. The Group creates and develops companies in accordance with the mission to improve the human condition. To this end, the Group discovers, invests in, incubates and provides services to companies in the fields of medical and agricultural technologies with a view toward a successful exit in the marketplace. Exits may include sales such as merger and acquisition transactions, listing on public stock exchanges and other dispositions of the Company’s holdings.

The Company and together with its subsidiaries (the “**Group**”) also has its own internal innovation centre, Trendlines Labs (established as a business unit of the Company in 2011), where it engages in research and development activities to create new technologies, either as principal or in collaboration with global and local companies and partners, to address unmet market needs.

Further, Trendlines Labs’ technologies can be used for sale or licensing to others or for transfer to the incubators for further development and commercialization.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			Group		
	Three Months Ended		Change %	Nine Months Ended		Change %
	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000		30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000	
<u>Income:</u>						
Gain (loss) from change in fair value of investments in Portfolio Companies	(1,931)	4,527	N.M	(3,326)	1,749	N.M
Income from services to Portfolio Companies	1,152	1,323	(13)	3,650	4,117	(11.34)
Income from contracted R&D services	111	358	(68.99)	389	476	(18.28)
Financial income	114	403	(71.71)	370	772	(52.07)
Other income	93	20	365	119	331	(64.05)
<u>Total income (loss)</u>	<u>(461)</u>	<u>6,631</u>	<u>N.M</u>	<u>1,202</u>	<u>7,445</u>	<u>(83.85)</u>
<u>Expenses</u>						
Operating, general and administrative expenses	1,677	1,795	(6.57)	4,805	4,911	(2.16)
Marketing expenses	86	46	86.96	174	271	(35.79)
R&D expenses, net	276	163	69.33	929	652	42.48
Financial expenses	225	307	(26.71)	836	377	121.75
<u>Total expenses</u>	<u>2,264</u>	<u>2,311</u>	<u>(2.03)</u>	<u>6,744</u>	<u>6,211</u>	<u>8.58</u>
Income (loss) before income taxes	(2,725)	4,320	N.M	(5,542)	1,234	N.M
Tax expenses	76	1,225	(93.79)	740	1,252	(40.89)
<u>Net income (loss)</u>	<u>(2,649)</u>	<u>3,095</u>	<u>N.M</u>	<u>(4,802)</u>	<u>(18)</u>	<u>N.M</u>
Other comprehensive income (loss): Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:						
Gain (loss) from cash flow hedges	1	46	(97.83)	127	(111)	N.M
<u>Total comprehensive income (loss)</u>	<u>(2,648)</u>	<u>3,141</u>	<u>N.M</u>	<u>(4,675)</u>	<u>(129)</u>	<u>N.M</u>
Net earnings (loss) attributable to:						
Equity holders of the Company	(2,563)	3,158	N.M	(4,511)	160	N.M
Non-Controlling Interests	(86)	(63)	39.68	(291)	(178)	63.48
	<u>(2,649)</u>	<u>3,095</u>	<u>N.M</u>	<u>(4,802)</u>	<u>(18)</u>	<u>N.M</u>

Total comprehensive profit (loss) attributable to:						
Equity holders of the Company	(2,562)	3,204	N.M	(4,384)	49	N.M
Non-Controlling Interests	<u>(86)</u>	<u>(63)</u>	36.50	<u>(291)</u>	<u>(178)</u>	63.4
	<u>(2,648)</u>	<u>3,141</u>	N.M	<u>(4,675)</u>	<u>(129)</u>	N.M
Net earnings (loss) per share attributable to equity holders of the Company (U.S. cents):						
Basic net earnings (loss)	<u>(0.38)</u>	<u>0.52</u>	N.M	<u>(0.71)</u>	<u>0.03</u>	N.M
Diluted net earnings (loss)	<u>(0.38)</u>	<u>0.52</u>	N.M	<u>(0.71)</u>	<u>0.03</u>	N.M

\*N.M. – not meaningful

### 1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

	Three Months Ended		Nine Months Ended	
	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000
Depreciation and amortization	189	73	579	122
Foreign currency exchange (gain)/loss	278	(48)	(28)	(315)

**1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	30 September 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000	30 September 2019 (Unaudited) US\$'000	31 December 2018 (Audited) US\$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	14,030	8,136	12,769	6,429
Restricted short term deposits	93	2,728	-	2,642
Short-term deposit	200	-	200	-
Accounts and other receivables	570	605	136	162
Short-term loans to Portfolio Companies	146	363	-	-
	15,039	11,832	13,105	9,233
<b>Non-current assets</b>				
Investment in Subsidiaries	-	-	76,929	77,317
Investments in Portfolio Companies	94,624	97,226	-	-
Right of use asset	2,311	-	-	-
Property, plant and equipment, net	795	952	276	329
	97,730	98,178	77,605	77,646
<b>Total assets</b>	<b>112,769</b>	<b>110,010</b>	<b>90,311</b>	<b>86,879</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Lease liability	350	-	-	-
Trade and other payables	1,339	1,745	545	776
Deferred revenues	2,372	3,630	-	-
	4,061	5,375	545	776
<b>Non-current liabilities</b>				
Deferred revenues	347	1,393	-	-
Loans from the Israel Innovation Authority	3,289	2,974	-	-
Lease liability	2,180	-	-	-
Deferred taxes, net	12,936	13,676	-	-
Other long-term liabilities	200	177	176	145
	18,952	18,220	176	145
<b>Total liabilities</b>	<b>23,013</b>	<b>23,595</b>	<b>721</b>	<b>921</b>

**Equity**

Equity Attributable to Equity

Holders of the Company:

Share capital	1,898	1,601	1,898	1,601
Share premium	73,388	65,282	73,388	65,282
Reserve from hedge	32	(95)	32	(95)
Reserve from share-based payment transactions	3,865	4,252	3,865	4,252
Retained earnings	10,407	14,918	10,407	14,918

**Equity attributable to owners of the parent**

Non-controlling interests	89,590	85,958	89,590	85,958
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**Total equity**

	89,756	86,415	89,590	85,958
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**Total equity and liabilities**

	112,769	110,010	90,311	86,879
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**1(b)(ii) Aggregate amount of Group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

As at 30 September 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	350	-	-

**Amount repayable after one year**

As at 30 September 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
3,289	2,180	2,974	-

**Details of any collateral**

The Group has non-recourse debt to the Israeli Innovation Authority ("IIA") (formerly known as the Office of the Chief Scientist) of the Israeli Ministry of Economy and Industry. These loans were extended from the IIA for the purpose of funding Portfolio Companies, and these loans were secured by liens on shares of the following Portfolio Companies for which the loans were granted:

Name of Portfolio Company	Number of shares in each Portfolio Company pledged in favor of the IIA	
	As at 30 September 2019	As at 31 December 2018
	(Unaudited)	(Unaudited)
Advanced Memtech Ltd.	77,668	77,668
Leviticus Cardio Ltd.	49,250	49,250
Magdent Ltd.	40,750	40,750
NeuroQuest Ltd.	71,820	71,820
ProArc Medical Ltd.	34,860	34,860
Sol Chip Ltd.	66,310	66,310

*For more information, please refer to the Company's offer document dated 16 November 2015.*

**1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Consolidated Statement of Cash Flows**

	Three Months Ended		Nine Months Ended	
	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income ( loss)	(2,649)	3,095	(4,802)	(18)
<u>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</u>				
Adjustments to the profit or loss items:				
Depreciation	189	73	579	214
Income tax (benefit) expense	(76)	1,225	(740)	1,252
Loss (gain) from changes in fair value of investments in Portfolio Companies	1,931	(4,527)	3,326	(1,749)
Financial expense (income), net	(214)	(133)	272	(456)
Income from services to Portfolio Companies	(933)	(1,207)	(2,990)	(3,717)
Share-based payments	30	13	45	62
Changes in asset and liability items:				
Decrease in short-term loans to Portfolio Companies	91	21	219	93
Decrease in accounts and other receivables	(214)	(162)	36	(57)
Increase (decrease) in trade and other payables	(25)	(50)	(280)	(445)
Increase (decrease) in other long-term liabilities	12	(2)	24	2
	791	(4,570)	491	(4,802)
Investments in Portfolio Companies	(222)	(289)	(1,137)	(1,295)
	(222)	(289)	(1,137)	(1,295)
Cash (paid) received during the year for:				
Dividend received	-	-	1,107	-
Interest paid	(48)	-	(139)	-
Interest received	-	60	64	179
<b>Net cash used in operating activities</b>	<b>(2,128)</b>	<b>(1,883)</b>	<b>(4,416)</b>	<b>(5,935)</b>

	Three Months Ended		Nine Months Ended	
	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000	30 September 2019 (Unaudited) US\$'000	30 September 2018 (Unaudited) US\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	(21)	(38)	(68)	(124)
Maturity (purchase) of short-term bank deposits	(202)	(53)	2,436	1,938
Deconsolidation of subsidiary (Note 1)	-	-	-	(145)
<b>Net cash (used in) provided by investing activities</b>	<b>(223)</b>	<b>(91)</b>	<b>2,368</b>	<b>1,669</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Issuance of shares, net	7,971	-	7,971	-
Repayment of lease liability	(6)	-	(349)	-
Loans repaid to the Israel Innovation Authority	-	-	(82)	(269)
Loans received from the Israel Innovation Authority	230	47	403	157
<b>Net cash provided by (used in) financing activities</b>	<b>8,206</b>	<b>47</b>	<b>7,942</b>	<b>(112)</b>
Increase (decrease) in cash and cash equivalents	5,855	(1,927)	5,894	(4,378)
Cash and cash equivalents at the beginning of the period	8,175	6,293	8,136	8,747
Cash and cash equivalents at the end of the period	14,030	4,369	14,030	4,369
<b>Note 1:</b>				
<b>Deconsolidation of subsidiary:</b>				
Accounts and other receivables	-	-	-	(18)
Property, plant and equipment, net	-	-	-	(2)
Investments in Portfolio Companies, net	-	-	-	830
Trade and other payables	-	-	-	92
Deferred revenues	-	-	-	(472)
Gain from revaluation of investment resulting from deconsolidation of subsidiary	-	-	-	(285)
	-	-	-	145
<b>Non-cash transactions</b>				
Right of use asset recognized against Lease liability	-	-	2,666	-



**1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Statement of Changes in Equity  
Group**

(Unaudited)	Share Capital	Share premium	Reserve from hedge	Reserve from share- based payment transactions	Retained earnings	Total	Non- controlli ng interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance as at 1 July 2019</b>	<b>1,601</b>	<b>65,714</b>	<b>31</b>	<b>3,835</b>	<b>12,970</b>	<b>84,151</b>	<b>252</b>	<b>84,403</b>
Net loss and total comprehensive loss	-	-	1	-	(2,563)	(2,562)	(86)	(2,649)
Cost of share- based payments	-	-	-	30	-	30	-	30
Issuance of shares, net	297	7,674	-	-	-	7,971	-	7,971
<b>Balance as at 30 September 2019</b>	<b>1,898</b>	<b>73,388</b>	<b>32</b>	<b>3,865</b>	<b>10,407</b>	<b>89,590</b>	<b>166</b>	<b>89,756</b>
<b>( Unaudited )</b>								
<b>Balance as at 1 July 2018</b>	<b>1,601</b>	<b>65,235</b>	<b>(91)</b>	<b>4,319</b>	<b>18,041</b>	<b>89,105</b>	<b>539</b>	<b>89,644</b>
Net loss and total comprehensive loss	-	-	46	-	3,158	3,204	(63)	3,141
Cost of share- based payments	-	-	-	13	-	13	-	13
Expiration of options	-	2	-	(2)	-	-	-	-
<b>Balance as at 30 September 2018</b>	<b>1,601</b>	<b>65,237</b>	<b>(45)</b>	<b>4,330</b>	<b>21,199</b>	<b>92,322</b>	<b>476</b>	<b>92,798</b>

**Statement of Changes in Equity  
Company**

<b>(Unaudited)</b>	<b>Share Capital</b>	<b>Share premium</b>	<b>Reserve from hedge</b>	<b>Reserve from share-based payment transactions</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Balance as at 1 July 2019</b>	<b>1,601</b>	<b>65,714</b>	<b>31</b>	<b>3,835</b>	<b>12,970</b>	<b>84,151</b>
Net loss and total comprehensive loss	-	-	1	-	(2,563)	(2,562)
Cost of share-based payments	-	-	-	30	-	30
Issuance of shares, net	297	7,674	-	-	-	7,971
<b>Balance as at 30 September 2019</b>	<b>1,898</b>	<b>73,388</b>	<b>32</b>	<b>3,865</b>	<b>10,407</b>	<b>89,590</b>
<b>( Unaudited )</b>						
<b>Balance as at 1 July 2018</b>	<b>1,601</b>	<b>65,235</b>	<b>(91)</b>	<b>4,319</b>	<b>18,041</b>	<b>89,105</b>
Net loss and total comprehensive loss	-	-	46	-	3,158	3,204
Cost of share-based payments	-	-	-	13	-	13
Expiration of options	-	2	-	(2)	-	-
<b>Balance as at 30 September 2018</b>	<b>1,601</b>	<b>65,237</b>	<b>(45)</b>	<b>4,330</b>	<b>21,199</b>	<b>92,322</b>

- 1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

**Share Capital – Ordinary Shares**

	<b>No. of ordinary shares issued by the Company</b>	<b>Issued and paid-up share capital of the Company (US\$'000)</b>
<b>As at 30 June 2019</b>	<b>608,741,749</b>	<b>1,601</b>
Issuance and allotment of shares pursuant to the 2019 Placement <sup>(1)</sup>	103,619,048	297
<b>Balance as at 30 September 2019</b>	<b>712,360,797</b>	<b>1,898</b>

Note:

(1) The Company had on 6 August 2019 completed the placement of 103,619,048 new ordinary shares of the Company to Librae Holdings Ltd (“LH”) at a placement price of S\$0.1050 per placement share which raised net proceeds of approximately S\$10.82 million (approximately US\$7.95 million at an exchange rate of US\$1.00 = S\$1.36) (the “2019 Placement”)

As at 30 September 2019, there are 49,845,153 outstanding options which can be converted into 49,845,153 ordinary shares of the Company (30 September 2018: 52,340,556 outstanding options which can be converted into 52,340,556 ordinary shares of the Company ).

Save as disclosed above, the Company did not have any other convertibles as at 30 September 2019 and 30 September 2018.

There were also no treasury shares or subsidiary holdings as at 30 September 2019 and 30 September 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	<b>As at 30 September 2019</b>	<b>As at 31 December 2018</b>
Total number of issued shares	712,360,797	608,741,749

The Company did not have any treasury shares as at 30 September 2019 and 31 December 2018.

**1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 2018.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted all the applicable new and revised International Financial Reporting Standards ("IFRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2019. The Company adopted IFRS 16 as of January 1, 2019 using the modified retrospective approach electing to recognize the right of use asset in an amount equal to the lease liability as of the adoption date in the amount of approximately \$2.7 million respectively, with no change in its equity. The adoption of the applicable new and revised IFRS and INT FRS did not have any significant impact on the financial statements of the Group for the current financial period reported on.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

(Loss)/Earnings per share ("LPS"/"EPS")	Group		Group	
	Three Months Ended		Nine Months Ended	
	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
(Loss)/Income attributable to owners of the parent for the computation of basic net loss (US\$'000)	(2,563)	3,158	(4,511)	160
Weighted average number of ordinary shares in issue (in thousands)	677,841	608,742	631,768	608,742
Basic (LPS)/EPS (US cents)	(0.38)	0.52	(0.71)	0.03
(Loss)/Income attributable to owners of the parent for the computation of diluted net loss (US\$'000)	(2,563)	3,158	(4,511)	160
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	677,821	608,742	631,768	608,742
Fully diluted (LPS)/EPS (US cents)	(0.38) <sup>(1)</sup>	0.52 <sup>(2)</sup>	(0.71) <sup>(1)</sup>	0.03 <sup>(2)</sup>

**Notes:**

(1) Fully diluted LPS of the Group is the same as the basic LPS because the potential ordinary shares to be converted under any convertible securities are anti-dilutive.

(2) Fully diluted EPS is the same as basic EPS because the outstanding options were out of the money.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the  
(a) Current period reported on; and  
(b) Immediately preceding financial year

Net asset value ("NAV")	Group		Company	
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)
NAV (US\$)	89,590,000	85,957,672	89,590,000	85,957,672
Number of ordinary shares in issue	712,360,797	608,741,749	712,360,797	608,741,749
NAV per ordinary share (US\$)	0.13	0.15	0.13	0.15

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

#### **Consolidated Statement of Comprehensive Income**

***Review for the performance of the Group for the three months ended 30 September 2019 ("Q3 2019") as compared to the three months ended 30 September 2018 ("Q3 2018").***

#### **Loss from change in fair value of investments in Portfolio Companies**

The main reasons to the Q3 2019 loss are:

A decrease of approximately US\$5.3 million in the fair market value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at less favorable terms to the Company, write-off of two companies, and general commercial or technological difficulties demonstrated in some Portfolio Companies in Q3 2019.

The loss in fair market value of investments in Portfolio Companies was partially offset by:

An increase of US\$3.4 million from various Portfolio Companies which was derived based on factors such as the terms on which each Portfolio Company completed its fund raising exercises.

#### **Income from services to Portfolio Companies**

Income from services to Portfolio Companies comprised of approximately US\$0.2 million received as overhead reimbursement from our Portfolio Companies and approximately US\$1.0 million value of non-cash benefits received from the IIA in Israel. Income from services to Portfolio Companies received as overhead reimbursement from our Portfolio Companies decreased by approximately US\$0.2 million or 13% mainly due to a decrease in number of Portfolio Companies being serviced by the Group in Q3 2019 as compared to Q3 2018.

#### **Income from contracted R&D services**

Income from contracted R&D services decreased by approximately US\$0.3 million or 68.9% due to a lower level of activity in relation to R&D services provided by Trendlines Labs to a third party.

## **Financial income**

Financial income decreased by approximately US\$0.3 million or 71.7% due to lower exchange rate differences between the USD and the NIS.

## **Expenses**

### **Operating, general and administrative expenses**

Operating, general and administrative expenses decreased by approximately US\$0.1 million or 6.6%. The decrease was mainly attributable to the decrease of employment costs due to personnel changes in the Group.

### **R&D expenses, net**

Net R&D expenses increased by approximately US\$0.1 million or 69.3% which was mainly attributable to the increase of employment cost at Trendlines Labs.

### **Financial expenses**

Financial expenses decreased by approximately US\$0.1 million or 26.7% due to decrease in the fair value of the loans received from the IIA and due to the exchange rate differences between the USD and the NIS, which is 3.482 in Q3 2019 compared to 3.637 in Q3 2018.

### **Depreciation and Amortization**

The depreciation and amortization increased by US\$0.1 million due to the adoption of the IFRS 16, and a creation of a new "Right of use asset" which is being depreciated over the lease term.

### **Loss before income taxes**

In view of the above, loss before income taxes in Q3 2019 was approximately US\$2.7 million as compared to a gain of US\$4.3 million in Q3 2018, mainly due to the loss from change in fair value of investment in portfolio companies in Q3 2019 compared to gain from change in fair value of investment in portfolio companies in Q3 2018 .

## Consolidated Statement of Financial Position

***Comparative performance for both assets and liabilities are based on the Group's financial statements as at 30 September 2019 and 31 December 2018.***

### **Total assets**

Total assets increased by approximately 1.0% in the nine-months ended 30 September 2019 from US\$110 million as at 31 December 2018 to US\$112.7 million as at 30 September 2019 . This was due

to the increase in cash and cash equivalents in the amount of US\$5.9 million, mainly resulting from the private placement completed on 6 August 2019 which injected US\$8.0 million into the Company, and the initial adoption of IFRS 16, which resulted in the booking of the right of use of the facilities (future rent cost) as an asset (Right of use assets) in the amount of US\$2.3 million. The increase was offset by the decrease in the investment in Portfolio Companies of US\$2.6 million and decrease in restricted short-term bank deposits by approximately US\$2.6 million.

## **Non-current assets**

### **Investments in Portfolio Companies**

The investments in Portfolio Companies of US\$94.6 million as at 30 September 2019 comprised of 53 Portfolio Companies presented at fair value, a decrease of US\$2.6 million or 2.7% as compared to 31 December 2018. The portfolio value does not reflect all current portfolio companies due to consolidation of seven Singapore-based companies that are treated as subsidiaries controlled by The Trendlines Group.

The changes in the value of our investments in Portfolio Companies were mainly due to:

- The write-off of three (3) Portfolio Companies amounting to approximately US\$3.4 million due to lack of funding in these companies;
- An aggregate net decrease of US\$2.1 million in the fair value of Stimatix GI due to slower sales than expected and dividend distribution in the amount of US\$1.1 million received in Q2 2019; and
- An aggregate net decrease of US\$4.2 million in the fair market value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at less favorable terms to the Company.

The decrease in investments in Portfolio Companies was offset by:

- An aggregate net increase of US\$6.2 million in the fair market value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at favorable terms to the Company; and
- An increase of approximately US\$0.8 million due to the establishment of one new Portfolio Company.

## **Current assets**

### **Cash and cash equivalents**

Cash and cash equivalents increased by approximately US\$5.9 million mainly as a result of the private placement exercise completed on 6 August 2019.



### **Short-term bank deposits**

Short-term bank deposits decreased by approximately US\$2.3 million mainly due to the withdrawal of short-term deposits that were used for operating activities.

Our cash and cash equivalents and short term bank deposits represent 95.2% of our total current assets.

### **Non-current liabilities**

#### **Long-term deferred revenue**

The Company's deferred revenues are recognized over a period of 24 months (commencing from the date on which the Group provides its service to the respective Portfolio Company). As at 30 September 2019, long term deferred revenues amounted to US\$0.3 million. This represents a decrease of US\$1.0 million which was mainly due to fewer number of Portfolio Companies, as at 30 September 2019 that have deferred revenues to be recognized in the 13th to 24th month period, as compared to that as at 31 December 2018.

#### **Loans from the IIA**

The loans from the IIA increased by US\$0.3 million or 10.6%, mainly due to new operation loans received from the IIA and also due to the exchange rate difference between the USD and the NIS.

#### **Lease Liabilities**

Upon adoption of the IFRS 16 as explained in paragraph 5, the Company recognized the right of use asset in an amount equal to the lease liability as of the adoption date in the amount of approximately US\$2.6 million, with no change in its equity. As at 30 September 2019, long term lease liabilities amounted to US\$2.2 million (in addition to US\$0.4 million as current maturity of lease liability).

### **Current liabilities**

#### **Trade and other payables**

Trade and other payables decreased by approximately US\$0.4 million, or 23.3%, mainly due to decrease in trade payables relating to services provided at the end of 2018 and its related expense which was paid during the nine months ended 30 September 2019.

#### **Short-term deferred revenues**

A decrease of US\$1.3 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies as at 30 September 2019, that have deferred revenues to be recognized in the 1st- to 12th-month period, as compared to that as at 31 December 2018.

## Equity

As at 30 September 2019, equity attributable to equity holders of the Company amounted to approximately US\$89.6 million.

### Consolidated Statement of Cash Flows

Net cash used in operating activities of US\$2.1 million in Q3 2019 was mainly due to a net loss of US\$2.6 million and adjustments for non-cash items such as (i) net loss from changes in fair value of investments in Portfolio Companies of approximately US\$1.9 million; (ii) income from services to Portfolio Companies of approximately US\$0.9 million; (iii) non cash income tax expense of approximately US\$0.1 million; and (iv) financial income, net of approximately US\$0.2 million.

Net cash used in investing activities of US\$0.2 million in Q3 2019 was mainly due to purchases of short term investments of US\$0.2 million.

Net cash provided by financing activities of US\$8.2 million in Q3 2019 was mainly due to completion of the placement exercise to LH, which was completed on 6 August 2019.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Company is placing primary emphasis during 2019 on supporting its existing portfolio companies, and less emphasis on investing in new companies. As a result, the Company expects to establish fewer new companies in 2019 compared with previous years.

The Company remains committed to its stated plans in the medical and agricultural technologies fields and believes that the continued need for new and improved products in these fields represents both investment and liquidity opportunities for the Company.

During 2018, the Company implemented a cost reduction plan, as has previously been reported. In 2019, the Company is continuing to carefully monitor its expense structure and certain additional cuts have been made.

On 18 December 2018, Trendlines announced that it intends to open a Singapore-based innovation center focused on developing agrifood technologies and that it is planning to raise a US\$40 million venture fund to support the new investment activity and will act as the new fund's general partner. On 24 September 2019 the Company announced that it has received conditional commitments of up to US\$22 million for the venture fund from Temasek, an investment company headquartered in

Singapore, LH, an entity related to Mr. Vincent Tchenguiz, and an additional Southeast Asian investor. The new Trendlines' agrifood tech center aims to leverage technological and scientific knowledge in Singapore and the region with Trendlines' experience and know-how in investing in and building companies to accelerate technology development and investment in Southeast Asia's agrifood supply chain. On 15 January 2019, the Company announced that its new Singapore agrifood-focused venture fund has been appointed as one of the partners under the Startup SG Equity scheme, administered by SEEDS Capital Pte. Ltd. ("SEEDS Capital"), an investment arm of SPRING Singapore, and on 30 January 2019 the Company announced that Dr. Nitza Kardish, Chief Executive Officer of Trendlines Incubators Israel and Vice President of the Company, has accepted the position of Vice Chair at the planned Singapore-based innovation center. The Company believes that the new venture, under the experienced management of Dr. Kardish, and with the support of SEEDS Capital, will grow to become an important part of its operations, as Trendlines Medical Singapore has become in the past two years.

On 22 July 2019 the Company announced that it has executed a subscription agreement with LH (the "Subscription Agreement"), pursuant to which the Company shall issue 103,619,048 new ordinary shares in the capital of the Company (the "Placement Shares") to LH, by way of a private placement. Pursuant to the Subscription Agreement, LH will subscribe for the Placement Shares at a placement price of S\$0.1050 per Placement Share ("Placement Price") and for a total consideration of S\$10,880,000 (US\$8,000,000 at the exchange rate of US\$1.00 = S\$1.360 as at 19 July 2019) less issue expenses of US\$29,000. The Company completed the Placement following the allotment and issuance of 103,619,048 Placement Shares on 6 August 2019 to LH in accordance with the terms and conditions of the Subscription Agreement.

On 26 September 2019, the Company announced that it is undertaking a renounceable non-underwritten rights issue of up to 84,693,994 new ordinary shares in the capital of the Company at a price per share of S\$0.1050. LH has provided an irrevocable undertaking to, amongst others, fully subscribe for its entitlement and/or procure subscription for up to 67,103,916 excess rights shares, on the basis that it will rank last in priority for the allotment of the excess rights shares which are not taken up by the other entitled shareholders. Pursuant to the irrevocable undertaking, LH's shareholdings in the Company is likely to surpass 15%, thereby making it a controlling shareholder of the Company. The Company shall seek shareholders' approval for the rights issue and the potential transfer of controlling interest to LH at a special general meeting to be held on 19 November 2019.

## **11. Dividend**

If a decision regarding dividend has been made: -

(a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)  
(Optional) Rate (%)  
Not applicable.

- (b)(ii) Previous corresponding period (cents)  
(Optional) Rate (%)  
Not applicable.
- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).  
  
Not applicable. No dividend has been declared or recommended for the current and previous corresponding period.
- (d) The date the dividend is payable.  
  
Not applicable.
- (e) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.  
  
Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision**

The Company does not meet the conditions required by Law of Companies in Israel to declare a dividend. According to the Israeli Law of Companies, a company that wishes to distribute a dividend must meet two cumulative conditions: (1) The Company has distributable surpluses and if the total retained earnings is negative, it is possible to distribute the profits accumulated in the past two years (the earnings test) and (2) The Company has the ability to meet all of its liabilities even after the distribution of the dividend (the repayment ability test). As the Company does not meet the required conditions, no dividend has been declared or recommended for Q3 2019.

**13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have a general mandate for recurrent interested person transactions. There were no interested person transactions which were more than S\$100,000 entered into during Q3 2019.

#### 14. Use of IPO proceeds

The Company refers to the net proceeds (“**IPO Net Proceeds**”) amounting to S\$19.28 million raised from the IPO on the Catalist Board of SGX-ST on 26 November 2015.

As at the date of this announcement, the status on the use of the IPO Net Proceeds is as follows:

<u>Use of IPO Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
Follow-on investments in Portfolio Companies	10,000	9,256	744
Expansion of our operations into new markets	5,000	3,344	1,656
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
<b>Total</b>	<b>19,275</b>	<b>16,875</b>	<b>2,401</b>

The above utilizations are in accordance with the intended use of IPO Net Proceeds, as stated in the Company’s Offer Document dated 16 November 2015 .

#### 15. Use of 2017 Placement proceeds

The Company refers to the net proceeds amounting to S\$13.34 million raised from the placement of 100 million shares which was completed on 25 October 2017 (“**2017 Placement Net Proceeds**”).

As at the date of this announcement, the status on the use of 2017 the Placement Net Proceeds is as follows:

<u>Use of 2017 Placement Net Proceeds</u>	<u>Amount Allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	4,000	-	4,000
Direct and indirect investments into new, prospective or existing Portfolio Companies	9,338	8,038	1,300
<b>Total</b>	<b>13,338</b>	<b>8,038</b>	<b>5,300</b>

The above utilizations are in accordance with the intended use of 2017 Placement Net Proceeds, as stated in the Company’s announcement dated 10 October 2017.

## 16. Use of 2019 Placement proceeds

The Company refers to the net proceeds amounting to S\$10.82 million raised from the placement of 103,619,048 shares which was completed on 6 August 2019.

As at the date of this announcement, the status on the use of the Placement Net Proceeds is as follows:

<u>Use of 2019 Placement Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	3,246	-	3,246
Direct and indirect investments into new, prospective or existing Portfolio Companies	7,574	-	7,574
<b>Total</b>	<b>10,820</b>	<b>-</b>	<b>10,820</b>

Our Group has yet to deploy the 2019 Placement Net Proceeds. At the appropriate juncture, our Group will deploy the 2019 Placement Net Proceeds towards the uses stated above. Pending such deployment, funds have been placed in interest bearing deposits with licenced banks in Singapore. The Company will make periodic announcements on the utilisation of the 2019 Placement Net Proceeds as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its quarterly and full year financial statements.

## 17. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

## 18. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months and 9 months ended 30 September 2019 to be false or misleading in any material aspect

### BY ORDER OF THE BOARD

D.Todd Dollinger  
Chairman and CEO  
7 November 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms. Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*