THE TRENDLINES GROUP LTD.
(Incorporated in Israel)
(Company Registration No. 513970947)

Questions and Answers Provided by the Trendlines Group Ahead of Upcoming Annual General Meeting and Special General Meeting

The Board of Directors of The Trendlines Group Ltd. ("**Trendlines**" or the "**Company**" and together with its subsidiaries, the "**Group**") wishes to address questions received from shareholders prior to the upcoming annual general meeting for its financial year ended 31 December 2019 ("**AGM 2020**") and the special general meeting ("**SGM 2020**") to be held on 17 June 2020, which will be broadcast through a virtual platform. It is customary for shareholders to utilize the annual general meetings of the Company as an opportunity to direct questions to the Company's management with respect to the recently published Annual Report 2019 or regarding the resolutions to be presented at the AGM 2020 and the SGM 2020.

The Company's Annual Report 2019 was also selected by the Securities Investors Association of Singapore ("**SIAS**") for review this year.

The questions submitted to Trendlines by the SIAS as well as questions submitted by shareholders and the Company's responses to those questions are set out below.

Q1. In his statement, the chairman reflected on a hugely successfully 2019 for the group and stated the accomplishments which included:

- **Private placement with Librae Holdings and successful rights offering**
- **First close of our Singapore-based Trendlines Agrifood Fund**
- **Completed raises for 22 portfolio companies**
- **Portfolio value at record level of US$102.8 million**
- **NAV per share US$0.13/SGD 0.18, compared to US$0.15/SGD 0.19 at 31 Dec 2018**

(i) Would the board help shareholders understand why the net asset value ("NAV") per share of US$0.13 is considered an achievement when the NAV per share was US$0.15 as at 31 December 2018?

The Chairmen's comments about a successful year related to our results overall, including fundraising exercises completed for our portfolio companies, the record level of the portfolio value, and the first close of our new Singapore-based venture fund, among other factors. Certain performance indicators are foci for improvement, including the NAV per share.

Our total NAV increased significantly in FY2019 from US$86.0 million as at the end of FY2018 to US$100.0 million as at the end of FY2019, while our NAV per share declined due to additional shares being issued as part of the private placement and rights offering. Although these issuances were dilutive, we are proud of the fact that they were carried out at 34.6% and 19.3% premiums, respectively, over last traded prices. Rights offerings and private placements are generally completed at discounts to market price, resulting in even larger dilution to existing shareholders; our fundraising exercises were completed at premiums, reducing shareholder dilution. We also note with some satisfaction that, since the offerings, average daily trading volume in our shares has increased markedly, providing increased liquidity for our shareholders.

(ii) The company is itself an investor of early stage companies. As an investor, did the board consider the dilutive impact to shareholders who were unable to participate (as with the placement) or unwilling to participate in the fund raising exercise that were carried out at a price below the NAV per share?

*The Board considered the dilutive impact of the fundraising exercises and rejected the market norm of raising capital in such transactions at a discount to market price. As stated above, the private placement and the rights offering were issued at a premium over the last traded prices prior to the date of the subscription agreement for the private placement and the announcement date of the rights offering respectively, resulting in reduced dilution. We also believe that the strategic impact of bringing in Librae Holdings Limited ("**Librae**") as a controlling shareholder of the Company justified the dilution; since their investment in the Company, Librae has committed US$10 million to the Trendlines Agrifood Fund and has additionally invested directly into multiple portfolio companies, strengthening our Company and our portfolio companies.*

(iii) Going forward, would the board consider how it might raise funds without causing undue dilution to shareholders who might be unable/unwilling to participate?

The Trendlines Board and management are highly sensitive to shareholder dilution and building shareholder value. Our Board is obliged to weigh, at all times, the financial needs of the Group, risks, and opportunities. Balancing matters that have aspects of conflict is a critical task for Board and management; we will always explore financing opportunities with an understanding of, and sensitivity to dilution, as demonstrated when we raised additional capital at a premium to market price.

Q2. As noted in the financial highlights and review (page 11), the group's fair market value of investments in portfolio companies was partially offset by:

- **Stimatix GI: net decrease of US$6.9 million as the initial revenues of Stimatix GI are lower than projected**
- **Down round: a decline of US$5.2 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, and general commercial or technological difficulties demonstrated in some portfolio companies in FY2019**
- **Write-off: three portfolio companies of approximately US$3.4 million as a result of lack of funding in those companies**

(i) Can management help shareholders understand how much influence, if any, does the group exert on Stimatix GI? What can the group do to help with the launch of Stimatix GI, if any?

The assets of Stimatix GI were sold in 2014 to B. Braun, a private multinational medical company. In 2019, B. Braun launched the Stimatix GI product in the European market under the brand Be1. Trendlines has no influence or involvement in the product or its marketing. While Trendlines does have regular contact with B. Braun, Trendlines only receives the limited information relative to product sales that B. Braun decides to disclose.

(ii) It was disclosed that 22 of the portfolio companies raised funds in 2019. How many of its portfolio companies carried out a down round in 2019 which partly resulted in the decrease of US$5.2 million in fair market value?

Of the 22 companies that raised funds in 2019, seven raised in down rounds.

(iii) The three portfolio companies that were written off in the year appear to be EdenShield Ltd., InPlant Technologies Ltd. and Zeev Implants Ltd. Has management evaluated the main reasons and revisited the initial investment thesis?

Typically, we invest in companies when they are very risky and we do not expect all of our companies to succeed; we are never happy when a company fails and is written off, and we seek to learn from the event and to improve our investment process. Management conducts a "postmortem" process to evaluate written-off investments. The Company's management meets, together with staff members involved in every stage of the written-off company, to evaluate every stage of our engagement with the portfolio company, including the investment process and decision, technology development, support provided by the Company to the portfolio company, and other matters related to the performance of the portfolio company. The purpose of the evaluation is to identify mistakes that may have been made and areas where we can improve.

Q3. The group stated that the fair value of its investments in portfolio companies increased by US$5.6 million compared to FY2018 reaching US$102.8 million. This increase is 5.8%.

In FY2017, the increase was 15.6%. In FY2018, the company stated that the non-Stimatix GI Ltd. portion of the portfolio increased by 56.4% in three years.

(i) Has the board evaluated the pace of increase in the fair value of its investments? What were the main reasons for the relative underperformance in FY2019?

It should be noted that in FY2019, the non-Stimatix portion of the portfolio increased by 19.9%. In addition, as at the end of FY2019, we had 10 portfolio companies that were consolidated and, accordingly, not given value in the portfolio; had those 10 companies been given value, the total value of the portfolio would have been greater as at the end of FY2019. Given these two factors, the Board was satisfied, overall, with the pace of the valuation increase for the financial year.

(ii) Would the board disclose the "external independent valuator"?

Stimatix GI Ltd. is valued by Boston MedTech Advisors and other portfolio companies are valued by Variance Escola.

(iii) Can the company help shareholders understand the role played by management and the board in the valuation process?

Every portfolio company is valued at least annually after they have fully deployed our initial investment. The entire valuation process is performed directly between the portfolio company and the valuation company without involvement of the Company.

The Company verifies the valuation data that was provided and accepts the valuation report. The valuation report is then sent to the Company's external auditors, being Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, in FY2019, for audit and assurance. Valuation results are presented to the Company's Audit Committee and Board as part of the approval process of the Company's financial results.

Q4. The agenda of the SGM calls for an amendment of the employment agreements of the CEOs, including an adjustment to their base salaries, a special long term incentive equity grant, and bonus payments in accordance with the "MBO Plan" as decide by the BOD. May I know how this decision is justified given that

a. **The Company completed an IPO on the SGX in 2015 and stock is down more than 60% since.**
b. **The Company completed multiple rights and placements diluting existing shareholders.**
c. **No dividends have been paid since listing in 2015.**

The CEOs' salaries have not increased since the IPO in 2015 and they have not received any equity-based compensation since the IPO (see pages 97-100 of the Company's Annual Report for FY2019 for further details relative to share options granted to the CEOs). Additionally, as announced by the Company on 30 October 2017, the CEOs proposed and accepted, with Board approval and appreciation, a 20% reduction in their salaries as part of the Expense Reduction Plan. Their salaries were fully reinstated from 1 August 2019, but no part of the previously reduced salaries was returned to them. So, at present, the total salary that they have received since the IPO is well less than the amount budgeted from the time of the IPO in 2015.

The Board and the Board's Remuneration Committee have determined that our CEOs play a critical role in building and leading the company. In light of this, the Remuneration Committee recommended to the Board that it provide the CEOs with an update to their compensation packages. The Remuneration Committee and the Board believe that such an update to the compensation package incentivizes the CEOs to link their future with that of the Company, motivating them to continue building the Company to benefit *its shareholders. To evaluate the compensation terms for the CEOs, the Remuneration Committee and the Board reviewed benchmark information relating to the compensation of chief executive officers and, separately, on chairmen of the boards of directors of peer group companies. The evaluation was based on surveys conducted by an independent international professional services firm (the "Benchmark Information"). The Remuneration Committee and Board have determined that the proposed CEO compensation package is in line with the Benchmark Information.*

The 2020 MBO Plan reflects a management model that aims to improve organizational performance by clearly defining management objectives for a specific period of time. It is important to note that even if the conditions of the 2020 MBO Plan are met, payment of any Operational Bonuses to the CEOs will be subject to the approval of the Company's Remuneration Committee and Board, and such approval shall be granted – in part or in full – only after taking account of, inter alia, the Company's financial state at such applicable time.

Regarding our share price, the Board believes that the current market price of Trendlines does not properly reflect the Company's value. Since our IPO, our share price has declined while the value of our portfolio, taken as the sum of the appraised value and exit proceeds received to date, has increased by 32.7%. In comparison to peer companies, Trendlines' share price trades at a large discount. The CEOs and management continue to work hard to increase value for the Company and its shareholders.

The private placement in 2019 was completed at 10.5 Singapore cents per share, a 34.6% premium over the last traded price of the full market day prior to the date of the subscription agreement. The rights offering occurred at an issue price representing a 19.3% premium to the last traded price prior to the announcement of the rights offering.

It should further be noted relative to these issuances that:

a. Raising capital at significant premiums to the current trading price is unusual and served to call positive attention to our share price which, in turn, was followed by an increase in market price and increased volumes.
b. The private placement and rights offering resulted in Librae holding 23.03% of the Company. We believe that Librae's significant investment demonstrates their belief in the Company and its prospects.
c. With the rights offering following the private placement, the Board provided an opportunity for shareholders to invest at the same terms as Librae.

Regarding dividends, the Company continues to evaluate aspects of paying dividends to shareholders based on its financial results and other considerations. The compensation of the CEOs is intended to ensure continued strengthening and growth of the Company in the strong conviction that this will create value for our shareholders.

BY ORDER OF THE BOARD

Haim Brosh
Chief Financial Officer and Joint Company Secretary
12 June 2020

GENERAL ANNOUNCEMENT::QUESTIONS AND ANSWERS PROVIDED BY THE TRENDLINES GROUP AHEAD OF UPCOMING AGM AND SGM

Issuer & Securities

Issuer/ Manager

THE TRENDLINES GROUP LTD.

Securities

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Submitted By (Co./ Ind. Name)

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Designation

Joint Company Secretary