



THE TRENDLINES GROUP LTD.

(Incorporated in Israel)

(Company Registration No. 513970947)

Unaudited Financial Statements and Dividend Announcement

For the Six Months Ended 30 June 2020

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 HALF-YEAR AND FULL YEAR RESULTS

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

	Group		
	Six Months Ended		Change
	30 June 2020	30 June 2019	
	(Unaudited)	(Unaudited)	%
	US\$'000	US\$'000	
<u>Income:</u>			
Loss from change in fair value of investments in Portfolio Companies, net	(3,626)	(1,395)	159.93
Income from services to Portfolio Companies	1,799	2,498	(27.98)
Income from contracted R&D services	342	278	23.02
Financial income	1,685	256	558.20
Other income	25	26	(3.84)
<u>Total income</u>	<u>225</u>	<u>1,663</u>	<u>(86.47)</u>
<u>Expenses</u>			
Operating, general and administrative expenses	3,373	3,128	7.83
Marketing expenses	96	88	9.09
R&D expenses, net	493	653	(24.5)
Financial expenses	406	611	(33.55)
<u>Total expenses</u>	<u>4,368</u>	<u>4,480</u>	<u>(2.50)</u>
Loss before tax benefit	(4,143)	(2,817)	47.07
Tax benefit	35	664	(94.73)
<u>Net loss</u>	<u>(4,108)</u>	<u>(2,153)</u>	<u>90.80</u>
<u>Other comprehensive loss:</u>			
Amounts that will be or that have been reclassified to loss when specific conditions are met:			
Income from cash flow hedges	198	126	57.14
<u>Total comprehensive loss</u>	<u>(3,910)</u>	<u>(2,027)</u>	<u>92.89</u>
<u>Net loss attributable to:</u>			
Equity holders of the Company	(4,094)	(1,948)	110.16
Non-Controlling Interests	(14)	(205)	(93.17)
	<u>(4,108)</u>	<u>(2,153)</u>	<u>90.80</u>
<u>Total comprehensive loss attributable to:</u>			
Equity holders of the Company	(3,896)	(1,822)	113.83
Non-Controlling Interests	(14)	(205)	(93.17)
	<u>(3,910)</u>	<u>(2,027)</u>	<u>92.89</u>

Net loss per share attributable to equity holders of the Company (U.S. cents):			
Basic net loss	(0.52)	(0.32)	62.50
Diluted net loss	(0.52)	(0.32)	62.50
*N.M. – not meaningful			

1(a)(ii) Notes to Consolidated Statement of Comprehensive loss

	30 June 2020 (Unaudited) US\$'000	30 June 2019 (Unaudited) US\$'000
Depreciation and amortization	580	390
Foreign currency exchange loss	(282)	(191)

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 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	30 June 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Assets				
Current assets				
Cash and cash equivalents	7,698	18,366	6,004	16,967
Short-term bank deposits	185	293	-	200
Marketable securities - restricted	7,702	-	-	-
Accounts and other receivables	862	724	286	413
Short-term loans to Portfolio Companies	145	160	-	-
	16,592	19,543	6,290	17,580
Non-current assets				
Investment in Subsidiaries	-	-	86,022	83,144
Long-term bank deposits	4,027	-	4,027	-
Accounts and other receivables	4,775	-	-	-
Contingent consideration receivable	2,515	-	-	-
Investments in Portfolio Companies	88,544	102,825	-	-
Right of use asset	2,579	2,246	-	-
Property, plant and equipment, net	854	865	121	268
	103,294	105,936	90,170	83,412
Total assets	119,886	125,479	96,460	100,992
EQUITY AND LIABILITIES				
Current liabilities				
Lease liability	542	428	-	-
Trade and other payables	1,600	2,145	557	1,290
Deferred revenues	1,263	2,148	-	-
	3,405	4,721	557	1,290
Non-current liabilities				
Deferred revenues	178	572	-	-
Loans from the Israel Innovation Authority	3,353	3,567	-	-
Lease liability	2,311	2,128	-	-
Deferred taxes, net	14,474	14,508	-	-
Other long-term liabilities	216	213	176	168
	20,532	20,988	176	168
Total liabilities	23,937	25,709	733	1,322

Equity

Equity Attributable to Equity

Holders of the Company:

Share capital	2,123	2,123	2,123	2,123
Share premium	79,303	79,289	79,303	79,289
Reserve from hedge	24	(175)	24	(175)
Reserve from share-based payment transactions	3,927	3,853	3,927	3,853
Retained earnings	10,350	14,444	10,350	14,444

Equity attributable to owners of the parent

	95,727	99,534	95,727	99,534
Non-controlling interests	222	236	-	-

Total equity

	95,949	99,770	95,727	99,534
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Total equity and liabilities

	119,886	125,479	96,460	100,992
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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 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	542	-	428

Amount repayable after one year

As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
3,353	2,311	3,567	2,128

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 June 2020 (Unaudited)	As at 31 December 2019 (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

	Six Months Ended	
	30 June 2020 (Unaudited) US\$'000	30 June 2019 (Unaudited) US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(4,108)	(2,153)
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>		
Adjustments to the profit or loss items:		
Depreciation	580	390
Tax benefit	(35)	(664)
Loss from changes in fair value of investments in Portfolio Companies, net	3,626	2,502
Financial expenses (income), net	(1,646)	487
Income from services to Portfolio Companies	(1,354)	(2,057)
Share-based payments	88	15
Changes in asset and liability items:		
Decrease in short-term loans	15	128
Decrease (increase) in accounts and other receivables	(138)	250
Decrease in trade and other payables	(345)	(255)
Increase in other long-term liabilities	3	12
	794	808
Investments in Portfolio Companies	(2,844)	(915)
	(2,844)	(915)
Cash (paid) received during the year for:		
Interest paid	(111)	(91)
Interest received	2	64
	(109)	(32)
Net cash used in operating activities	(6,267)	(2,287)

	Six Months Ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(282)	(47)
Proceeds from maturity of bank deposits, net	108	2,638
Purchase of a long-term bank deposit	(4,027)	-
Net cash provided by (used in) investing activities	(4,201)	2,591
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of lease liability	(296)	(355)
Loans repaid to the Israel Innovation Authority	-	(82)
Loans received from the Israel Innovation Authority	96	173
Net cash used in financing activities	(200)	(264)
Increase (decrease) in cash and cash equivalents	(10,668)	40
Cash and cash equivalents at the beginning of the year	18,366	8,136
Cash and cash equivalents at the end of the year	7,698	8,176
Non-cash transactions		
Marketable securities and receivables from realization of investment in Portfolio Company	13,697	
Right of use asset recognized against lease liability	504	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- controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2020	2,123	79,289	(175)	3,853	14,444	99,534	236	99,770
Net loss and total comprehensive loss	-	-	199	-	(4,094)	(3,895)	(14)	(3,909)
Cost of share-based payments	-	-	-	88	-	88	-	88
Expiration of options	-	15	-	(15)	-	-	-	-
Balance as at 30 June 2020	2,123	79,304	24	3,926	10,350	95,727	222	95,949
(Unaudited)								
Balance as at 1 January 2019	1,601	65,282	(95)	4,252	14,918	85,958	457	86,415
Net loss and total comprehensive loss	-	-	126	-	(1,948)	(1,822)	(205)	(2,027)
Cost of share-based payments	-	-	-	15	-	15	-	15
Expiration of options	-	432	-	(432)	-	-	-	-
Balance as at 30 June 2019	1,601	65,714	31	3,835	12,970	84,151	252	84,403

**Statement of Changes in Equity
Company**

(Unaudited)	Share Capital	Share premium	Reserve from hedge	Reserve from share-based payment transactions	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2020	2,123	79,289	(175)	3,853	14,444	99,534
Net loss and total comprehensive loss	-	-	199	-	(4,094)	(3,895)
Cost of share-based payments	-	-	-	88	-	88
Expiration of options	-	15	-	(15)	-	-
Balance as at 30 June 2020	2,123	79,304	24	3,926	10,350	95,727
(Unaudited)						
Balance as at 1 January 2019	1,601	65,282	(95)	4,252	14,918	85,958
Net loss and total comprehensive loss	-	-	126	-	(1,948)	(1,822)
Cost of share-based payments	-	-	-	15	-	15
Expiration of options	-	432	-	(432)	-	-
Balance as at 30 June 2019	1,601	65,714	31	3,835	12,970	84,151

- 1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, subdivision, consolidation, 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

There were no changes in the issued share capital of the Company (“Shares”) from 31 December 2019 to 30 June 2020.

As at 30 June 2020, there are 66,000,915 outstanding options which can be converted into 66,000,915 ordinary shares of the Company (30 June 2019: 49,885,153 outstanding options which can be converted into 49,885,153 Shares).

Save as disclosed above, the Company did not have any other convertibles as at 30 June 2020 and 30 June 2019.

There were also no treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

- 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**

	As at 30 June 2020	As at 31 December 2019
Total number of issued shares	791,191,382	791,191,382

The Company did not have any treasury shares as at 30 June 2020 and 31 December 2019.

- 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 modifications or emphasis of a matter)

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

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable, as the Company's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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

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 2019.

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

Not applicable, as the Group did not adopt any new International Financial Reporting Standards ("IFRS") and Interpretations of Financial Reporting Standards ("INT FRS") for the six months ended 30 June 2020.

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**

	Group	
	Six Months Ended	
Loss per share ("LPS")	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Loss attributable to owners of the parent for the computation of basic net earnings (US\$'000)	(4,094)	(1,948)
Weighted average number of ordinary shares in issue (in thousands)	791,191	608,742
Basic LPS (US cents)	(0.52)	(0.32)
Loss attributable to owners of the parent for the computation of diluted net earnings (US\$'000)	(4,094)	(1,948)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	791,191	608,742
Fully diluted LPS (US cents)	(0.52) ⁽¹⁾	(0.32) ⁽¹⁾

Notes:

(1) Fully diluted LPS of the Group for the six months ended 30 June 2020 and 2019 is the same as the basic LPS because the potential ordinary shares to be converted under any convertible securities are anti-dilutive.

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

	Group		Company	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Net asset value ("NAV")				
NAV (US\$)	95,727,436	99,534,383	95,727,436	99,534,383
Number of ordinary shares in issue	791,191,382	791,191,382	791,191,382	791,191,382
NAV per ordinary share (US\$)	0.12	0.13	0.12	0.13

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 six months ended 30 June 2020 ("H1 2020") as compared to the six months ended 30 June 2019 ("H1 2019").

Loss from change in fair value of investments in Portfolio Companies, net

The loss in fair value of investments in Portfolio Companies was US\$3.6 million in H1 2020 as compared to a loss from change in fair value of investments of US\$1.4 million in H1 2019. In H1 2020, there was an aggregate net increase of US\$5.8 million in the fair value of various Portfolio Companies which was derived based on factors such as the terms on which each Portfolio Company completed its fund raising exercises and each Portfolio Company's commercial or technological progress. In general, favourable terms for fund raising exercises/exits and higher commercial or technological progress would lead to higher fair values.

The increase in fair value of investments in Portfolio Companies was offset by:

- (i) an aggregate net decrease of US\$4.8 million in the fair value of Stimatix GI due to the initial revenues of Stimatix GI being less than previous projections arising from the product's staggered launch.
- (ii) a decrease of approximately US\$2.7 million in the fair value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at less favorable terms to the Company, and general commercial or technological difficulties demonstrated in some Portfolio Companies in H1 2020; and
- (iii) the write off of three (3) Portfolio Companies of approximately US\$1.9 million as a result of lack of funding in those companies.

Income from services to Portfolio Companies

Income from services to Portfolio Companies comprised of approximately US\$0.4 million received as overhead reimbursement from our Portfolio Companies and approximately US\$1.4 million value of non-cash benefits received from the IIA in Israel. Income from value of non-cash benefits received from the IIA in Israel decreased by approximately US\$0.6 million or 27.98% mainly due to lower number of new Portfolio Companies that were serviced by the Group in H1 2020 as compared to that in H1 2019.

Income from contracted R&D services

Income from contracted R&D services increased by US\$64,000 mainly as a result of a new Trendlines Labs project that generated income of US\$200,000 during H1 2020.

Financial income

Financial income increased by US\$1.7 million mainly as a result of the adjustment in the fair value of the consideration received in the the form of marketable securities, the adjustment in the fair value of the contingent consideration receivable and the interest on the long-term receivable which were recorded upon the sale of our former Portfolio Company, ApiFix Ltd. to OrthoPediatics Corp in April 2020 (the “Apifix Exit”).

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses increased by approximately US\$0.2 million or 7.83%. The change was mainly as a result of increase in the operating activity of the entire Group.

R&D expenses, net

R&D expenses decreased by approximately US\$0.2 million or 24.50%. The decrease was mainly due to the grants from Enterprise Singapore –received in H1 2020 that offset the R&D expenses incurred by the Singapore companies during the financial period.

Depreciation and amortization

Depreciation and amortization increased by US\$190,000 mainly as a result of the costs in relation to the abandonment of a supporting system in H1 2020, which had been recognised as depreciation expenses. [PPCF: Please confirm/amend as appropriate]

Loss before tax benefit

In view of the above, loss before tax benefit in H1 2020 was approximately US\$4.1 million compared US\$2.8 million in H1 2019, mainly due to the loss from change in fair value of investments in Portfolio Companies as compared to the loss on this item in H1 2019.

Consolidated Statements of Financial Position

Comparative performance for both assets and liabilities are based on the Group’s financial statements as at 30 June 2020 and 31 December 2019.

Total assets

Total assets decreased by approximately 4.43% from US\$125.5 million as at 31 December 2019 to US\$119.9 million as at 30 June 2020. This was mainly due to a decrease in cash and cash equivalents of US\$10.7 million and the decrease in Investments in Portfolio Companies of US\$14.2 million, which was offset by a long-term bank deposit of US\$4 million, in addition to an increase in Accounts and other receivables and Marketable Securities in the amounts of US\$4.9 million and US\$7.7 million respectively.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of US\$88.5 million as at 30 June 2020 comprised of 44 Portfolio Companies presented at fair value (not including the 11 consolidated Singapore based companies), a decrease of US\$14.2 million or 13.89% as compared to 31 December 2019:

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

- i. A decrease from the sale of one Portfolio Company of approximately US\$13.7 million in the fair value; and
- ii. An aggregate net decrease of US\$4.8 million in the fair value of Stimatix GI due to the initial revenues of Stimatix GI being lower than previous projections arising from the product's staggered launch,
- iii. A decrease of approximately US\$2.7 million in the fair value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at less favorable terms to the Company and general commercial or technological difficulties demonstrated in some Portfolio Companies in H1 2020; and
- iv. The write-off of three (3) Portfolio Companies of approximately US\$1.9 million as a result of lack of funding in those companies.

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

- i. An aggregate net increase of US\$5.9 million in the fair value of various Portfolio Companies which was derived based on factors such as the terms on which each Portfolio Company completed its fund raising exercises and each Portfolio Company's commercial or technological progress. In general, favourable terms for fund raising exercises/exits and higher commercial or technological progress would lead to higher fair values;
- ii. A net increase of US\$2.8 million as a result of investments in Portfolio Companies; and
- iii. Establishment of one additional Portfolio Company which contributed approximately US\$0.2 million to the fair value of our Portfolio Companies as at 30 June 2020.

Long-term bank deposits

The increase in a long-term deposit in the amount of US\$4.0 million is due to the purchase of a new bank deposit.

Accounts and other receivables and Contingent consideration receivable

Our Accounts and other receivables and Contingent consideration receivable increased by US\$4.8 million and US\$2.5 million respectively in H1 2020, Long-term receivables of US\$4.8 million are the guaranteed future payments on the ApiFix Exit and contingent receivables represent the present value of risk-adjusted earnout from the ApiFix Exit.

Current assets

Cash and cash equivalents

Cash and cash equivalents decreased by approximately US\$10.7 million mainly due to the utilization of cash for operating activities in H1 2020. Please refer to the section “Consolidated Statement of Cash Flows” below for explanation on the utilization of cash for operating activities.

Marketable securities

Our marketable securities increased by US\$7.7 million due to consideration received in the form of shares from the Apifix Exit which were partially satisfied in OrthoPediatics Corp shares which are listed on NASDAQ. The shares received represents less than 1% interest in OrthoPediatics Corp as at 30 June 2020.

Our cash and cash equivalents and marketable securities represent 92% 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 June 2020, long term deferred revenues amounted to US\$0.2 million. This represents a decrease of US\$0.4 million which was mainly due to lower number of Portfolio Companies as at 30 June 2020 that have deferred revenues to be recognized in the 13th to 24th month period, as compared to that as at 31 December 2019.

Loans from the IIA

The loans from the IIA decreased by US\$0.2 million or 5.99%, from US\$3.6 million as at 31 December 2019 to US\$3.4 million as at 30 June 2020, mainly due to the decrease in fair value of specific Portfolio Companies for which the loans were received, which forms the basis for the calculation of the value of the loans from the IIA in the Group’s financial statements.

Lease Liabilities

As of 31 December 2019 , the Company recognized the right of use asset in an amount of US\$2.2 million and lease liability in the amount of approximately US\$2.1 million. As at 30 June 2020, long term lease liabilities amounted to US\$2.3 million (in addition to US\$0.5 million presented as a current maturity of lease liability). The change is due to the new lease agreement of Trendlines Medical Singapore and lease repayments.

Current liabilities

Trade and other payables

Trade and other payables decreased by approximately US\$0.5 million, from approximately US\$2.1 million as at 31 December 2019 to approximately US\$1.6 million as at 30 June 2020 mainly due to decrease in trade payables relating to services provided at the end of FY2019 and its related expense which was paid during H1 2020.

Short-term deferred revenues

A decrease of US\$0.9 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 30 June 2020, that have deferred revenues to be recognized in the 1st - to 12th - month period, as compared to that as at 31 December 2019.

Equity

As at 30 June 2020, equity attributable to equity holders of the Company amounted to approximately US\$95.7 million.

Consolidated Statement of Cash Flows

Net cash used in operating activities of US\$6.3 million in H1 2020 was mainly due to a net loss of US\$4.1 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in Portfolio Companies of approximately US\$3.6 million; (ii) income from services to Portfolio Companies of approximately US\$1.4 million; (iii) financial income, net of approximately US\$1.6 million; and (iv) investments in Portfolio Companies, net of approximately US\$2.8 million.

Net cash used in investing activities of US\$4.2 million in H1 2020 was mainly due to purchase of a long-term bank deposit of approximately US\$4.0 million.

Net cash used in financing activities of US\$0.2 million in H1 2020 was mainly due to the payment of lease liability.

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 Covid-19 coronavirus in late 2019 has had a significant impact on world economic growth during 2020. While we have not experienced a material impact on our activities, we have seen the impact of the pandemic on various aspects of our business and that of our portfolio companies.

One of our first response to the pandemic was to review the 2020 budgets of all our portfolio companies with the objective of reducing expenses and increasing their financial runway during this time of financial uncertainty. The portfolio companies responded by reducing expenses across the board, with many eliminating non-essential expenses, cutting salaries and, in some cases, reducing staffing levels.

A number of portfolio companies saw their plans for 2020 affected by the pandemic. Portfolio companies that launched sales during the first half of the year found it difficult to support the sales process since they could not travel to potential customers and to support their distributors; fortunately, all of our revenue-stage portfolio companies found ways to work around the restrictions and, while sales forecasts for 2020 have been reduced, we are cautiously optimistic that the impact will not be significant in most cases.

Similarly, portfolio companies that were conducting or planning to conduct clinical trials found their plans delayed when hospitals around the world dramatically reduced the number of elective procedures being performed and largely restricted or discontinued clinical trials altogether. Happily, many of these medical centers are now opening up and we are seeing early signs of clinical trials restarting.

In November 2019, the Company announced the first close in the fundraising round for its new Trendlines Agrifood Fund, together with the beginning of operations of the Trendlines Agrifood Innovation Centre in Singapore (“AFIC”). Fundraising for the Fund has been slowed as a result of our inability to travel to meet with potential investors as well as the “wait and see” attitude that has been adopted by many investors due to the economic uncertainty caused by the Covid-19 pandemic. On the other hand, the Fund had very strong deal flow during the first half of 2020 and was able to make three investments and to establish the first cohort for its pre-incubation accelerator program.

The Company remains committed to its plans in the medical and agrifood technologies fields as stated in its Offer Document dated 16 November 2015 and reiterated since then and believes that the continued need for new and improved products in these fields represents both investment and liquidity opportunities for the Company. The Covid-19 crisis has drawn a lot of media and investor attention to our two areas of healthcare and food; we believe that, in the long run, this renewed interest in our investment areas will be beneficial to our portfolio companies and to the Group.

In the financial year ending 31 December 2020, we expect to see the continued impact of our enhanced focus on existing portfolio companies. During the first half of 2020, 22 of our portfolio companies succeeded in raising follow-on capital and we completed the sale of portfolio company ApiFix Ltd. to Orthopediatrics Inc. from the United States.

During 2019, the Company completed two capital raising exercises, a private placement of US\$8 million in August and a rights offering of US\$6 million in December. These two events, together with the exit announced on 2 April 2020, ensure that our financial condition continues to be strong in this time of worldwide economic uncertainty.

As previously announced, in compliance with SGX regulations, the Company’s board of directors decided to cease its quarterly financial reporting and adopt semi-annual financial reporting with effect from the financial year beginning on 1 January 2020. Consistent with our commitment to provide timely information about business developments within the Group, we held a conference call for shareholders on 7 April 2020, to provide a non-financial business update and we continue to issue monthly updates on the business.

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 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 who 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 divide 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 H1 2020.

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 H1 2020.

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	10,000	-
Expansion of our operations into new markets	5,000	5,000	-
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
Total	19,275	19,275	-

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 the 2017 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	9,338	-
Total	13,338	13,338	-

* The general working capital expenditures are mainly related to professional services, rent and maintenance, consulting, communications and office expenses.

The above utilizations are in accordance with the intended use of the 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 ("**2019 Placement Net Proceeds**").

As at the date of this announcement, the status on the use of the 2019 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	1,434	1,812
Direct and indirect investments into new, prospective or existing Portfolio Companies	7,574	3,345	4,229
Total	10,820	4,779	6,041

* The general working capital expenditures are mainly related to professional services, rent and maintenance, consulting, communications and office expenses.

The above utilizations are in accordance with the intended use of the 2019 Placement Net Proceeds, as stated in the Company's announcement dated 22 July 2019.

17. Use of 2019 Rights Issue proceeds

The Company refers to the net proceeds amounting to S\$8.13 million raised from the rights issue exercise which resulted in the issuance and allotment of 78,830,585 shares on 23 December 2019 ("**2019 Rights Issue Net Proceeds**").

As at the date of this announcement, the status on the use of the 2019 Rights Issue Net Proceeds is as follows:

<u>Use of 2019 Rights Issue Net Proceeds</u>	<u>Amount Allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	2,440	-	2,440
Direct and indirect investments into new, prospective or existing Portfolio Companies	5,690	-	5,690
Total	8,130	-	8,130

Our Group has yet to deploy the 2019 Rights Issue Net Proceeds. At the appropriate juncture, our Group will deploy the 2019 Rights Issue Net Proceeds towards the uses stated above. The Company will make periodic announcements on the utilisation of the 2019 Rights Issue Net Proceeds as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its half year and full year financial statements.

Pending the deployment of the unutilised proceeds from the various fund raising exercises as set out above, the unutilised proceeds will be invested from time to time, either in interest-bearing deposits with licensed banks (in Israel or Singapore) or in a structured investment, by which the principal will be kept, but the interest will be dependent on highly risky performance of structured investments. The amount invested in those structured investments will be held in the licenced bank for a period of one or two years (pending on the chosen investment).

18. 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.

19. Additional Information Required Pursuant to Rule 706A

During HY2020, the Company did not acquire or dispose of any shares which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company's shareholding percentage in any subsidiary or associated company.

20. 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 6 months ended 30 June 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

David Todd Dollinger
Chairman and CEO
11 August 2020

*This announcement has been prepared by The Trendlines Group Ltd. (the "**Company**") and its contents have been reviewed by 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.

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