



THE TRENDLINES GROUP LTD.

(Incorporated in Israel)
(Company Registration No. 513970947)

Unaudited Financial Statements and Dividend Announcement For the Financial Period Ended 31 March 2021

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.

In April 2021, the Company announced that it is considering a dual primary listing on the Tel Aviv Stock Exchange ("TASE"). As such, in order to comply with the listing requirements in Israel upon its dual primary listing on the TASE, these financial statements for the three months ended 31 March 2021 are voluntarily released by the Company, solely for the purposes of the dual primary listing which is currently still in the process of review by the Israeli Security Authority.

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/loss, or a statement of comprehensive income/loss (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | |
|---|---|---|---------------------|
| | Three Months Ended | | |
| | 31 March 2021 (Unaudited) US\$'000 | 31 March 2020 (Unaudited) US\$'000 | Change % |
| <u>Income:</u> | | | |
| Gain (loss) from change in fair value of investments in Portfolio Companies, net | 2,491 | (235) | N.M. |
| Income from services to Portfolio Companies | 387 | 964 | (59.85) |
| Income from contracted R&D services | 134 | 35 | 282.85 |
| Financial income | 701 | 92 | 661.96 |
| Other income | 123 | 14 | 778.57 |
| <u>Total income</u> | <u>3,836</u> | <u>870</u> | 340.92 |
| <u>Expenses</u> | | | |
| Operating, general and administrative expenses | 1,876 | 2,532 | (25.91) |
| Marketing expenses | 87 | 56 | 55.36 |
| R&D expenses, net | 352 | 248 | 41.94 |
| Financial expenses | 485 | 706 | (31.30) |
| <u>Total expenses</u> | <u>2,800</u> | <u>3,542</u> | (20.95) |
| Income (loss) before income taxes | 1,036 | (2,672) | N.M. |
| Income tax (expense) benefit | 560 | (183) | N.M. |
| <u>Net profit (loss)</u> | <u>1,596</u> | <u>(2,855)</u> | N.M. |
| <u>Other comprehensive loss:</u> | | | |
| Amounts that will be or that have been reclassified to loss when specific conditions are met: | | | |
| Income (loss) from cash flow hedges | (86) | - | N.M. |
| <u>Total comprehensive profit (loss)</u> | <u>1,510</u> | <u>(2,855)</u> | N.M. |
| <u>Net profit (loss) attributable to:</u> | | | |
| Equity holders of the Company | 1,777 | (2,765) | N.M. |
| Non-Controlling Interests | (181) | (90) | (101.11) |
| | <u>1,596</u> | <u>(2,855)</u> | N.M. |
| <u>Total comprehensive profit (loss) attributable to:</u> | | | |
| Equity holders of the Company | 1,691 | (2,765) | N.M. |
| Non-Controlling Interests | (181) | (90) | (101.11) |
| | <u>1,510</u> | <u>(2,855)</u> | N.M. |

| | | | |
|---|------|--------|------|
| Net profit (loss) per share attributable to equity holders of the Company (U.S. cents): | | | |
| Basic net profit (loss) | 0.22 | (0.35) | N.M. |
| Diluted net profit (loss) | 0.22 | (0.35) | N.M. |

*N.M. – not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Profit/Loss

| | 31 March 2021 (Unaudited) US\$'000 | 31 March 2020 (Unaudited) US\$'000 |
|--|---|---|
| Depreciation, amortization and impairment loss | 187 | 335 |
| Foreign currency exchange gain (loss) | (476) | (286) |

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 | |
|--|---|--|---|--|
| | 31 March 2021 (Unaudited) US\$'000 | 31 December 2020 (Audited) US\$'000 | 31 March 2021 (Unaudited) US\$'000 | 31 December 2020 (Audited) US\$'000 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 9,777 | 10,656 | 7,771 | 2,199 |
| Short-term bank deposits | 4,281 | 101 | 4,185 | - |
| Accounts and other receivables | 2,794 | 2,698 | 5,294 | 1,125 |
| Short-term loans to Portfolio Companies | 57 | 19 | 18 | - |
| | 16,909 | 13,474 | 17,268 | 3,324 |
| Non-current assets | | | | |
| Investment in Subsidiaries | - | - | 84,901 | 82,911 |
| Long-term bank deposits | - | 4,127 | - | 4,127 |
| Accounts and other receivables | 2,709 | 2,696 | 2,709 | - |
| Contingent consideration receivable | 3,321 | 2,898 | 3,321 | - |
| Investments in Portfolio Companies | 87,638 | 83,730 | - | - |
| Deferred taxes | - | 6,838 | - | 6,645 |
| Right of use asset | 1,982 | 2,122 | - | - |
| Property, plant and equipment, net | 864 | 959 | 551 | 130 |
| | 96,514 | 103,370 | 92,531 | 93,813 |
| Total assets | 113,423 | 116,844 | 108,750 | 97,137 |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Lease liability | 620 | 669 | - | - |
| Loan | 3,005 | - | 3,005 | - |
| Trade and other payables | 1,763 | 1,679 | 1,088 | 597 |
| Deferred revenues | 417 | 616 | - | - |
| | 5,805 | 2,964 | 4,093 | 597 |
| Non-current liabilities | | | | |
| Loans from the Israel Innovation Authority | 2,383 | 2,626 | 1,220 | - |
| Lease liability | 2,083 | 2,297 | - | - |
| Deferred taxes | 4,952 | 12,350 | 5,118 | - |
| Other long-term liabilities | 263 | 272 | 220 | 223 |
| | 9,681 | 17,545 | 6,558 | 223 |
| Total liabilities | 15,486 | 20,509 | 10,651 | 820 |

Equity

Equity Attributable to Equity

Holders of the Company:

| | | | | |
|---|--------|--------|--------|--------|
| Share capital | 2,123 | 2,123 | 2,123 | 2,123 |
| Share premium | 79,307 | 79,307 | 79,307 | 79,307 |
| Reserve from hedge | (41) | 45 | (41) | 45 |
| Reserve from share-based payment transactions | 4,223 | 4,131 | 4,223 | 4,131 |
| Retained earnings | 12,487 | 10,710 | 12,487 | 10,710 |

Equity attributable to owners of the parent

| | | | | |
|---------------------------|-------|----|---|---|
| Non-controlling interests | (162) | 19 | - | - |
|---------------------------|-------|----|---|---|

| | | | | |
|---------------------|---------------|---------------|---------------|---------------|
| Total equity | 97,937 | 96,335 | 98,099 | 96,317 |
|---------------------|---------------|---------------|---------------|---------------|

| | | | | |
|-------------------------------------|----------------|----------------|----------------|---------------|
| Total equity and liabilities | 113,423 | 116,844 | 108,750 | 97,137 |
|-------------------------------------|----------------|----------------|----------------|---------------|

1(b)(ii) Aggregate amount of Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

| As at 31 March 2021 (Unaudited) | | As at 31 December 2020 (Audited) | |
|------------------------------------|-----------------------|-------------------------------------|-----------------------|
| Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| 3,005 | 620 | - | 669 |

Amount repayable after one year

| As at 31 March 2021 (Unaudited) | | As at 31 December 2020 (Audited) | |
|------------------------------------|-----------------------|-------------------------------------|-----------------------|
| Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| 2,383 | 2,083 | 2,626 | 2,297 |

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 31 March 2021 (Unaudited) | As at 31 December 2020 (Unaudited) |
| Advanced Memtech Ltd. | 77,668 | 77,668 |
| Leviticus Cardio Ltd. | 49,250 | 49,250 |
| Magdent Ltd. | 40,750 | 40,750 |
| 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 | |
|--|---|---|
| | 31 March 2021 (Unaudited) US\$'000 | 31 March 2020 (Unaudited) US\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit (loss) | 1,596 | (2,855) |
| <u>Adjustments to reconcile net loss to net cash used in operating activities:</u> | | |
| Adjustments to the profit or loss items: | | |
| Depreciation | 187 | 335 |
| Income taxes (tax benefit) | (560) | 183 |
| Loss (gain) from changes in fair value of investments in Portfolio Companies | (2,491) | 235 |
| Financial income, net | (801) | (592) |
| Income from services to Portfolio Companies | (195) | (734) |
| Share-based payments | 92 | 29 |
| Changes in asset and liability items: | | |
| Decrease in short-term loans | (38) | (36) |
| Decrease (increase) in accounts and other receivables | (96) | 412 |
| Increase (decrease) in trade and other payables | 2 | 479 |
| Increase in other long-term liabilities | (9) | (6) |
| | <u>(3,909)</u> | <u>305</u> |
| Investments in Portfolio Companies | <u>(1,380)</u> | <u>(1,839)</u> |
| Cash (paid) received during the year for: | | |
| Interest paid | (39) | (134) |
| Interest received | - | (2) |
| | <u>(3,732)</u> | <u>(4,525)</u> |
| Net cash provided by (used in) operating activities | (3,732) | (4,525) |

| | Three Months Ended | |
|--|---------------------------|----------------------|
| | 31 March 2021 | 31 March 2020 |
| | (Unaudited) | (Unaudited) |
| | US\$'000 | US\$'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | 22 | (247) |
| Proceeds from maturity of bank deposits, net | 5 | 200 |
| Purchase of a long-term bank deposit | (59) | (4,000) |
| Net cash provided by (used in) investing activities | (32) | (4,047) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Loans received | 3,000 | - |
| Payment of lease liability | (163) | (51) |
| Loans received from the Israel Innovation Authority | 48 | 44 |
| Net cash provided by (used in) financing activities | 2,885 | (7) |
| Decrease in cash and cash equivalents | (879) | (8,579) |
| Cash and cash equivalents at the beginning of the period | 10,656 | 18,366 |
| Cash and cash equivalents at the end of the period | 9,777 | 9,787 |
| Non-cash transactions | | |
| Right of use asset recognized against lease liability | - | 467 |

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 2021 | 2,123 | 79,307 | 45 | 4,131 | 10,710 | 96,316 | 19 | 96,335 |
| Net loss and total comprehensive loss | - | - | (86) | - | 1,777 | 1,691 | (181) | 1,510 |
| Cost of share-based payments | - | - | - | 92 | - | 92 | - | 92 |
| Balance as at 31 March 2021 | 2,123 | 79,307 | (41) | 4,223 | 12,487 | 98,099 | (162) | 97,937 |
| (Unaudited) | | | | | | | | |
| 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 | - | - | - | - | (2,765) | (2,765) | (90) | (2,855) |
| Cost of share-based payments | - | - | - | 29 | - | 29 | - | 29 |
| Expiration of options | - | 15 | - | (15) | - | - | - | - |
| Balance as at 31 March 2020 | 2,123 | 79,304 | (175) | 3,867 | 11,679 | 96,798 | 146 | 96,944 |

**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 2021 | 2,123 | 79,307 | 45 | 4,131 | 10,710 | 96,316 |
| Net loss and total comprehensive loss | - | - | (86) | - | 1,777 | 1,691 |
| Cost of share-based payments | - | - | - | 92 | - | 92 |
| Balance as at 31 March 2021 | 2,123 | 79,307 | (41) | 4,223 | 12,487 | 98,099 |

(Unaudited)

| | | | | | | |
|--|--------------|---------------|--------------|--------------|---------------|---------------|
| Balance as at 1 January 2020 | 2,123 | 79,289 | (175) | 3,853 | 14,444 | 99,534 |
| Net loss and total comprehensive loss | - | - | - | - | (2,765) | (2,765) |
| Cost of share-based payments | - | - | - | 29 | - | 29 |
| Expiration of options | - | 15 | - | (15) | - | - |
| Balance as at 31 March 2020 | 2,123 | 79,304 | (175) | 3,867 | 11,679 | 96,798 |

- 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 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 2020 to 31 March 2021.

As at 31 March 2021, there are 65,950,915 outstanding options which can be converted into 65,950,915 ordinary shares of the Company (31 March 2020: 58,136,224 outstanding options which can be converted into 58,136,224 Shares).

Save as disclosed above, the Company did not have any other convertibles as at 31 March 2021 and 31 March 2020.

There were also no treasury shares or subsidiary holdings as at 31 March 2021 and 31 March 2020.

- 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 31 March 2021 | As at 31 December 2020 |
|-------------------------------|---------------------|------------------------|
| Total number of issued shares | 791,191,382 | 791,191,382 |

The Company did not have any treasury shares as at 31 March 2021 and 31 December 2020.

- 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

Save as disclosed in Section 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 2020.

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 applicable new International Financial Reporting Standards ("IFRS") and Interpretations of Financial Reporting Standards ("INT FRS") and amendments thereof, that are effective for the annual periods beginning on or after 1 January 2021.

The following are the amendments to IFRS and INT FRS adopted by the Group:

1. Amendments to IFRS 9 – Financial Instruments
2. Amendments to IFRS 7 – Financial Instruments: Disclosures
3. Amendments to IAS 39 – Financial Instruments: Recognition and Measurement
4. Amendments to IFRS 16 – Leases

The Group's adoption of the applicable new IFRS and INT FRS had no material effect on the financial statements of the Group for the financial period ended 31 March 2021.

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 | |
|---|------------------------------|------------------------------|
| | Three Months Ended | |
| Earnings per share ("EPS") / (Loss) per share ("LPS") | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| Profit (loss) attributable to owners of the parent for the computation of basic net earnings (US\$'000) | 1,777 | (2,765) |
| Weighted average number of ordinary shares (in thousands) | 791,191 | 791,191 |
| Basic EPS / (LPS) (US cents) | 0.22 | (0.35) |
| Profit (loss) attributable to owners of the parent for the computation of diluted net earnings (US\$'000) | 1,777 | (2,765) |
| Weighted average number of ordinary shares on a fully diluted basis (in thousands) | 791,191 | 791,191 |
| Fully diluted EPS / (LPS) (US cents) | 0.22 ⁽¹⁾ | (0.35) ⁽¹⁾ |

Notes:

(1) Fully diluted EPS and LPS of the Group for the financial period ended 31 March 2021 and 31 March 2020 respectively are the same as the respective basic EPS and 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 | |
|------------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
| Net asset value ("NAV") | | | | |
| NAV (US\$) | 98,099,128 | 96,316,061 | 98,099,128 | 96,316,061 |
| 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 | 0.12 | 0.12 | 0.12 |

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 31 March 2021 ("Q12021") as compared to the three months ended 31 March 2020 ("Q12020").

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

The gain in fair value of investments in Portfolio Companies was US\$2.5 million in Q12021 as compared to a loss from change in fair value of investments of US\$0.2 million in Q12020.

In Q12021, there was an increase of US\$4.4 million in the fair value of various Portfolio Companies which was derived based on factors such as the favourable 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 mainly offset by:

- (i) a decrease of approximately US\$0.5 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 Q12021; and
- (ii) the write off of two (2) Portfolio Companies of approximately US\$1.4 million as a result of lack of funding in those companies.

Income from services to Portfolio Companies

Income from services to Portfolio Companies comprised approximately US\$0.2 million received as overhead reimbursement from our Portfolio Companies and approximately US\$0.2 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\$0.5 million or 73.21% mainly due to lower number of new Portfolio Companies that were serviced by the Group in Q12021 as compared to that in Q12020.

Income from contracted R&D services

Income from contracted R&D services increased by US\$0.1 million as a result of new Trendlines Labs projects that generated income during Q12021.

Financial income

Financial income increased by US\$0.6 million mainly as a result of 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 OrthoPediatrics Corp in April 2020.

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses decreased by approximately US\$0.7 million or 25.91%. The change was due to a decrease in travel expenses and several other expenses which were reduced as a result of COVID-19. In addition, the Company had engaged several one-off professional services in Q12020.

Financial expenses

Financial expenses decreased by US\$0.2 million due to a decrease in the exchange rate between US\$ and NIS (US\$:NIS) in Q12021 as compared to increase in the exchange rate in Q12020.

Income (loss) before income taxes (tax benefit)

In view of the above, gain before incomes taxes (tax benefit) in Q12021 was approximately US\$1.0 million compared to a loss of approximately US\$2.7 million in Q12020, mainly due to the gain from change in fair value of investments in Portfolio Companies as compared to the loss on this item in Q12020.

Consolidated Statements of Financial Position

Comparative performance for both assets and liabilities are based on the Group's financial statements as at 31 March 2021 and 31 December 2020.

Total assets

Total assets decreased by approximately 2.93% from US\$116.8 million as at 31 December 2020 to US\$113.4 million as at 31 March 2021. This was mainly due to a decrease in cash and cash equivalents of US\$0.9 million and the decrease in deferred tax assets of US\$6.8 million (due to reclassification to non-current liabilities), which was offset by an increase in Investments in Portfolio Companies of US\$3.9 million.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of US\$87.6 million as at 31 March 2021 comprised 43 Portfolio Companies presented at fair value (not including the 12 consolidated Singapore based companies). There was an increase of US\$3.9 million or 4.67% as compared to 31 December 2020.

The changes in the value of our investments in Portfolio Companies were mainly due to an increase of US\$5.8 million in the fair value of various Portfolio Companies which was derived based on factors such as the favourable 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 partially offset by:

- i. A decrease of approximately US\$0.5 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 Q12021; and
- ii. The write-off of two (2) Portfolio Companies of approximately US\$1.4 million as a result of lack of funding in those companies.

Accounts and other receivables and contingent consideration receivable

Accounts and other receivables and contingent consideration receivable increased by US\$0.4 million as at 31 March 2021 mainly due to the time factor of the payments expected to be received from the sale of our former Portfolio Company, ApiFix Ltd., to OrthoPediatrics Corp in H1 2020.

Current assets

Cash and cash equivalents

Cash and cash equivalents decreased by approximately US\$0.9 million mainly due to the utilization of cash for operating activities in Q12021. Please refer to the section "Consolidated Statement of Cash Flows" below for explanation on the utilization of cash for operating activities.

Our cash and cash equivalents represent 57.82% of our total current assets.

Short-term bank deposits

The increase in short-term bank deposit in the amount of US\$4.2 million is due to the investment in a new long term bank deposit during FY2020, which is now classified as short term.

Non-current liabilities

Loans from the IIA

The loans from the IIA decreased by US\$0.2 million or 9.25%, from US\$2.6 million as at 31 December 2020 to US\$2.4 million as at 31 March 2021, 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.

Deferred taxes, net

Net deferred taxes decreased by US\$0.6 million, mainly due to the technical merger of the Group's wholly owned subsidiary, Trendlines Incubators Israel Ltd, in an absorption-type merger for

operational, administrative, financial, and tax reasons. The merger included a transfer of a few portfolio companies from Trendlines Incubators Israel Ltd to the Company and to another wholly owned subsidiary of the Company, Trendlines Investments Israel Ltd, resulting in a deferred tax asset arising for Trendlines Investments Israel Ltd and hence, decreasing the net deferred taxes of the Company by approximately US\$0.6 million. Please refer to the Company's announcement dated 30 December 2020 for more information on the merger.

Lease Liabilities

As at 31 December 2020, the Company recognized the right of use asset in an amount of US\$2.1 million and lease liability in the amount of approximately US\$2.3 million. As at 31 March 2021, long term lease liabilities amounted to US\$2.1 million (in addition to US\$0.6 million presented as current lease liability).

Current liabilities

Loan

During January 2021, the Company received a US\$3.0 million bank loan pledged by the long-term deposit of US\$4.0 million that will mature in January 2022. The bank loan was drawn down for working capital purposes. The loan bears an annual interest rate of LIBOR + 3.5%.

Trade and other payables

Trade and other payables increased by approximately US\$0.1 million, from approximately US\$1.7 million as at 31 December 2020 to approximately US\$1.8 million as at 31 March 2021 mainly due to increase in trade payables relating to services provided during Q12021 which were not paid as at 31 March 2021.

Short-term deferred revenues

A decrease of US\$0.2 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 31 March 2021, that have deferred revenues to be recognized in the 1st to 12th month period, as compared to that as at 31 December 2020.

Equity

As at 31 March 2021, equity attributable to equity holders of the Company amounted to approximately US\$98.1 million.

Consolidated Statement of Cash Flows

Net cash used in operating activities of US\$3.7 million in Q12021 was mainly due to a net profit of US\$1.6 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in Portfolio Companies of approximately US\$2.5 million; (ii) income from services to Portfolio Companies of approximately US\$0.2 million; (iii) financial income, net of approximately US\$0.8 million; (iv) investments in Portfolio Companies, net of approximately US\$1.4 million; and (v) income tax benefit of approximately US\$0.6 million.

Net cash generated from financing activities of US\$2.9 million in Q12021 was mainly due to a loan received of approximately US\$3.0 million.

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.

A few portfolio companies that launched sales in 2020 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 COVID-19 restrictions and, while 2020 sales forecasts for some were reduced, the companies adjusted well and are poised for sales increases in 2021.

Cases of COVID-19 have been reduced almost to zero in Israel and the Israeli economy has substantially opened up as almost all domestic restrictions have been lifted in Q12021. On the other hand, ongoing concern in Singapore has resulted in continued work restrictions and quarantine requirements for international travelers. Barring any unforeseen resurgence of the pandemic, we do not expect any significant impact from COVID-19 on our operations or those of our portfolio companies over the next 12 months.

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"). The Fund has had very strong deal flow and has made four investments with several more pending as of the date of this announcement. The second cohort of the Fund's Singapore accelerator was very successful and will likely lead to other investments. Based on the strong interest in the Fund and its positive results to date, we are now considering establishing a second, Israel-based agrifood fund.

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.

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 conference calls for shareholders on 7 April 2020, 21 October 2020 and 22 April 2021, to provide non-financial business updates, and we continue to issue monthly updates on the business.

In April 2021, the Company announced that it is considering a dual primary listing on the Tel Aviv Stock Exchange ("TASE"). The Company has submitted the first prospectus draft to the Israeli Security Authority ("ISA") and it is currently in the preliminary stages of the review process by the

ISA. While there is no certainty or assurance that the dual primary listing will materialise, as of the date of this announcement, that process is continuing. As such, in order to comply with the listing requirements in Israel upon its dual primary listing on the TASE, these financial statements for Q12021 are voluntarily released by the Company, solely for the purposes of the dual primary listing, despite the decision to adopt semi annual financial reporting as described in the preceding paragraph.

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 Q12021.

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 Q12021.

While the total amount invested by Agriline Limited¹ in 4 portfolio companies was S\$3.2 million during Q12021, the value of the transactions (which is the amount at risk to the Group) is S\$0 as the investments did not result in a change in the fair value of the Group’s holdings in the portfolio companies or the consolidated net tangible assets of the Group.

14. **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 | 2,007 | 433 |
| Direct and indirect investments into new, prospective or existing Portfolio Companies | 5,690 | 4,681 | 1,009 |
| Total | 8,130 | 6,688 | 1,442 |

* 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 Rights Issue Net Proceeds, as stated in the Company’s announcement dated 19 December 2019.

Pending the deployment of the unutilised proceeds from the 2019 Rights Issue, 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

¹ Agriline Limited is ultimately held by Geneva Trust Company (GTC) SA as Trustees of The VT Two Trust. Librae Holdings Limited, ultimately held by Geneva Trust Company (GTC) SA as Trustees of The Tchenguiz Three Trust, currently holds 23% of the issued share capital of the Company and is thereby considered a controlling shareholder of the Company under the Catalist Rules. As Mr. Vincent Tchenguiz is the discretionary beneficiary of both trusts, Agriline Limited is an “interested person” as defined under Chapter 9 of the Catalist Rules.

structured investments will be held in the licenced bank for a period of one or two years (pending on the chosen investment).

15. 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.

16. Additional Information Required Pursuant to Rule 706A

During Q12021, 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.

The Company incorporated one new Portfolio Company as a subsidiary in Q12021 which is set out in the table below:

| S/N | Name | Date of incorporation | Country of incorporation | % held by the Group | Paid up capital | Principal activity |
|-----|------------------------------|-----------------------|--------------------------|---------------------|-----------------|--|
| 1 | TENDONPLUS MEDICAL PTE. LTD. | 14 January 2021 | Singapore | 100% | S\$1 | Research and experimental development on medical technologies. |

17. 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 Q12021 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

D.Todd Dollinger
Chairman and CEO
24 June 2021

This announcement has reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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