

APOSENSE LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2013

UNAUDITED

INDEX

	Page
	<hr/>
Balance Sheets	2
Statements of Comprehensive Income	2
Statements of Changes in Equity	4-5
Statements of Cash Flows	6-7

BALANCE SHEETS

	June 30,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3,739	3,005	7,494
Short-term deposits	64,645	77,973	58,661
Accounts receivable	991	1,574	1,580
	<u>69,375</u>	<u>82,552</u>	<u>67,735</u>
NON-CURRENT ASSETS:			
Long-term deposits	-	18,167	15,960
Fixed assets	2,037	2,308	2,301
	<u>2,037</u>	<u>20,475</u>	<u>18,261</u>
	<u>71,412</u>	<u>103,027</u>	<u>85,996</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables	2,478	2,633	2,279
Short-term deferred revenues	-	855	855
Other accounts payable	4,925	7,058	6,558
	<u>7,403</u>	<u>10,546</u>	<u>9,692</u>
NON-CURRENT LIABILITIES:			
Long-term deferred revenues	-	10,772	10,430
Liability for research and development grants	896	2,194	2,110
Employee benefit liabilities	1,288	1,418	1,207
	<u>2,184</u>	<u>14,384</u>	<u>13,747</u>
SHAREHOLDERS' EQUITY:			
Share capital	265	265	265
Share premium	270,696	270,573	270,573
Receipts on account of options	17,048	17,048	17,048
Capital reserve for share-based payment transactions	36,635	35,709	36,449
Capital reserve for transactions with controlling shareholders	13,684	13,684	13,684
Accumulated deficit	(276,503)	(259,182)	(275,462)
<u>Total shareholders' equity</u>	<u>61,825</u>	<u>78,097</u>	<u>62,557</u>
	<u>71,412</u>	<u>103,027</u>	<u>85,996</u>

STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands (except per share data)				
Revenues from grant of use rights and from collaboration agreement	4	343	-	172	685
Cost of sales	-	-	-	-	-
Gross profit	4	343	-	172	685
Research and development expenses, net	8,795	11,128	3,831	5,963	22,075
General and administrative expenses	4,064	4,414	1,939	2,130	8,518
Other income	12,871	-	-	-	-
Operating profit (loss)	16	(15,199)	(5,770)	(7,921)	(29,908)
Finance income	630	4,685	297	4,000	2,347
Finance expenses	(1,687)	(1,797)	(434)	(131)	(1,254)
Actuary profit for "defined" benefit plans	-	-	-	-	224
Total comprehensive loss	1,041	12,311	5,907	4,052	28,591
Basic and diluted loss per share attributable to the equity holders of the Company (in NIS)	0.039	0.464	0.223	0.153	1.078

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Receipts on account of options	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Accumulated deficit	Total equity
	Unaudited						
	NIS in thousands						
Balance as of January 1, 2013 (Audited)	265	270,573	17,048	36,449	13,684	(275,462)	62,557
Total comprehensive loss	-	-	-	-	-	(1,041)	(1,041)
Cost of share-based payment	-	-	-	309	-	-	309
Employees' options expiration	-	123	-	(123)	-	-	-
Balance as of June 30, 2013	<u>265</u>	<u>270,696</u>	<u>17,048</u>	<u>36,635</u>	<u>13,684</u>	<u>(276,503)</u>	<u>61,825</u>
	Share capital	Share premium	Receipts on account of options	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Accumulated deficit	Total equity
	Unaudited						
	NIS in thousands						
Balance as of January 1, 2012 (Audited)	265	270,419	17,048	34,601	13,684	(246,871)	89,146
Total comprehensive loss	-	-	-	-	-	(12,311)	(12,311)
Employees' options expiration	-	154	-	(154)	-	-	-
Cost of share-based payment	-	-	-	1,262	-	-	1,262
Balance as of June 30, 2012	<u>265</u>	<u>270,573</u>	<u>17,048</u>	<u>35,709</u>	<u>13,684</u>	<u>(259,182)</u>	<u>78,097</u>
	Share capital	Share premium	Receipts on account of options	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Accumulated deficit	Total equity
	Unaudited						
	NIS in thousands						
Balance as of April 1, 2013	265	270,696	17,048	36,563	13,684	(270,596)	67,660
Total comprehensive loss	-	-	-	-	-	(5,907)	(5,907)
Cost of share-based payment	-	-	-	72	-	-	72
Balance as of June 30, 2013	<u>265</u>	<u>270,696</u>	<u>17,048</u>	<u>36,635</u>	<u>13,684</u>	<u>(276,503)</u>	<u>61,825</u>

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Receipts on account of options	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Accumulated deficit	Total equity
	Unaudited						
	NIS in thousands						
Balance as of April 1, 2012	265	270,419	17,048	35,252	13,684	(255,130)	81,538
Total comprehensive loss	-	-	-	-	-	(4,052)	(4,052)
Employees' options expiration	-	154	-	(154)	-	-	-
Cost of share-based payment	-	-	-	611	-	-	611
Balance as of June 30, 2012	<u>265</u>	<u>270,573</u>	<u>17,048</u>	<u>35,709</u>	<u>13,684</u>	<u>(259,182)</u>	<u>78,097</u>
	Share capital	Share premium	Receipts on account of options	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Accumulated deficit	Total equity
	Unaudited						
	NIS in thousands						
Balance as of January 1, 2012 (audited)	265	270,419	17,048	34,601	13,684	(246,871)	89,146
Total comprehensive loss	-	-	-	-	-	(28,591)	(28,591)
Cost of share-based payment	-	-	-	2,002	-	-	2,002
Employees' options expiration	-	154	-	(154)	-	-	-
Balance as of December 31, 2012	<u>265</u>	<u>270,573</u>	<u>17,048</u>	<u>36,449</u>	<u>13,684</u>	<u>(275,462)</u>	<u>62,557</u>

STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(1,041)	(12,311)	(5,907)	(4,052)	(28,591)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	280	269	131	138	554
Finance expenses (income), net	1,139	(3,222)	235	(3,956)	(2,053)
Cost of share-based payment	309	1,262	72	611	2,002
Capital loss from sale of fixed assets	25	-	3	-	-
Change in liability for research and development grants	(1,006)	639	193	625	456
Change in employee benefit liabilities, net	81	(30)	42	(65)	(241)
	828	(1,082)	676	(2,647)	718
Changes in asset and liability items:					
Increase in accounts receivable	(416)	(1,342)	(210)	(1,097)	(1,784)
Increase in trade payables	199	412	1,153	878	58
Increase (decrease) in other accounts payable	(1,632)	299	(905)	206	(201)
decrease in deferred revenues	(11,285)	(343)	-	(172)	(685)
	(13,134)	(974)	38	(185)	(2,612)
Cash received (used) during the period for:					
Interest received	574	338	252	146	2,836
Net cash used in operating activities	(12,773)	(14,029)	(4,941)	(6,738)	(27,649)
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(51)	(492)	(31)	(70)	(770)
Proceeds from sale of fixed assets	10	-	3	-	-
Proceeds from short-term deposits, net	8,262	6,788	5,648	2,341	41,003
Investment in long-term deposits	-	(17,210)	-	(2,246)	(33,574)
Net cash provided by (used in) investing activities	8,221	(10,914)	5,620	25	6,659

STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from financing activities:</u>					
Cash received from governmental grants	797	1,636	287	1,336	2,172
Net cash provided by financing activities	797	1,636	287	1,336	2,172
Increase (decrease) in cash and cash equivalents	(3,755)	(23,307)	966	(5,377)	(18,818)
Cash and cash equivalents at beginning of period	7,494	26,312	2,773	8,382	26,312
Cash and cash equivalents at end of period	3,739	3,005	3,739	3,005	7,494