

APOSENSE LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 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

	September 30,		December 31,
	2013	2012	2012
	Unaudited		Audited
	NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6,330	46,548	7,494
Short-term deposits	55,821	43,728	58,661
Accounts receivable	627	1,686	1,580
	<u>62,778</u>	<u>91,962</u>	<u>67,735</u>
NON-CURRENT ASSETS:			
Long-term deposits	-	2,373	15,960
Fixed assets	1,876	2,206	2,301
	<u>1,876</u>	<u>4,579</u>	<u>18,261</u>
	<u>64,654</u>	<u>96,541</u>	<u>85,996</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables	1,246	3,490	2,279
Short-term deferred revenues	-	855	855
Other accounts payable	3,983	7,248	6,558
	<u>5,229</u>	<u>11,593</u>	<u>9,692</u>
NON-CURRENT LIABILITIES:			
Long-term deferred revenues	-	10,601	10,430
Liability for research and development grants	620	2,102	2,110
Employee benefit liabilities	1,082	1,456	1,207
	<u>1,702</u>	<u>14,159</u>	<u>13,747</u>
SHAREHOLDERS' EQUITY:			
Share capital	265	265	265
Share premium	271,222	270,573	270,573
Receipts on account of options	17,048	17,048	17,048
Capital reserve for share-based payment transactions	36,288	36,225	36,449
Capital reserve for transactions with controlling shareholders	13,684	13,684	13,684
Accumulated deficit	<u>(280,784)</u>	<u>(267,006)</u>	<u>(275,462)</u>
<u>Total shareholders' equity</u>	<u>57,723</u>	<u>70,789</u>	<u>62,557</u>
	<u>64,654</u>	<u>96,541</u>	<u>85,996</u>

STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 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	514	-	171	685
Cost of sales	-	-	-	-	-
Gross profit	4	514	-	171	685
Research and development expenses, net	11,279	17,615	2,484	6,487	22,075
General and administrative expenses	5,685	6,392	1,621	1,978	8,518
Other income	(13,099)	-	(228)	-	-
Operating profit (loss)	3,861	23,493	3,877	8,294	(29,908)
Finance income	879	5,277	248	592	2,347
Finance expenses	(2,340)	(1,919)	(652)	(122)	(1,254)
Actuary profit for "defined" benefit plans	-	-	-	-	224
Total comprehensive loss	<u>5,322</u>	<u>20,135</u>	<u>4,281</u>	<u>7,824</u>	<u>28,591</u>
Basic and diluted loss per share attributable to the equity holders of the Company (in NIS)	<u>0.201</u>	<u>0.759</u>	<u>0.161</u>	<u>0.295</u>	<u>1.078</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 January 1, 2013 (Audited)	265	270,573	17,048	36,449	13,684	(275,462)	62,557
Total comprehensive loss	-	-	-	-	-	(5,322)	(5,322)
Cost of share-based payment	-	-	-	488	-	-	488
Employees' options expiration	-	649	-	(649)	-	-	-
Balance as of September 30, 2013	265	271,222	17,048	36,288	13,684	(280,784)	57,723
	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	-	-	-	-	-	(20,135)	(20,135)
Cost of share-based payment	-	154	-	1,624	-	-	1,778
Balance as of September 30, 2012	265	270,573	17,048	36,225	13,684	(267,006)	70,789
	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 July 1, 2013	265	270,696	17,048	36,635	13,684	(276,503)	61,825
Total comprehensive loss	-	-	-	-	-	(4,281)	(4,281)
Cost of share-based payment	-	-	-	179	-	-	179
Employees' options expiration	-	526	-	(526)	-	-	-
Balance as of September 30, 2013	265	271,222	17,048	36,288	13,684	(280,784)	57,723

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 July 1, 2012	265	270,573	17,048	35,709	13,684	(259,182)	78,097
Total comprehensive loss	-	-	-	-	-	(7,824)	(7,824)
Cost of share-based payment	-	-	-	516	-	-	516
Balance as of September 30, 2012	<u>265</u>	<u>270,573</u>	<u>17,048</u>	<u>36,225</u>	<u>13,684</u>	<u>(267,006)</u>	<u>70,789</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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2013	2012	2013	2012	2012
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(5,322)	(20,135)	(4,281)	(7,824)	(28,591)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	405	409	125	140	554
Finance expenses (income), net	1,560	(3,717)	422	(495)	(2,053)
Cost of share-based payment	488	1,778	179	516	2,002
Capital loss from sale of fixed assets	49	-	24	-	-
Change in liability for research and development grants	(1,287)	482	(281)	(157)	456
Change in employee benefit liabilities, net	(125)	8	(206)	38	(241)
	1,090	(1,040)	263	42	718
Changes in asset and liability items:					
Increase in accounts receivable	(724)	(1,480)	(308)	(138)	(1,784)
Increase (decrease) in trade payables	(1,033)	1,269	(1,232)	857	58
Increase (decrease) in other accounts payable	(2,575)	489	(942)	190	(201)
decrease in deferred revenues	(11,285)	(514)	-	(171)	(685)
	(15,617)	(236)	(2,482)	738	(2,612)
Cash received (used) during the period for:					
Interest received	1,250	2,783	675	2,445	2,836
Net cash used in operating activities	(18,599)	(18,628)	(5,825)	(4,599)	(27,649)
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(51)	(530)	-	(38)	(770)
Proceeds from sale of fixed assets	22	-	12	-	-
Proceeds from short-term deposits, net	15,989	54,877	7,727	48,089	41,003
Investment in long-term deposits	-	(17,210)	-	-	(33,574)
Net cash provided by investing activities	15,960	37,137	7,739	48,051	6,659

STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 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	1,475	1,727	677	91	2,172
Net cash provided by financing activities	1,475	1,727	677	91	2,172
Increase (decrease) in cash and cash equivalents	(1,164)	20,236	2,591	43,543	(18,818)
Cash and cash equivalents at beginning of period	7,494	26,312	3,739	3,005	26,312
Cash and cash equivalents at end of period	6,330	46,548	6,330	46,548	7,494