

**APOSENSE LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2014**

**UNAUDITED**

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## BALANCE SHEETS

	June 30,		December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in thousands		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	788	3,739	939
Short-term deposits	50,857	64,645	57,628
Accounts receivable	495	991	361
	<u>52,140</u>	<u>69,375</u>	<u>58,928</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term deposits	1,691	-	-
Fixed assets	1,476	2,037	1,740
	<u>3,167</u>	<u>2,037</u>	<u>1,740</u>
	<u>55,307</u>	<u>71,412</u>	<u>60,668</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	306	2,478	511
Short-term deferred revenues	2,161	4,925	3,704
Other accounts payable			
	<u>2,467</u>	<u>7,403</u>	<u>4,215</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term deferred revenues	1,061	896	745
Liability for research and development grants	800	1,288	799
Employee benefit liabilities	1,861	2,184	1,544
	<u>1,861</u>	<u>2,184</u>	<u>1,544</u>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	265	265	265
Share premium	272,768	270,696	271,326
Receipts on account of options	17,048	17,048	17,048
Capital reserve for share-based payment transactions	34,639	36,635	35,992
Capital reserve for transactions with controlling shareholders	13,684	13,684	13,684
Accumulated deficit	(287,425)	(276,503)	(283,406)
	<u>50,979</u>	<u>61,825</u>	<u>54,909</u>
<u>Total shareholders' equity</u>	<u>50,979</u>	<u>61,825</u>	<u>54,909</u>
	<u>55,307</u>	<u>71,412</u>	<u>60,668</u>

## STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands (except per share data)				
Revenues from grant of use rights and from collaboration agreement	-	4	-	-	4
Cost of sales	-	-	-	-	-
Gross profit	4	4	-	-	4
Research and development expenses, net	1,000	8,795	316	3,831	12,056
General and administrative expenses	2,829	4,064	1,416	1,939	7,098
Other income	-	12,871	-	-	13,099
Operating profit (loss)	(3,829)	16	(1,732)	(5,770)	(6,051)
Finance income	273	630	112	297	1,062
Finance expenses	(463)	(1,687)	(605)	(434)	(2,940)
Total comprehensive loss	<u>(4,019)</u>	<u>(1,041)</u>	<u>(2,225)</u>	<u>(5,907)</u>	<u>(7,929)</u>
Basic and diluted loss per share attributable to the equity holders of the Company (in NIS)	<u>(0.152)</u>	<u>(0.039)</u>	<u>(0.084)</u>	<u>(0.223)</u>	<u>(0.299)</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, 2014 (Audited)	265	271,326	17,048	36,449	13,684	(275,462)	62,557
Total comprehensive loss	-	-	-	-	-	(4,019)	(4,019)
Cost of share-based payment	-	-	-	89	-	-	89
Employees' options expiration	-	1,442	-	(1,442)	-	-	-
Balance as of June 30, 2014	<u>265</u>	<u>272,768</u>	<u>17,048</u>	<u>34,639</u>	<u>13,684</u>	<u>(287,425)</u>	<u>50,979</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, 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 April 1, 2014	265	272,514	17,048	34,817	13,684	(285,200)	67,660
Total comprehensive loss	-	-	-	-	-	(2,225)	(2,225)
Cost of share-based payment	-	-	-	76	-	-	76
Employees' options expiration	-	254	-	(254)	-	-	-
Balance as of June 30, 2014	<u>265</u>	<u>272,768</u>	<u>17,048</u>	<u>34,639</u>	<u>13,684</u>	<u>(287,425)</u>	<u>50,979</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, 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>
	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 December 31, 2013 (audited)	265	270,573	17,048	36,449	13,684	(275,462)	62,557
Actuary loss	-	-	-	-	-	(15)	(15)
Total comprehensive loss	-	-	-	-	-	(7,929)	(7,929)
Cost of share-based payment	-	-	-	296	-	-	296
Employees options expiration	-	753	-	(753)	-	-	-
Balance as of December 31, 2013	<u>265</u>	<u>271,326</u>	<u>17,048</u>	<u>35,992</u>	<u>13,684</u>	<u>(283,406)</u>	<u>54,909</u>

## STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(4,019)	(1,041)	(2,225)	(5,907)	(7,929)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	202	280	97	131	524
Finance expenses (income), net	232	1,139	562	235	1,960
Cost of share-based payment	89	309	76	72	296
Fixed assets impairment	-	-	-	-	60
Capital loss from sale of fixed assets	10	25	-	3	54
Change in liability for research and development grants	264	(1,006)	142	193	(1,181)
Change in employee benefit liabilities, net	1	81	(31)	42	(423)
	798	828	846	676	1,290
Changes in asset and liability items:					
Increase in accounts receivable	(499)	(416)	(297)	(210)	(989)
Decrease (increase) in trade payables	(205)	199	(109)	1,153	(1,768)
Decrease in other accounts payable	(1,542)	(1,632)	(523)	(905)	(2,854)
Decrease in deferred revenues	-	(11,285)	-	-	(11,285)
	(2,246)	(13,134)	(929)	38	(16,896)
Cash received (used) during the period for:					
Interest received	577	574	389	252	1,341
Net cash used in operating activities	(4,890)	(12,773)	(1,919)	(4,941)	(22,194)
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(5)	(51)	-	(31)	(104)
Proceeds from sale of fixed assets	57	10	36	3	27
Proceeds from short-term deposits, net	5,990	8,262	(248)	5,648	13,692
Investment in long-term deposits	(1,720)	-	-	-	-
Net cash provided by (used in) investing activities	4,322	8,221	(212)	5,620	13,615

**STATEMENTS OF CASH FLOWS**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from financing activities:</u>					
Cash received from governmental grants	417	797	181	287	2,024
Net cash provided by financing activities	417	797	181	287	2,024
Increase (decrease) in cash and cash equivalents	(151)	(3,755)	(1,950)	966	(6,555)
Cash and cash equivalents at beginning of period	939	7,494	2,738	2,773	7,494
Cash and cash equivalents at end of period	788	3,739	788	3,739	939