

APOSENSE LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2014

UNAUDITED

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BALANCE SHEETS

	<u>September 30,</u>		<u>December 31,</u>
	<u>2014</u>	<u>2013</u>	<u>2013</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	2,484	6,330	939
Short-term deposits	43,041	55,821	57,628
Accounts receivable	543	627	361
	<u>46,068</u>	<u>62,778</u>	<u>58,928</u>
NON-CURRENT ASSETS:			
Long-term deposits	8,218	-	-
Fixed assets	1,391	1,876	1,740
	<u>9,609</u>	<u>1,876</u>	<u>1,740</u>
	<u>55,677</u>	<u>64,654</u>	<u>60,668</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables	258	1,246	511
Other accounts payable	2,088	3,983	3,704
	<u>2,346</u>	<u>5,229</u>	<u>4,215</u>
NON-CURRENT LIABILITIES:			
Liability for research and development grants	883	620	745
Employee benefit liabilities	826	1,082	799
	<u>1,709</u>	<u>1,702</u>	<u>1,544</u>
SHAREHOLDERS' EQUITY:			
Share capital	265	265	265
Share premium	272,768	271,222	271,326
Receipts on account of options	17,048	17,048	17,048
Capital reserve for share-based payment transactions	34,470	36,288	35,992
Capital reserve for transactions with controlling shareholders	13,684	13,684	13,684
Accumulated deficit	<u>(286,613)</u>	<u>(280,784)</u>	<u>(283,406)</u>
<u>Total shareholders' equity</u>	<u>51,622</u>	<u>57,723</u>	<u>54,909</u>
	<u>55,677</u>	<u>64,654</u>	<u>60,668</u>

STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 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
Research and development expenses, net	1,241	11,279	241	2,484	12,056
General and administrative expenses	4,018	5,685	1,189	1,621	7,098
Other income	-	(13,099)	-	(228)	13,099
Operating loss	5,259	3,861	1,430	3,877	6,051
Finance income	(2,220)	(879)	(2,342)	(248)	(1,062)
Finance expenses	168	2,340	100	652	2,940
Total comprehensive profit (loss)	<u>(3,207)</u>	<u>(5,322)</u>	<u>812</u>	<u>(4,281)</u>	<u>(7,929)</u>
Basic and diluted profit (loss) per share attributable to the equity holders of the Company (in NIS)	<u>(0.121)</u>	<u>(0.201)</u>	<u>0.031</u>	<u>(0.161)</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	35,992	13,684	(283,406)	54,909
Total comprehensive loss	-	-	-	-	-	(3,207)	(3,207)
Cost of share-based payment	-	-	-	(80)	-	-	(80)
Employees' options expiration	-	1,442	-	(1,442)	-	-	-
Balance as of September 30, 2014	<u>265</u>	<u>272,768</u>	<u>17,048</u>	<u>34,470</u>	<u>13,684</u>	<u>(286,613)</u>	<u>51,622</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	-	-	-	-	-	(5,322)	(5,322)
Cost of share-based payment	-	-	-	488	-	-	488
Employees' options expiration	-	649	-	(649)	-	-	-
Balance as of September 30, 2013	<u>265</u>	<u>271,222</u>	<u>17,048</u>	<u>36,288</u>	<u>13,684</u>	<u>(280,784)</u>	<u>57,723</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 July 1, 2014	265	272,768	17,048	34,639	13,684	(287,425)	50,979
Total comprehensive profit	-	-	-	-	-	812	812
Cost of share-based payment	-	-	-	(169)	-	-	(169)
Balance as of September 30, 2014	<u>265</u>	<u>272,768</u>	<u>17,048</u>	<u>34,470</u>	<u>13,684</u>	<u>(286,613)</u>	<u>51,622</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 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	<u>265</u>	<u>271,222</u>	<u>17,048</u>	<u>36,288</u>	<u>13,684</u>	<u>(280,784)</u>	<u>57,723</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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Profit (Loss)	(3,207)	(5,322)	812	(4,281)	(7,929)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	289	405	87	125	524
Finance expenses (income), net	(3,050)	1,560	(3,282)	422	1,960
Cost (income) of share-based payment	(80)	488	(169)	179	296
Fixed assets impairment	-	-	-	-	60
Capital loss from sale of fixed assets	10	49	-	24	54
Change in liability for research and development grants	53	(1,287)	(211)	(281)	(1,181)
Change in employee benefit liabilities, net	27	(125)	26	(206)	(423)
	(2,751)	1,090	(3,549)	263	1,290
Changes in asset and liability items:					
Decrease (increase) in accounts receivable	(435)	(724)	64	(308)	(989)
Decrease in trade payables	(253)	(1,033)	(48)	(1,232)	(1,768)
Decrease in other accounts payable	(1,615)	(2,575)	(73)	(942)	(2,854)
Decrease in deferred revenues	-	(11,285)	-	-	(11,285)
	(2,303)	(15,617)	(57)	(2,482)	(16,896)
Cash received (used) during the period for:					
Interest received	762	1,250	185	675	1,341
Net cash used in operating activities	(7,499)	(18,599)	(2,609)	(5,825)	(22,194)
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(7)	(51)	(2)	-	(104)
Proceeds from sale of fixed assets	57	22	-	12	27
Proceeds from short-term deposits, net	18,488	15,989	12,498	7,727	13,692
Investment in long-term deposits	(9,832)	-	(8,112)	-	-
Net cash provided by investing activities	8,706	15,960	4,384	7,739	13,615

STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 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	338	1,475	(79)	677	2,024
Net cash provided by financing activities	338	1,475	(79)	677	2,024
Increase (decrease) in cash and cash equivalents	1,545	(1,164)	1,696	2,591	(6,555)
Cash and cash equivalents at beginning of period	939	7,494	788	3,739	7,494
Cash and cash equivalents at end of period	2,484	6,330	2,484	6,330	939