

APOSENSE LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

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AUDITOR'S REPORT

To the Shareholders of

APOSENSE LTD.

We have audited the accompanying balance sheets of Aposense Ltd. ("the Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for each of the years ended December 31, 2015, 2014 and 2013. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations, changes in its equity and cash flows for each of the years ended December 31, 2015, 2014 and 2013, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Tel-Aviv, Israel
March 30, 2016

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

BALANCE SHEETS

	December 31,	
	2015	2014
	NIS in thousands	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	2,894	1,683
Short-term deposits	42,890	43,253
Accounts receivable	238	556
	<u>46,022</u>	<u>45,492</u>
NON-CURRENT ASSETS:		
Leasing long-term deposits	43	-
Long-term deposits	-	8,680
Fixed assets	1,140	1,361
	<u>1,183</u>	<u>10,041</u>
<u>Total assets</u>	<u>47,205</u>	<u>55,533</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	574	365
Other accounts payable	2,210	1,845
	<u>2,784</u>	<u>2,210</u>
NON-CURRENT LIABILITIES:		
Liability in respect of research and development grant	782	966
Employee benefit liabilities	459	326
	<u>1,241</u>	<u>1,292</u>
SHAREHOLDERS' EQUITY:		
Share capital	268	265
Share premium	301,663	274,689
Receipts on account of options	17,048	17,048
Capital reserve in respect of share-based payment transactions	5,605	32,599
Capital reserve in respect of transactions with controlling shareholders	13,684	13,684
Accumulated deficit	(295,088)	(286,254)
<u>Total shareholders' equity</u>	<u>43,180</u>	<u>52,031</u>
<u>Total liabilities and shareholders' equity</u>	<u>47,205</u>	<u>55,533</u>

March 30, 2016

Approval date of the
financial statementsDr. Juseph
Dobrowski
DirectorProf. Ilan Ziv
CEO & CSOYuval Gottenstien
CFO & VP BD

STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2015	2014	2013
Revenues from grant of use rights and from collaboration agreement	-	-	4
Research and development expenses, net	3,938	2,088	12,056
General and administrative expenses	4,451	4,941	7,098
Other income	-	-	13,099
Operating loss	8,389	7,029	6,051
Finance income	357	4,148	1,062
Finance expenses	685	260	2,940
Total loss	8,717	3,141	7,929
Basic and diluted loss per share attributable to the Company's shareholders (in NIS)	0.326	0.118	0.299
<u>Other comprehensive loss</u>			
<u>Amounts which will not be classified to profit or loss</u>			
Loss (profit) from re-measurement of defined compensation plan	117	(293)	15
Total comprehensive loss	<u>8,834</u>	<u>2,848</u>	<u>7,944</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Receipts on account of options	Capital reserve in respect of share-based payments	Capital reserve in respect of transactions with controlling shareholders	Accumulated deficit	Total
	NIS in thousands						
Balance as of January 1, 2013	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	265	271,326	17,048	35,992	13,684	(283,406)	54,909
Actuary profit	-	-	-	-	-	293	293
Total comprehensive loss	-	-	-	-	-	(3,141)	(3,141)
Cost of share-based payment	-	-	-	(30)	-	-	(30)
Employees options expiration	-	3,363	-	(3,363)	-	-	-
Balance as of December 31, 2014	265	274,689	17,048	32,599	13,684	(286,254)	52,031
Actuary loss	-	-	-	-	-	(117)	(117)
Total comprehensive loss	-	-	-	-	-	(8,717)	(8,717)
Cost of share-based payment	-	-	-	(20)	-	-	(20)
Exercise of options by employees	3	6,406	-	(6,406)	-	-	3
Employees options expiration	-	20,568	-	(20,568)	-	-	-
Balance as of December 31, 2015	268	301,663	17,048	5,605	13,684	(295,088)	43,180

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STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Loss	(8,717)	(3,141)	(7,929)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation	322	372	524
Finance expenses (income), net	54	(4,941)	1,960
Cost of share-based payment	(20)	(30)	296
Fixed assets impairment	-	-	60
Loss from sale of fixed assets	14	12	54
Changes in liability in respect of research and development grants	(191)	143	(1,181)
Changes in employee benefit liabilities, net	16	(180)	(423)
	195	(4,624)	1,290
Changes in asset and liability items:			
Increase in accounts receivable	(62)	(454)	(989)
Increase (decrease) in trade payables	209	(146)	(1,768)
Increase (decrease) in other accounts payable	42	(1,859)	(2,854)
Decrease in deferred revenues	-	-	(11,285)
	189	(2,459)	(16,896)
Cash received during the year for:			
Interest received	319	791	1,341
Net cash used in operating activities	(8,014)	(9,433)	(22,194)
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(118)	(63)	(104)
Proceeds from the sale of fixed assets	3	58	27
Collection of short-term deposits, net	8,670	19,676	13,692
Investment in leasing long-term deposits	(43)	-	-
Investment in long-term deposits	-	(9,832)	-
Net cash from investing activities	8,512	9,839	13,615

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	2014	2013
	NIS in thousands		
<u>Cash flows from financing activities:</u>			
Cash received from research and development grants	710	338	2,024
Cash received from Exercise of options by employees	3	-	-
Net cash provided by financing activities	713	338	2,024
<u>Increase (decrease) in cash and cash equivalents</u>	1,211	744	(6,555)
<u>Cash and cash equivalents at beginning of year</u>	1,683	939	7,494
<u>Cash and cash equivalents at end of year</u>	2,894	1,683	939