

APOSENSE LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2016

UNAUDITED

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BALANCE SHEETS

	<u>March 31,</u>		<u>December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,880	2,189	2,894
Short-term deposits	37,205	50,557	42,890
Accounts receivable	208	235	238
	<u>39,293</u>	<u>52,981</u>	<u>46,022</u>
NON-CURRENT ASSETS:			
Long-term leasing deposits	41	-	43
Long-term deposits	3,768	-	-
Fixed assets	1,079	1,294	1,140
	<u>4,888</u>	<u>1,294</u>	<u>1,183</u>
	<u>44,181</u>	<u>54,275</u>	<u>47,205</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables	817	588	574
Other accounts payable	2,128	2,081	2,210
	<u>2,945</u>	<u>2,669</u>	<u>2,784</u>
NON-CURRENT LIABILITIES:			
Liability for research and development grants	790	1,043	782
Employee benefit liabilities	597	329	459
	<u>1,387</u>	<u>1,372</u>	<u>1,241</u>
SHAREHOLDERS' EQUITY:			
Share capital	268	265	268
Share premium	301,663	274,689	301,663
Receipts on account of options	17,048	17,048	17,048
Capital reserve for share-based payment transactions	5,606	32,607	5,605
Capital reserve for transactions with controlling shareholders	13,684	13,684	13,684
Accumulated deficit	(298,420)	(288,059)	(295,088)
Total shareholders' equity	<u>39,849</u>	<u>50,234</u>	<u>43,180</u>
	<u>44,181</u>	<u>54,275</u>	<u>47,205</u>

STATEMENTS OF OPERATIONS

	Three months ended March 31,		Year ended December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands (except per share data)		
Research and development expenses, net	1,290	894	3,938
General and administrative expenses	<u>991</u>	<u>1,217</u>	<u>4,451</u>
Operating loss	2,281	2,111	8,389
Finance income	112	384	357
Finance expenses	<u>1,029</u>	<u>78</u>	<u>685</u>
Total loss	<u><u>3,198</u></u>	<u><u>1,805</u></u>	<u><u>8,717</u></u>
<u>Other comprehensive loss</u>			
<u>Non- classified amounts to profit and loss</u>			
Re-measurement loss for “defined” benefit plan	<u>134</u>	<u>-</u>	<u>117</u>
Total comprehensive loss	<u><u>3,332</u></u>	<u><u>1,805</u></u>	<u><u>8,834</u></u>
Basic and diluted loss per share attributable to the equity holders of the Company (in NIS)	<u><u>0.119</u></u>	<u><u>0.068</u></u>	<u><u>0.326</u></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, 2016	268	301,663	17,048	5,605	13,684	(295,088)	43,180
Re-measurement loss for "defined" benefit plan	-	-	-	-	-	(134)	(134)
Total loss	-	-	-	-	-	(3,198)	(3,198)
Cost of share-based payment	-	-	-	1	-	-	1
Balance as of March 31, 2016	<u>268</u>	<u>301,663</u>	<u>17,048</u>	<u>5,606</u>	<u>13,684</u>	<u>(298,420)</u>	<u>39,849</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, 2015	265	274,689	17,048	32,599	13,684	(286,254)	52,031
Total loss	-	-	-	-	-	(1,805)	(1,805)
Cost of share-based payment	-	-	-	8	-	-	8
Balance as of March 31, 2015	<u>265</u>	<u>274,689</u>	<u>17,048</u>	<u>32,607</u>	<u>13,684</u>	<u>(288,059)</u>	<u>50,234</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
	Audited						
	NIS in thousands						
Balance as of January 1, 2015	265	274,689	17,048	32,599	13,684	(286,254)	52,031
Re-measurement loss for "defined" benefit plan	-	-	-	-	-	(117)	(117)
Total 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	<u>268</u>	<u>301,663</u>	<u>17,048</u>	<u>5,605</u>	<u>13,684</u>	<u>(295,088)</u>	<u>43,180</u>

Please note that this English version is a free translation prepared for your convenience only. The Hebrew version is the formal binding document for all intents and purposes.

STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from operating activities:</u>			
Loss	(3,198)	(1,805)	(8,717)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit and loss items:			
Depreciation	82	82	322
Finance expenses (income), net	893	(417)	54
Cost of share-based payment	1	8	(20)
Capital loss from sale of fixed assets	-	2	14
Change in liability for research and development grants	8	71	(191)
Change in employee benefit liabilities, net	4	3	16
	<u>988</u>	<u>(251)</u>	<u>195</u>
Changes in assets and liabilities items:			
Decrease (increase) in accounts receivable	30	(59)	(62)
Increase (decrease) in trade payables	243	223	209
Increase (decrease) in other accounts payable	(82)	236	42
	<u>191</u>	<u>400</u>	<u>189</u>
Cash received during the period for:			
Interest received	<u>198</u>	<u>73</u>	<u>319</u>
Net cash used in operating activities	<u>(1,821)</u>	<u>(1,583)</u>	<u>(8,014)</u>
<u>Cash flows from investing activities:</u>			
Purchase of fixed assets	(21)	(20)	(118)
Proceeds from sale of fixed assets	-	3	3
Proceeds from short-term deposits, net	4,677	1,720	8,670
Investment in leasing long-term deposits	2	-	(43)
Investment in long-term deposits, net	(3,851)	-	-
Net cash provided by investing activities	<u>807</u>	<u>1,703</u>	<u>8,512</u>

STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
<u>Cash flows from financing activities:</u>			
Cash received from governmental grants	-	386	710
Cash received from exercise of options by employees	-	-	3
Net cash provided by financing activities	-	386	713
Increase in cash and cash equivalents	(1,014)	506	1,211
Cash and cash equivalents at beginning of period	2,894	1,683	1,683
Cash and cash equivalents at end of period	1,880	2,189	2,894
