

**APOSENSE LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2015**

**UNAUDITED**

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## BALANCE SHEETS

	June 30,		December 31,
	2015	2014	2014
	Unaudited		Audited
	NIS in thousands		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	19,305	788	1,683
Short-term deposits	29,390	50,857	43,253
Accounts receivable	180	495	556
	<u>48,875</u>	<u>52,140</u>	<u>45,492</u>
<b>NON-CURRENT ASSETS:</b>			
Long-term deposits	-	1,691	8,680
Fixed assets	1,227	1,476	1,361
	<u>1,227</u>	<u>3,167</u>	<u>10,041</u>
	<u>50,102</u>	<u>55,307</u>	<u>55,533</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables	392	306	365
Other accounts payable	1,886	2,161	1,845
	<u>2,278</u>	<u>2,467</u>	<u>2,210</u>
<b>NON-CURRENT LIABILITIES:</b>			
Liability for research and development grants	948	1,061	966
Employee benefit liabilities	330	800	326
	<u>1,278</u>	<u>1,861</u>	<u>1,292</u>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	268	265	265
Share premium	294,945	272,768	274,689
Receipts on account of options	17,048	17,048	17,048
Capital reserve for share-based payment transactions	12,320	34,639	32,599
Capital reserve for transactions with controlling shareholders	13,684	13,684	13,684
Accumulated deficit	<u>(291,719)</u>	<u>(287,425)</u>	<u>(286,254)</u>
<u>Total shareholders' equity</u>	<u>46,546</u>	<u>50,979</u>	<u>52,031</u>
	<u>50,102</u>	<u>55,307</u>	<u>55,533</u>

## STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	NIS in thousands (except per share data)				
Research and development expenses, net	1,734	1,000	840	316	2,088
General and administrative expenses	2,186	2,829	969	1,416	4,941
Operating profit (loss)	3,920	3,829	1,809	1,732	7,029
Finance income	(167)	(273)	(134)	(112)	(4,148)
Finance expenses	1,712	463	1,985	605	260
Total loss	5,465	4,019	3,660	2,225	3,141
<u>Other Comprehensive loss</u>					
<u>Amounts which will not be classified to Profit and Loss</u>					
Profit from re-measurement of defined compensation plan	-	-	-	-	(293)
Total Comprehensive loss	5,465	4,019	3,660	2,225	2,848
Basic and diluted loss per share attributable to the equity holders of the Company (in NIS)	0.206	0.152	0.137	0.084	0.118

## 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, 2015 (Audited)	265	274,689	17,048	32,599	13,684	(286,254)	52,031
Total comprehensive loss	-	-	-	-	-	(5,465)	(5,465)
Cost of share-based payment	-	-	-	(23)	-	-	(23)
Employees' options exercise	3	6,406	-	(6,406)	-	-	3
Employees' options expiration	-	13,850	-	(13,850)	-	-	-
Balance as of June 30, 2015	<u>268</u>	<u>294,945</u>	<u>17,048</u>	<u>12,320</u>	<u>13,684</u>	<u>(291,719)</u>	<u>46,546</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, 2014 (Audited)	265	271,326	17,048	35,992	13,684	(283,406)	54,909
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 April 1, 2015	265	274,689	17,048	32,607	13,684	(288,059)	50,234
Total comprehensive loss	-	-	-	-	-	(3,660)	(3,660)
Cost of share-based payment	-	-	-	(31)	-	-	(31)
Employees' options exercise	3	6,406	-	(6,406)	-	-	3
Employees' options expiration	-	13,850	-	(13,850)	-	-	-
Balance as of June 30, 2015	<u>268</u>	<u>294,945</u>	<u>17,048</u>	<u>12,320</u>	<u>13,684</u>	<u>(291,719)</u>	<u>46,546</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, 2014	265	272,514	17,048	34,817	13,684	(285,200)	53,128
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>

  

	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
Actuary loss	-	-	-	-	-	293	293
Total loss	-	-	-	-	-	(3,141)	(3,141)
Cost of share-based payment	-	-	-	(30)	-	-	(30)
Employees options classification to share premium	-	3,363	-	(3,363)	-	-	-
Balance as of December 31, 2014	<u>265</u>	<u>274,689</u>	<u>17,048</u>	<u>32,599</u>	<u>13,684</u>	<u>(286,254)</u>	<u>52,031</u>

## STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(5,465)	(4,019)	(3,660)	(2,225)	(3,141)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	163	202	81	97	372
Finance expenses (income), net	587	232	1,004	562	(4,941)
Cost of share-based payment	(23)	89	(31)	76	(30)
Capital loss from sale of fixed assets	2	10	-	-	12
Change in liability for research and development grants	(24)	264	(95)	142	143
Change in employee benefit liabilities, net	4	1	1	(31)	(180)
	709	798	960	846	(4,624)
Changes in asset and liability items:					
Decrease (increase) in accounts receivable	(4)	(499)	55	(297)	(454)
Decrease (increase) in trade payables	27	(205)	(196)	(109)	(146)
Decrease in other accounts payable	41	(1,542)	(195)	(523)	(1,859)
	64	(2,246)	(336)	(929)	(2,459)
Cash received (used) during the period for:					
Interest received	206	577	133	389	791
Net cash used in operating activities	(4,486)	(4,890)	(2,903)	(1,919)	(9,433)
<u>Cash flows from investing activities:</u>					
Purchase of fixed assets	(34)	(5)	(14)	-	(63)
Proceeds from sale of fixed assets	3	57	-	36	58
Proceeds from (deposit of) short-term deposits, net	21,750	5,990	20,030	(248)	19,676
Investment in long-term deposits	-	(1,720)	-	-	(9,832)
Net cash provided by (used in) investing activities	21,719	4,322	20,016	(212)	9,839

## STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from financing activities:</u>					
Cash received from governmental grants	386	417	-	181	338
Cash received from exercised options	3		3		
Net cash provided by financing activities	389	417	3	181	338
Increase (decrease) in cash and cash equivalents	17,622	(151)	17,116	(1,950)	744
Cash and cash equivalents at beginning of period	1,683	939	2,189	2,738	939
Cash and cash equivalents at end of period	19,305	788	19,305	788	1,683