



THE TRENDLINES GROUP LTD.

(Incorporated in Israel)

(Company Registration No. 513970947)

**Unaudited Financial Statements and Dividend Announcement
For the three months ended 30 September 2017**

Background

The Company was incorporated on 1 May 2007 as a private company limited by shares under the Israeli Companies Law, under the name of “T.I.F. Ventures Ltd.”, and was subsequently renamed “The Trendlines Group Ltd.” on 16 July 2008.

The Group is focused on developing technology-based companies in the medical and agricultural fields. The Group creates and develops companies in accordance with the mission to improve the human condition. To this end, the Group discovers, invests in, incubates and provides services to companies in the fields of medical and agricultural technologies with a view toward a successful exit in the marketplace. Exits may include sales such as merger and acquisition transactions, listing on public stock exchanges and other dispositions of the Company’s holdings.

The Company and together with its subsidiaries and associated companies (the “**Group**”) also has its own internal innovation centre, Trendlines Labs (established as a business unit of the Company in 2011), where it engages in research and development activities to create new technologies, either as principal or in collaboration with global and local companies and partners, to address unmet market needs.

Further, Trendlines Labs’ technologies can be used for sale or licensing to others or for transfer to the incubators for further development and commercialisation.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Group | | | Group | | |
|---|--|--|---------------|--|--|----------------|
| | Three Months Ended | | Change % | Nine Months Ended | | Change % |
| | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 | | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 | |
| <u>Income:</u> | | | | | | |
| Gain (loss) from change in fair value of investments in Portfolio Companies | 5,252 | 643 | 716.80% | 8,290 | (5,049) | N.M. |
| Income from services to Portfolio Companies | 1,265 | 1,032 | 22.58% | 3,483 | 3,176 | 9.67% |
| Group's share of losses of companies accounted for under the equity method | - | - | N.M. | (167) | - | N.M. |
| Gain from disposal of investment accounted for under the equity method | - | 2,089 | N.M. | - | 2,089 | N.M. |
| Income from contracted R&D services | 103 | 194 | (46.91%) | 431 | 832 | (48.20%) |
| Financial income | - | 15 | N.M. | 787 | 982 | (19.86%) |
| Other income | 140 | 108 | 29.63% | 499 | 284 | 75.70% |
| Total income | 6,760 | 4,081 | 65.65% | 13,323 | 2,314 | 475.76% |
| <u>Expenses</u> | | | | | | |
| Operating, general and administrative expenses | 1,857 | 2,081 | (10.76%) | 5,827 | 6,469 | (9.92%) |
| Marketing expenses | 57 | 41 | 39.02% | 259 | 201 | 28.86% |
| R&D expenses, net | 298 | 258 | 15.50% | 937 | 640 | 46.41% |
| Financial expenses | 475 | 33 | N.M. | 503 | 297 | 69.36% |
| Total expenses | 2,687 | 2,413 | 11.36% | 7,526 | 7,607 | (1.06%) |
| Income (loss) before income taxes | 4,073 | 1,668 | 144.18% | 5,797 | (5,293) | N.M. |
| Income tax expense/ (benefit) | 1,059 | 106 | 899.06% | 2,048 | (1,475) | N.M. |
| Net income (loss) | 3,014 | 1,562 | 92.96% | 3,749 | (3,818) | N.M. |
| Other comprehensive income | - | 48 | N.M. | 24 | 48 | (50.00%) |
| Total comprehensive income (loss) | 3,014 | 1,610 | 87.20% | 3,773 | (3,770) | N.M. |
| Net income (loss) attributable to: | | | | | | |
| Equity holders of the Company | 2,987 | 1,562 | 91.23% | 3,648 | (3,818) | N.M. |
| Non-Controlling Interests | 27 | - | N.M. | 101 | - | N.M. |
| | 3,014 | 1,562 | 92.96% | 3,749 | (3,818) | N.M. |
| Total comprehensive income attributable to: | | | | | | |
| Equity holders of the Company | 3,014 | 1,610 | 87.20% | 3,672 | (3,770) | N.M. |
| Non-Controlling Interests | - | - | N.M. | 101 | - | N.M. |

| | | | | | | |
|---|--------------|--------------|--------|--------------|----------------|------|
| | <u>3,014</u> | <u>1,610</u> | 87.20% | <u>3,773</u> | <u>(3,770)</u> | N.M. |
| Net earnings (loss) per share attributable to equity holders of the Company (U.S. Dollars): | | | | | | |
| Basic net earnings (loss) | <u>0.01</u> | <u>0.00</u> | N.M. | <u>0.01</u> | <u>(0.01)</u> | N.M. |
| Diluted net earnings (loss) | <u>0.01</u> | <u>0.00</u> | N.M. | <u>0.01</u> | <u>(0.01)</u> | N.M. |

*N.M. – not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

| | Three Months Ended | | Nine Months Ended | |
|---|--|--|--|--|
| | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 |
| Depreciation and amortization | 57 | 25 | 122 | 77 |
| Foreign currency exchange (gain)/loss | 31 | 255 | (315) | (4) |
| Adjustments for under or overprovision of tax in respect of prior years | - | 4 | - | 106 |

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| | Group | | Company | |
|---|---|--|---|--|
| | 30 September 2017 (Unaudited) US\$'000 | 31 December 2016 (Audited) US\$'000 | 30 September 2017 (Unaudited) US\$'000 | 31 December 2016 (Audited) US\$'000 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6,505 | 6,977 | 4,416 | 5,306 |
| Short-term investments | 5,246 | 9,225 | 5,064 | 9,051 |
| Accounts and other receivables | 458 | 895 | 99 | 657 |
| Short-term loans to Portfolio Companies | 186 | 212 | - | - |
| | 12,395 | 17,309 | 9,579 | 15,014 |
| Non-current assets | | | | |
| Investment in Subsidiaries | - | - | 73,292 | 63,121 |
| Investments in Portfolio Companies | 94,041 | 83,701 | - | - |
| Investment in companies accounted for under the equity method | - | 1,080 | - | 1,080 |
| Property, plant and equipment, net | 922 | 515 | 219 | 166 |
| | 94,963 | 85,296 | 73,511 | 64,367 |
| Total assets | 107,358 | 102,605 | 83,090 | 79,381 |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | 1,324 | 1,377 | 635 | 691 |
| Deferred revenues | 3,769 | 3,827 | 194 | 194 |
| | 5,093 | 5,204 | 829 | 885 |
| Non-current liabilities | | | | |
| Deferred revenues | 1,050 | 2,166 | 48 | 194 |
| Loans from the Israeli Chief Scientist | 4,061 | 4,392 | - | - |
| Deferred taxes, net | 14,256 | 12,498 | - | - |
| Other long-term liabilities | 159 | 144 | 162 | 135 |
| | 19,526 | 19,200 | 210 | 329 |
| Total liabilities | 24,619 | 24,404 | 1,039 | 1,214 |

EquityEquity Attributable to Equity Holders
of the Company:

| | | | | |
|--|--------|--------|--------|--------|
| Share capital | 1,315 | 1,315 | 1,315 | 1,315 |
| Share premium | 55,316 | 55,316 | 55,316 | 55,316 |
| Reserve from hedge | - | (24) | - | (24) |
| Reserve from share-based payment transactions | 4,596 | 4,384 | 4,596 | 4,384 |
| Retained earnings | 20,824 | 17,176 | 20,824 | 17,176 |

**Equity attributable to owners of the
parent**

| | | | | |
|---------------------------|--------|--------|--------|--------|
| Non-controlling interests | 82,051 | 78,167 | 82,051 | 78,167 |
|---------------------------|--------|--------|--------|--------|

Total equity

| | | | | |
|--|--------|--------|--------|--------|
| | 82,739 | 78,201 | 82,051 | 78,167 |
|--|--------|--------|--------|--------|

Total equity and liabilities

| | | | | |
|--|---------|---------|--------|--------|
| | 107,358 | 102,605 | 83,090 | 79,381 |
|--|---------|---------|--------|--------|

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

| As at 30 September 2017 (Unaudited) | | As at 31 December 2016 (Audited) | |
|--|-----------------------|-------------------------------------|-----------------------|
| Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| - | - | - | - |

Amount repayable after one year

| As at 30 September 2017 (Unaudited) | | As at 31 December 2016 (Audited) | |
|--|-----------------------|-------------------------------------|-----------------------|
| Secured US\$'000 | Unsecured US\$'000 | Secured US\$'000 | Unsecured US\$'000 |
| 4,061 | - | 4,392 | - |

Details of any collateral

The Group has non-recourse debt to the Israeli Innovation Authority (formally known as the Office of the Chief Scientist) of the Israeli Ministry of Economy and industry ("OCS"). These loans were extended from the OCS for the purpose of funding portfolio companies, and these loans were secured by liens on shares of the following portfolio companies for which the loans were granted:

| Name of Portfolio Company | Number of shares in each portfolio company pledged in favor of the OCS | |
|---------------------------|---|---------------------------|
| | As at 30 September 2017 | As at 31 December 2016 |
| | (Unaudited) | (Unaudited) |
| Advanced Memtech Ltd. | 77,668 | 77,668 |
| Leviticus Cardio Ltd. | 49,250 | 49,250 |
| Liola Technologies Ltd. | 36,500 | 36,500 |
| Magdent Ltd. | 40,750 | 40,750 |
| NeuroQuest Ltd. | 71,820 | 71,820 |
| ProArc Medical Ltd. | 34,860 | 34,860 |
| Sol Chip Ltd. | 66,310* | 66,310* |
| VivoText Ltd. | 36,669 | 36,669 |

* Including bonus shares

For more information, please refer to the Company's offer document dated 16 November 2015.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

| | Three Months Ended | | Nine Months Ended | |
|---|--|--|--|--|
| | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income (loss) | 3,014 | 1,562 | 3,749 | (3,818) |
| <u>Adjustments to reconcile net income (loss) to net cash used in operating activities:</u> | | | | |
| Adjustments to the profit or loss items: | | | | |
| Depreciation | 57 | 25 | 122 | 77 |
| Income tax expense (benefit) | 1,059 | 106 | 2,048 | (1,475) |
| Loss (gain) from changes in fair value of investments in Portfolio Companies | (5,252) | (643) | (8,290) | 5,049 |
| Financial expense (income), net | 298 | (9) | 61 | (747) |
| Income from services to portfolio companies | (1,149) | (961) | (3,183) | (2,991) |
| Share-based payments | 53 | 174 | 212 | 607 |
| Group's share of losses of companies accounted for under the equity method, net | - | - | 167 | - |
| Gain from disposal of investment accounted for under the equity method | - | (2,089) | - | (2,089) |
| Changes in asset and liability items: | | | | |
| Decrease (increase) in short-term loans to Portfolio Companies | 107 | (77) | 26 | (20) |
| Decrease in accounts and other receivables | 299 | 65 | 507 | 48 |
| Decrease in trade and other payables | (397) | (275) | (418) | (108) |
| Increase (decrease) in other long-term liabilities | (2) | (37) | 15 | (38) |
| | (4,927) | (4,388) | (8,733) | (4,560) |
| Proceeds from sale of investment in Portfolio Company | 577 | - | 1,877 | - |
| Investments in portfolio companies | (470) | (667) | (1,879) | (2,873) |
| | 107 | (667) | (2) | (2,873) |
| Dividend received | - | 897 | - | 798 |
| Taxes paid | - | (106) | (384) | (106) |
| Interest (paid) received | (1) | 17 | (29) | 90 |
| | 106 | 808 | (415) | 881 |
| Net cash used in operating activities | (1,807) | (2,018) | (5,399) | (7,497) |

| | Three Months Ended | | Nine Months Ended | |
|---|--|--|--|--|
| | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 | 30 September 2017 (Unaudited) US\$'000 | 30 September 2016 (Unaudited) US\$'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchase of property, plant and equipment | (101) | (96) | (245) | (139) |
| (Purchase of) Proceeds from sale of short-term investments | 1,997 | (11,017) | 4,008 | 5,036 |
| Consolidation of subsidiary | 1,547 | | 1,547 | |
| Redemption of bank deposits and restricted deposits, net | - | 160 | - | 225 |
| Net cash provided by investing activities | 3,443 | (10,953) | 5,310 | 5,122 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Loans received from the Israeli Chief Scientist | - | 314 | - | 490 |
| Repayments of loans to the Israeli Chief Scientist | (317) | - | (383) | - |
| Net cash provided/(used in) by financing activities | (317) | 314 | (383) | 490 |
| Increase (decrease) in cash and cash equivalents | 1,319 | (12,657) | (472) | (1,885) |
| Cash and cash equivalents at the beginning of the period | 5,186 | 17,770 | 6,977 | 6,998 |
| Cash and cash equivalents at the end of the period | 6,505 | 5,113 | 6,505 | 5,113 |
| Significant non-cash transactions | | | | |
| Exercise of options | - | - | - | 11 |
| Receivable in respect of sale of portfolio company and of shares held under equity method | - | 3,531 | - | 3,531 |
| Consolidation of subsidiary: | | | | |
| investment accounted for under the equity method | 913 | - | 913 | - |
| Trade and other payables | 365 | - | 365 | - |
| Fixed Assets | (284) | - | (284) | - |
| Non-controlling interests | 553 | - | 553 | - |
| | 1,547 | - | 1,547 | - |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

**Statement of Changes in Equity
Group**

| (Unaudited) | Share Capital | Share premium | Reserve from Hedges | Reserve from share-based payment transactions | Retained earnings | Total | Non- controlli ng interests | Total equity |
|--|--------------------------|--------------------------|------------------------------------|--|------------------------------|-----------------|--|-------------------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Balance as at 1 July 2017 | 1,315 | 55,316 | - | 4,543 | 17,837 | 79,011 | 108 | 79,119 |
| Net income and total comprehensive income | - | - | - | - | 2,987 | 2,987 | 27 | 3,014 |
| Cost of share-based payments | - | - | - | 53 | - | 53 | - | 53 |
| Consolidation of Subsidiary | - | - | - | - | - | - | 553 | 553 |
| Balance as at 30 September 2017 | 1,315 | 55,316 | - | 4,596 | 20,824 | 82,051 | 688 | 82,739 |
| (Unaudited) | | | | | | | | |
| Balance as at 1 July 2016 | 1,315 | 54,863 | - | 4,625 | 18,374 | 79,177 | 34 | 79,211 |
| Net income | - | - | - | - | 1,562 | 1,562 | - | 1,562 |
| Other comprehensive income | - | - | 48 | - | - | 48 | - | 48 |
| Total comprehensive income | - | - | 48 | - | 1,562 | 1,610 | - | 1,610 |
| Cost of share-based payments | - | - | - | 174 | - | 174 | - | 174 |
| Balance as at 30 September 2016 | 1,315 | 54,863 | 48 | 4,799 | 19,936 | 80,961 | 34 | 80,995 |

**Statement of Changes in Equity
Company**

| (Unaudited) | Share Capital | Share premium | Reserve from Hedges | Reserve from share-based payment transactions | Retained earnings | Total equity |
|---|--------------------------|--------------------------|------------------------------------|--|------------------------------|-------------------------|
| | US\$'000 | US\$'000 | | US\$'000 | US\$'000 | US\$'000 |
| Balance as at 1 July 2017 | 1,315 | 55,316 | - | 4,543 | 17,837 | 79,011 |
| Net income and total comprehensive income | - | - | - | - | 2,987 | 2,987 |
| Cost of share-based payments | - | - | - | 53 | - | 53 |
| Balance as at 30 September 2017 | 1,315 | 55,316 | | 4,596 | 20,824 | 82,051 |
| (Unaudited) | | | | | | |
| Balance as at 1 July 2016 | 1,315 | 54,863 | - | 4,625 | 18,374 | 79,177 |
| Net income | - | - | - | - | 1,562 | 1,562 |
| Other comprehensive income | - | - | 48 | - | - | 48 |
| Total comprehensive income | - | - | 48 | - | 1,562 | 1,610 |
| Cost of share-based payments | - | - | - | 174 | - | 174 |
| Balance as at 30 September 2016 | 1,315 | 54,863 | 48 | 4,799 | 19,936 | 80,961 |

1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital – Ordinary Shares

There were no changes in the issued share capital of the Company (“Shares”) since 30 June 2017 to 30 September 2017.

As at 30 September 2017, there are 56,833,386 outstanding options which can be converted into 56,833,386 Shares (30 September 2016: 58,240,579 outstanding options which can be converted into 58,240,579 Shares).

Save as disclosed above, the Company did not have any treasury shares or convertibles as at 30 September 2017 and 30 September 2016. There were also no subsidiary holdings as at 30 September 2017 and 30 September 2016.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

| | As at 30 September 2017 | As at 31 December 2016 |
|-------------------------------|-------------------------|------------------------|
| Total number of issued shares | 508,741,749 | 508,741,749 |

The Company did not have any treasury shares as at 30 September 2017 and 31 December 2016.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company’s auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the applicable new and revised International Financial Reporting Standards ("IFRS") and Interpretations of Financial Reporting Standards ("IFRIC") that are mandatory for the accounting periods beginning on or after 1 January 2017. The adoption of these new and revised IFRS and IFRIC did not result in any substantial change to the Group's and the Company's accounting policies and has no significant impact on the financial statements for the current financial reporting period.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

| Earnings (loss) per share ("EPS" or "LPS") | Group | | Group | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | Three Months Ended | | Nine Months Ended | |
| | 30 September 2017 (Unaudited) | 30 September 2016 (Unaudited) | 30 September 2017 (Unaudited) | 30 September 2016 (Unaudited) |
| Profit (loss) attributable to owners of the parent for the computation of basic net earnings (US\$'000) | 2,987 | 1,562 | 3,648 | (3,818) |
| Weighted average number of ordinary shares in issue (in thousands) | 508,742 | 508,742 | 508,742 | 508,742 ⁽³⁾ |
| Basic EPS (LPS) (US\$) | 0.01 | 0.00 | 0.01 | (0.01) |
| Profit (loss) attributable to owners of the parent for the computation of diluted net earnings (US\$'000) | 2,987 | 1,562 | 3,648 | (3,818) |
| Weighted average number of ordinary shares in issue on fully diluted basis (in thousands) | 508,742 | 508,742 | 508,742 | 508,742 ⁽²⁾ |
| Fully diluted EPS (LPS) (US\$) | 0.01 ⁽²⁾ | 0.00 ⁽²⁾ | 0.01 ⁽²⁾ | (0.01) ⁽¹⁾ |

Note:

- (1) Fully diluted LPS of the Group is the same as the basic LPS because the potential ordinary shares to be converted under any convertible securities are anti-dilutive
- (2) Fully diluted EPS for 3M2017, 3M2016 and 9M2017 is the same as basic EPS because the outstanding options were out of the money
- (3) Adjusted for 83,925 shares issued on 4 January 2016 arising from the exercise of warrants.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the
- (a) Current period reported on; and
- (b) Immediately preceding financial year

| Net asset value ("NAV") | Group | | Company | |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| | 30 September 2017 (Unaudited) | 31 December 2016 (Audited) | 30 September 2017 (Unaudited) | 31 December 2016 (Audited) |
| NAV (US\$) | 82,051,222 | 78,166,993 | 82,051,222 | 78,166,993 |
| Number of ordinary shares in issue (in thousands) | 508,742 | 508,742 | 508,742 | 508,742 |
| NAV per ordinary share (US\$) | 0.16 | 0.15 | 0.16 | 0.15 |

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Consolidated Statement of Comprehensive Income

Review for the performance of the Group for the three months ended 30 September 2017 ("3Q2017") as compared to the three months ended 30 September 2016 ("3Q2016").

Gain (loss) from change in fair value of investments in portfolio companies

The gain in fair value of investments in portfolio companies was US\$5.3 million in 3Q2017 as compared to US\$0.6 million in 3Q2016 mainly due to:

- (i) A net increase of US\$8.6 million in the fair market value of various Portfolio Companies mainly a result of the completion of fund raising exercises at favorable terms to the Company, and general commercial or technological progress demonstrated in some Portfolio Companies in 3Q2017.
- (ii) An exit sale of MitrAssist Medical Ltd. amounting to US\$0.6 million in 3Q2017.

The gain from fair market value of investments in Portfolio Companies was partially offset by:

- (iii) A decrease of approximately US\$1.8 million in the fair market value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at less favorable terms to the Company, and general commercial or technological difficulties demonstrated in some Portfolio Companies in 3Q2017; and
- (iv) The write off of two (2) Portfolio Companies of approximately US\$2.1 million as a result of lack of funding in those companies.

Income from services to Portfolio Companies

Income from services to portfolio companies comprised US\$0.2 million received as overhead reimbursement from Portfolio Companies and US\$1.0 million of non-cash benefits received from the OCS in Israel. Income from services to Portfolio Companies increased by US\$0.2 million or 22.6% mainly due to higher number of Portfolio Companies during the incubator period 3Q2017 compared to 3Q2016.

Gain from disposal of investment accounted for under the equity method

In 3Q2016, the Company sold its shareholding in E.T. View Medical Ltd. resulting in a gain of US\$2.1 million. There was an absence of such gains in 3Q2017.

Income from contracted research and development (“R&D”) services

Income from contracted R&D services decreased by approximately US\$0.1 million or 46.9% due to a lower level of activity in relation to R&D services provided by Trendlines Labs to a third party.

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses decreased by US\$0.2 million or 10.7%, mainly attributable to lower cost of share-based payments in 3Q2017 as compared to 3Q2016.

Financial expenses

Financial expenses increased by approximately US\$0.4 million due mainly to the settlement of the OCS loan related to exit sale of MitrAssist Medical Ltd.

Consolidated Statement of Financial Position

Comparative performance for both assets and liabilities are based on the Group’s financial statements as at 30 September 2017 and 31 December 2016.

Non-current assets

Investments in Portfolio Companies and companies accounted for under the equity method

The investments in Portfolio Companies of US\$94.0 million as at 30 September 2017 comprised of 44 Portfolio Companies presented at fair value, an increase of US\$10.3 million or 12.3% as compared to 31 December 2016.

The changes in the value of our investments in Portfolio Companies were mainly due to:

- A net increase of approximately US\$11.9 million in the aggregate fair value of our Portfolio Companies mainly due to the completion of fund raising exercises at favorable terms to the Company, and general commercial or technological progress demonstrated in some Portfolio Companies during the period.
- The increase in fair value of our Most Valuable Portfolio Company by approximately US\$2.2 million as a result of a higher valuation ascribed to the royalties on future net sales expected to be received under the 2014 Asset Purchase Agreement.
- Investments in three (3) new Portfolio Company which contributed US\$2.1 million to the aggregate fair value of our Portfolio Companies as at 30 September 2017.

The above-mentioned increase was partially offset by:

- The write-off of 5 portfolio companies, in an aggregate fair value of US\$3.0 million; and
- A decrease of approximately US\$3.1 million in the fair market value of various Portfolio Companies mainly as a result of the completion of fund raising exercises at less favorable terms to the Company, and general commercial or technological difficulties demonstrated in some Portfolio Companies during the period.

Current assets

Short-term investments

Our short-term investments represented 42.3% of our total current assets. Short-term investments as at 30 September 2017 decreased by US\$4.0 million mainly due to the utilization of cash in operating activities during 2017.

Accounts and other receivables

The decrease of US\$0.4 million in accounts and other receivables was mainly due to the reduction of R&D services provided by Trendlines Labs to a third party.

Short-term loans to Portfolio Companies

The short terms loans granted by the Company to some Portfolio Companies remained relatively unchanged during 2017.

Non-current liabilities

Long-term deferred revenue

A decrease of US\$1.1 million in deferred revenue was mainly due to fewer companies being added to the portfolio during the 12 months ended 30 September 2017 (7 companies), as compared to the number of companies added in the 12 months ended 31 December 2016 (9 companies).

Loans from the OCS

The loans from the OCS decreased by US\$0.3 million or 7.5%, from US\$4.4 million as at 31 December 2016 to US\$4.1 million as at 30 September 2017 mainly due to the decrease in fair market value of some Portfolio Companies.

Deferred taxes, net

Net deferred taxes increased by US\$1.8 million or 14.07%, mainly due to an increase in fair market value of some Portfolio Companies held by a subsidiary.

Current liabilities

Short-term deferred revenues

Short -term deferred revenue remained relatively unchanged in 3Q2017 as compared to December 31, 2016.

Consolidated Statement of Cash Flow

Net cash used in operating activities of US\$1.8 million in 3Q2017 was mainly due to a net income of US\$3.0 million and adjustments for non-cash items such as (i) gain from changes in fair value of investments in Portfolio Companies of approximately US\$5.3 million; (ii) income from services to Portfolio Companies of approximately US\$1.1 million; offset partially by (i) income tax expenses of US\$1.1 million; (ii) proceeds from sale of investment in Portfolio Company of US\$0.6 million.

Net cash provided by investing activities of US\$3.4 million in 3Q2017 was mainly due to sale of short term investments and consolidation of subsidiary.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

During the third quarter the Company announced the signing of the Definitive Agreement with Shoushan Wealth Holdings Co. Ltd (“Shoushan”), a Chinese private equity investment, investment banking, funds management and financial services company, to establish and manage China-Israel New Trend (Taizhou) Medical Technology Co. Ltd., a Shanghai-based Joint Venture (“the JV”) to help the Company’s medical sector portfolio companies and other Israeli, Singaporean and other medical companies penetrate the Chinese market. The JV will be held 51% by Trendlines and 49% by Shoushan. The Company views the establishment of the JV as an important first step in completing this strategic transaction which is intended to strengthen the Company’s portfolio companies and to assist them in penetrating the important Chinese market.

The Company remains committed to its stated plans in the medical and agricultural technologies fields and believes that the continued need for new and improved products in these fields

represents both investment and liquidity opportunities for the Company. During the third quarter ended 30 September 2017, the Company invested in three new portfolio companies in these areas.

The Company is continuously exploring potential exits of some of its portfolio companies. In this regard, the Company announced two exit-related transactions during the third quarter ended 30 September 2017. First, it was announced that the Company had entered into an agreement to sell its stake in MitrAssist Medical Ltd. in two stages for total consideration of US\$1.15 million. During the third quarter ended 30 September 2017, the first stage of the transaction was completed and the Company will make an additional announcement if and when the transaction is fully consummated. In addition, the Company announced that US company Cogentix Medical Inc. (“Cogentix”) had invested US\$2 million in portfolio company Vensica Medical Ltd. (“Vensica”) and, as part of the transaction, had received options to acquire from the equity holders (i.e., shareholders and option holders) of Vensica, the entire share capital of Vensica, for a total consideration of US\$8 million. Should the options be exercised in full by Cogentix, the Company is expected to yield net proceeds of approximately US\$2.6 million and a net gain after tax of approximately US\$1.3 million.

An important trend has been the interest of strategic investors in the Company’s portfolio companies. In addition to the investment in Vensica mentioned above, two additional portfolio companies completed investment rounds that were led by strategic investors during the quarter: Fidmi Medical Ltd. raised US\$2.0 million from B. Braun Melsungen AG and EdenShield Ltd. completed a US\$2.0 million raise that was led by Kibbutz Yotvata. The Company believes this is a very important trend because it highlights that industry leaders are attracted to the Company’s portfolio companies, these relations greatly strengthen the investee portfolio companies, and the strategic investors represent potential future acquirers of the portfolio companies.

On 25 October 2017, the Company announced the completion of a S\$14.03 million raise in gross proceeds through the placement of 100 million new shares, resulting in net proceeds to the Company of approximately S\$13.34 million. B. Braun Melsungen AG, the cornerstone investor in Trendlines’ November 2015 IPO, participated in this placement, maintaining its shareholding in the Company. In addition, subscribers in the placement include prominent corporate and individual investors Asdew Acquisitions Pte Ltd, Island Asset Management Pte Ltd, ICH Capital Pte Ltd, Lumiere Capital Limited, Azure Capital Pte Ltd, Emerald Investment Management Pte Ltd and others. The net proceeds of the placement will be used for the Group’s general working capital and direct and indirect investment in new, prospective and existing portfolio companies.

The estimation or belief of the above constitutes a forward-looking statement which involves risks and uncertainties. Such forward-looking statement is not a guarantee of future results, performance or achievements. Actual results, performance or achievements of the Company and its

portfolio companies may differ from those expressed in the forward-looking statements as a result of various factors, such as known and unknown risks and uncertainties, and assumptions. In light of these risks and uncertainties, actual events, results and developments could differ materially from those expressed or implied by the forward-looking statement

11. Dividend

If a decision regarding dividend has been made: -

- (a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for the current reporting period.

- (b)(i) Amount per share (cents)
(Optional) Rate (%)
Not applicable.

- (b)(ii) Previous corresponding period (cents)
(Optional) Rate (%)
Not applicable.

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable. No dividend has been declared or recommended for the previous corresponding period.

- (d) The date the dividend is payable.

Not applicable.

- (e) The date on which Registrable Transfers receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for 3Q2017.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have a general mandate for recurrent interested person transactions. There were no interested person transactions which were more than S\$100,000 entered into during 3Q2017.

14. Use of IPO proceeds

The Company refers to the net proceeds (“**IPO Net Proceeds**”) amounting to S\$19.3 million raised from the IPO on the Catalist Board of SGX-ST on 26 November 2015.

As at the date of this announcement, the status on the use of the IPO Net Proceeds is as follows:

| <u>Use of IPO Net Proceeds</u> | <u>Amount allocated (S\$'000)</u> | <u>Amount utilized (S\$'000)</u> | <u>Balance (S\$'000)</u> |
|--|--|---|-------------------------------------|
| Follow-on investments in portfolio companies | 10,000 | 6,888 | 3,112 |
| Expansion of our operations into new markets | 5,000 | 2,150 | 2,850 |
| Expansion of our business units, Trendlines Labs | 2,875 | 2,657 | 218 |
| Operational expenses to support portfolio companies | 1,400 | - | 1,400 |
| Total | 19,275 | 11,695 | 7,580 |

The above utilizations are in accordance with the intended use of IPO Net Proceeds, as stated in the Company’s Offer Document dated 16 November 2015.

15. Use of Placement proceeds

The Company refers to the net proceeds (“**Placement Net Proceeds**”) amounting to S\$13.34 million raised from the placement of 100 million shares which was completed on 25 October 2017.

As at the date of this announcement, the status on the use of the Placement Net Proceeds is as follows:

| <u>Use of Placement Net Proceeds</u> | <u>Amount allocated (S\$'000)</u> | <u>Amount utilized (S\$'000)</u> | <u>Balance (S\$'000)</u> |
|--|--|---|-------------------------------------|
| General working capital | 4,000 | - | 4,000 |
| Direct and indirect investments into new, prospective or existing portfolio companies | 9,338 | - | 9,338 |
| Total | 13,338 | - | 13,338 |

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

17. Negative Confirmation by the Board Pursuant to Rule 705(5) of the Catalist Listing Manual

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months and 9 months ended 30 September 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

David Todd Dollinger
Chairman and CEO
9 November 2017

*The Trendlines Group Ltd. (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 26 November 2015. The initial public offering of the Company (the "**IPO**") was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**" or "**PPCF**").*

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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