



THE TRENDLINES GROUP LTD.

(Incorporated in Israel)
(Company Registration No. 513970947)

**Unaudited Financial Statements and Dividend Announcement
For the Financial Year Ended 31 December 2020**

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 (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 commercialization.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS

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

	Group		
	Full Year Ended		Change
	31 December 2020	31 December 2019	
	(Unaudited)	(Audited)	%
	US\$'000	US\$'000	
<u>Income:</u>			
Gain (loss) from change in fair value of investments in Portfolio Companies, net	(10,996)	3,753	N.M.
Income from services to Portfolio Companies	2,854	4,821	(40.80)
Income from contracted R&D services	863	679	27.10
Financial income	3,931	256	N.M.
Other income	45	313	(85.62)
<u>Total income (loss)</u>	<u>(3,303)</u>	<u>9,822</u>	<u>(133.63)</u>
<u>Expenses</u>			
Operating, general and administrative expenses	7,483	7,062	5.96
Marketing expenses	214	269	(20.45)
R&D expenses, net	1,087	1,114	(2.42)
Financial expenses	860	1,240	30.65
<u>Total expenses</u>	<u>9,644</u>	<u>9,685</u>	<u>(0.42)</u>
Income (loss) before income taxes	(12,947)	137	N.M.
Income tax (expense) benefit	8,996	(832)	N.M.
<u>Net loss</u>	<u>(3,951)</u>	<u>(695)</u>	<u>N.M.</u>
<u>Other comprehensive loss:</u>			
Amounts that will be or that have been reclassified to loss when specific conditions are met:			
Income (loss) from cash flow hedges	220	(80)	N.M.
<u>Total comprehensive loss</u>	<u>(3,731)</u>	<u>(775)</u>	<u>N.M.</u>
<u>Net loss attributable to:</u>			
Equity holders of the Company	(3,734)	(474)	N.M.
Non-Controlling Interests	(217)	(221)	(1.81)
	<u>(3,951)</u>	<u>(695)</u>	<u>N.M.</u>
<u>Total comprehensive loss attributable to:</u>			
Equity holders of the Company	(3,514)	(554)	N.M.
Non-Controlling Interests	(217)	(221)	(1.81)
	<u>(3,731)</u>	<u>(775)</u>	<u>N.M.</u>

Net loss per share attributable to equity holders of the Company (U.S. cents):			
Basic net loss	(0.47)	(0.07)	N.M.
Diluted net loss	(0.47)	(0.07)	N.M.
*N.M. – not meaningful			

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

	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Depreciation, amortization and impairment loss	1,356	778
Foreign currency exchange gain (loss)	(647)	(582)

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	
	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
Assets				
Current assets				
Cash and cash equivalents	10,656	18,366	2,199	16,967
Short-term bank deposits	101	293	-	200
Accounts and other receivables	2,698	724	1,125	413
Short-term loans to Portfolio Companies	19	160	-	-
	<u>13,474</u>	<u>19,543</u>	<u>3,324</u>	<u>17,580</u>
Non-current assets				
Investment in Subsidiaries	-	-	82,911	83,144
Long-term bank deposits	4,127	-	4,127	-
Accounts and other receivables	2,696	-	-	-
Contingent consideration receivable	2,898	-	-	-
Investments in Portfolio Companies	83,730	102,825	-	-
Deferred taxes	6,838	-	6,645	-
Right of use asset	2,122	2,246	-	-
Property, plant and equipment, net	959	865	130	268
	<u>103,370</u>	<u>105,936</u>	<u>93,813</u>	<u>83,412</u>
Total assets	<u>116,844</u>	<u>125,479</u>	<u>97,137</u>	<u>100,992</u>
EQUITY AND LIABILITIES				
Current liabilities				
Lease liability	669	428	-	-
Trade and other payables	1,679	2,145	596	1,290
Deferred revenues	616	2,148	-	-
	<u>2,964</u>	<u>4,721</u>	<u>596</u>	<u>1,290</u>
Non-current liabilities				
Deferred revenues	-	572	-	-
Loans from the Israel Innovation Authority	2,626	3,567	-	-
Lease liability	2,297	2,128	-	-
Deferred taxes	12,350	14,508	-	-
Other long-term liabilities	272	213	223	168
	<u>17,545</u>	<u>20,988</u>	<u>223</u>	<u>168</u>
Total liabilities	<u>20,509</u>	<u>25,709</u>	<u>819</u>	<u>1,322</u>

Equity

Equity Attributable to Equity

Holders of the Company:

Share capital	2,123	2,123	2,123	2,123
Share premium	79,307	79,289	79,307	79,289
Reserve from hedge	45	(175)	45	(175)
Reserve from share-based payment transactions	4,131	3,853	4,131	3,853
Retained earnings	10,710	14,444	10,710	14,444

Equity attributable to owners of the parent

	96,316	99,534	96,316	99,534
Non-controlling interests	19	236	-	-

Total equity

	96,335	99,770	96,316	99,534
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Total equity and liabilities

	116,844	125,479	97,137	100,992
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1(b)(ii) Aggregate amount of Group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

As at 31 December 2020 (Unaudited)		As at 31 December 2019 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	669	-	428

Amount repayable after one year

As at 31 December 2020 (Unaudited)		As at 31 December 2019 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
2,626	2,297	3,567	2,128

Details of any collateral

The Group has non-recourse debt to the Israeli Innovation Authority ("IIA") (formerly known as the Office of the Chief Scientist) of the Israeli Ministry of Economy and Industry. These loans were extended from the IIA 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 IIA	
	As at 31 December 2020 (Unaudited)	As at 31 December 2019 (Unaudited)
Advanced Memtech Ltd.	77,668	77,668
Leviticus Cardio Ltd.	49,250	49,250
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

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

	Full Year Ended	
	31 December 2020 (Unaudited) US\$'000	31 December 2019 (Audited) US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(3,951)	(695)
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>		
Adjustments to the profit or loss items:		
Depreciation	1,356	778
Income taxes (Tax benefit)	(8,996)	832
Loss (gain) from changes in fair value of investments in Portfolio Companies	10,996	(3,753)
Financial expenses (income), net	(3,602)	662
Income from services to Portfolio Companies	(2,150)	(3,848)
Share-based payments	296	103
Changes in asset and liability items:		
Decrease in short-term loans	141	203
Decrease (increase) in accounts and other receivables	167	(119)
Increase (decrease) in trade and other payables	(250)	318
Increase in other long-term liabilities	59	36
	(1,983)	(4,788)
Sale of short-term investments	9,001	-
Investments in Portfolio Companies	(5,787)	(1,380)
	3,214	(1,380)
Cash (paid) received during the year for:		
Dividend received	-	1,107
Interest paid	(205)	(224)
Interest received	2	64
	(203)	947
Net cash used in operating activities	(2,923)	(5,916)

	Full Year Ended	
	31 December 2020	31 December 2019
	(Unaudited)	(Audited)
	US\$'000	US\$'000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(481)	(241)
Proceeds from maturity of bank deposits, net	192	2,464
Purchase of a long-term bank deposit	(4,127)	-
Net cash provided by (used in) investing activities	(4,416)	2,223
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares, net	-	14,027
Payment of lease liability	(547)	(339)
Loans received from the Israel Innovation Authority	176	235
Net cash from financing activities	(371)	13,923
Increase (decrease) in cash and cash equivalents	(7,710)	10,230
Cash and cash equivalents at the beginning of the year	18,366	8,136
Cash and cash equivalents at the end of the year	10,656	18,366
Non-cash transactions		
Receivables from realization of investment in Portfolio Company	7,063	-
Investments in Portfolio Companies in consideration for future services	-	1,652
Right of use asset recognized against lease liability	485	54

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 hedge	Reserve from share- based payment transactions	Retained earnings	Total	Non- controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2020	2,123	79,289	(175)	3,853	14,444	99,534	236	99,770
Net loss and total comprehensive loss	-	-	220	-	(3,734)	(3,514)	(217)	(3,731)
Cost of share-based payments	-	-	-	296	-	296	-	296
Expiration of options	-	18	-	(18)	-	-	-	-
Balance as at 31 December 2020	2,123	79,307	45	4,131	10,710	96,316	19	96,335
(Audited)								
Balance as at 1 January 2019	1,601	65,282	(95)	4,252	14,918	85,958	457	86,415
Net loss and total comprehensive loss	-	-	(80)	-	(474)	(554)	(221)	(775)
Issuance of shares, net	522	13,505	-	-	-	14,027	-	14,027
Cost of share-based payments	-	-	-	103	-	103	-	103
Expiration of options	-	502	-	(502)	-	-	-	-
Balance as at 31 December 2019	2,123	79,289	(175)	3,853	14,444	99,534	236	99,770

**Statement of Changes in Equity
Company**

(Unaudited)

	Share Capital	Share premium	Reserve from hedge	Reserve from share-based payment transactions	Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 January 2020	2,123	79,289	(175)	3,853	14,444	99,534
Net loss and total comprehensive loss	-	-	220	-	(3,734)	(3,514)
Cost of share-based payments	-	-	-	296	-	296
Expiration of options	-	18	-	(18)	-	-
Balance as at 31 December 2020	2,123	79,307	45	4,131	10,710	96,316

(Audited)

Balance as at 1 January 2019	1,601	65,282	(95)	4,252	14,918	85,958
Net loss and total comprehensive loss	-	-	(80)	-	(474)	(554)
Issuance of shares, net	522	13,505	-	-	-	14,027
Cost of share-based payments	-	-	-	103	-	103
Expiration of options	-	502	-	(502)	-	-
Balance as at 31 December 2019	2,123	79,289	(175)	3,853	14,444	99,534

- 1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 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”) from 30 June 2020 to 31 December 2020.

As at 31 December 2020, there are 66,000,915 outstanding options which can be converted into 66,000,915 ordinary shares of the Company (31 December 2019: 51,267,667 outstanding options which can be converted into 51,267,667 Shares).

Save as disclosed above, the Company did not have any other convertibles as at 31 December 2020 and 31 December 2019.

There were also no treasury shares or subsidiary holdings as at 31 December 2020 and 31 December 2019.

- 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 31 December 2020	As at 31 December 2019
Total number of issued shares	791,191,382	791,191,382

The Company did not have any treasury shares as at 31 December 2020 and 31 December 2019.

- 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 modifications or emphasis of a matter)

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

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable, as the Company's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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

Save as disclosed in Section 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 2019.

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 applicable new International Financial Reporting Standards ("IFRS") and Interpretations of Financial Reporting Standards ("INT FRS") and amendments thereof, that are effective for the annual periods beginning on or after 1 January 2020.

The following are the amendments to IFRS and INT FRS adopted by the Group:

1. Amendments to IFRS 3 – Definition of a Business
2. Amendments to IAS 1 and IAS 8 – Definition of Material

The Group's adoption of the applicable new IFRS and INT FRS had no material effect on the financial statements of the Group for the financial year ended 31 December 2020.

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**

	Group	
	Full Year Ended	
Loss per share ("LPS")	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Loss attributable to owners of the parent for the computation of basic net earnings (US\$'000)	(3,734)	(474)
Weighted average number of ordinary shares in issue (in thousands)	791,191	655,201
Basic LPS (US cents)	(0.47)	(0.07)
Loss attributable to owners of the parent for the computation of diluted net earnings (US\$'000)	(3,734)	(474)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	791,191	655,201
Fully diluted LPS (US cents)	(0.47) ⁽¹⁾	(0.07) ⁽¹⁾

Notes:

(1) Fully diluted LPS of the Group for the financial year ended 31 December 2020 and 2019 is the same as the basic LPS because the potential ordinary shares to be converted under any convertible securities are anti-dilutive.

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

	Group		Company	
	31 December 2020 (Unaudited)	31 December 2019 (Audited)	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Net asset value ("NAV")				
NAV (US\$)	96,316,061	99,534,383	96,316,061	99,534,383
Number of ordinary shares in issue	791,191,382	791,191,382	791,191,382	791,191,382
NAV per ordinary share (US\$)	0.12	0.13	0.12	0.13

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 financial year ended 31 December 2020 ("FY2020") as compared to the financial year ended 31 December 2019 ("FY2019").

Loss from change in fair value of investments in Portfolio Companies, net

The loss in fair value of investments in Portfolio Companies was US\$11 million in FY2020 as compared to a gain from change in fair value of investments of US\$3.8 million in FY2019.

In FY2020, there was an aggregate net decrease of US\$23.1 million due to:

- (i) an aggregate net decrease of US\$10.0 million in the fair value of Stimatix GI due to the initial revenues of Stimatix GI being less than previous projections arising from the product's staggered launch;
- (ii) a decrease of approximately US\$11.2 million in the fair 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 FY2020; and
- (iii) the write off of three (3) Portfolio Companies of approximately US\$1.9 million as a result of lack of funding in those companies.

The decrease in fair value of investments in Portfolio Companies was offset by an aggregate net increase of US\$12.1 million in the fair value of various Portfolio Companies which was derived based on factors such as the terms on which each Portfolio Company completed its fund raising exercises and each Portfolio Company's commercial or technological progress. In general, favourable terms for fund raising exercises/exits and higher commercial or technological progress would lead to higher fair values.

Income from services to Portfolio Companies

Income from services to Portfolio Companies comprised of approximately US\$0.7 million received as overhead reimbursement from our Portfolio Companies and approximately US\$2.1 million value of non-cash benefits received from the IIA in Israel. Income from value of non-cash benefits received from the IIA in Israel decreased by approximately US\$1.7 million or 44.74% mainly due to lower number of new Portfolio Companies that were serviced by the Group in FY2020 as compared to that in FY2019.

Income from contracted R&D services

Income from contracted R&D services increased by US\$0.2 million as a result of new Trendlines Labs projects that generated income during FY2020.

Financial income

Financial income increased by US\$3.7 million mainly as a result of the adjustment in the fair value of the contingent consideration receivable and the interest on the long-term receivable which were recorded upon the sale of our former Portfolio Company, ApiFix Ltd., to OrthoPediatics Corp in April 2020 amounting to US\$3.1 million.

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses increased by approximately US\$0.4 million or 5.32%. The change was mainly as a result of increase in the operating activity of the entire Group.

Depreciation and amortization

Depreciation and amortization increased by US\$0.6 million mainly as a result of the costs in relation to the abandonment of a supporting system in the six months ended 30 June 2020 ("**H1 2020**"), which had been recognised as depreciation expenses.

Financial expenses

Financial expenses decreased by US\$0.4 million due to a decrease in the exchange rate between US\$ and NIS (US\$:NIS) in FY2020 as compared to increase in the exchange rate in FY2019.

Loss before income taxes (tax benefit)

In view of the above, loss before incomes taxes (tax benefit) in FY2020 was approximately US\$12.9 million compared to an income of approximately US\$0.1 million in FY2019, mainly due to the loss from change in fair value of investments in Portfolio Companies as compared to the gain on this item in FY2019.

Consolidated Statements of Financial Position

Comparative performance for both assets and liabilities are based on the Group's financial statements as at 31 December 2020 and 31 December 2019.

Total assets

Total assets decreased by approximately 6.88% from US\$125.5 million as at 31 December 2019 to US\$116.8 million as at 31 December 2020. This was mainly due to a decrease in cash and cash equivalents of US\$7.7 million and the decrease in Investments in Portfolio Companies of US\$19.1 million, which was offset by a long-term bank deposit of US\$4.1 million, deferred taxes of US\$6.8 million and an increase in accounts and other receivables amounting to US\$5.6 million.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of US\$83.7 million as at 31 December 2020 comprised of 45 Portfolio Companies presented at fair value (not including the 12 consolidated Singapore based companies). There was a decrease of US\$19.1 million or 18.77% as compared to 31 December 2019.

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

- i. A decrease pursuant to the sale of Apifix of approximately US\$13.7 million in fair value;
- ii. An aggregate net decrease of US\$10.0 million in the fair value of Stimatix GI due to the initial revenues of Stimatix GI being lower than previous projections arising from the product's staggered launch;
- iii. A decrease of approximately US\$9.1 million in the fair 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 FY2020; and
- iv. The write-off of three (3) Portfolio Companies of approximately US\$1.9 million as a result of lack of funding in those companies.

The decrease in fair value of investments in Portfolio Companies was partially offset by:

- i. An aggregate net increase of US\$15.3 million in the fair value of various Portfolio Companies which was derived based on factors such as the terms on which each Portfolio Company completed its fund raising exercises and each Portfolio Company's commercial or technological progress. In general, favourable terms for fund raising exercises/exits and higher commercial or technological progress would lead to higher fair values;
- ii. Two additional Portfolio Company which contributed approximately US\$0.3 million to the fair value of our Portfolio Companies as at 31 December 2020.

Long-term bank deposits

The increase in long-term bank deposit in the amount of US\$4.1 million is due to the purchase of a new bank deposit.

Deferred taxes

Deferred taxes increased by US\$6.8 million as at 31 December 2020, due to a technical merger of the Group's wholly owned subsidiary, Trendlines Incubators Israel, in an absorption-type merger for operational, administrative, financial, and tax reasons, which is to be completed upon the occurrence of certain conditions. Please refer to paragraph 24 for more details on the merger.

Accounts and other receivables and Contingent consideration receivable

Accounts and other receivables and contingent consideration receivable increased by US\$5.6 million as at 31 December 2020 mainly due to the milestone payments expected to be received from the sale of our former Portfolio Company, ApiFix Ltd., to OrthoPediatrics Corp in H1 2020.

Current assets

Cash and cash equivalents

Cash and cash equivalents decreased by approximately US\$7.7 million mainly due to the utilization of cash for operating activities in FY2020. Please refer to the section “Consolidated Statement of Cash Flows” below for explanation on the utilization of cash for operating activities.

Our cash and cash equivalents represent 79% of our total current assets.

Accounts and other receivables

Accounts and other receivables increased by US\$1.9 million as at 31 December 2020, due to the short-term milestone payment expected to be received from the sale of our former Portfolio Company, ApiFix Ltd., to OrthoPediatrics Corp in H1 2020.

Non-current liabilities

Long-term deferred revenue

The Company’s deferred revenues are recognized over a period of 24 months (commencing from the date on which the Group provides its service to the respective Portfolio Company). As at 31 December 2020, there was no long term deferred revenues. The decrease of US\$0.6 million as at 31 December 2020 was mainly due to a lower number of Portfolio Companies having deferred revenues to be recognized in the 13th to 24th month period as at 31 December 2020, as compared to that as at 31 December 2019.

Loans from the IIA

The loans from the IIA decreased by US\$0.9 million or 26.38%, from US\$3.6 million as at 31 December 2019 to US\$2.6 million as at 31 December 2020, mainly due to the decrease in fair value of specific Portfolio Companies for which the loans were received, which forms the basis for the calculation of the value of the loans from the IIA in the Group’s financial statements.

Deferred taxes

Net deferred taxes increased by US\$2.2 million, mainly due to an increase in fair market value of some Portfolio Companies.

Lease Liabilities

As at 31 December 2019, the Company recognized the right of use asset in an amount of US\$2.2 million and lease liability in the amount of approximately US\$2.1 million. As at 31 December 2020, long term lease liabilities amounted to US\$2.3 million (in addition to US\$0.7 million presented as current lease liability). The change is due to a new lease agreement entered into by the subsidiary of the Company, Trendlines Medical Singapore Pte. Ltd. (“**Trendlines Medical Singapore**”) and lease repayments.

Current liabilities

Trade and other payables

Trade and other payables decreased by approximately US\$0.5 million, from approximately US\$2.1 million as at 31 December 2019 to approximately US\$1.6 million as at 31 December 2020 mainly due to decrease in trade payables relating to services provided at the end of FY2019 and its related expense which was paid during FY2020.

Short-term deferred revenues

A decrease of US\$1.5 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 31 December 2020, that have deferred revenues to be recognized in the 1st to 12th month period, as compared to that as at 31 December 2019.

Equity

As at 31 December 2020, equity attributable to equity holders of the Company amounted to approximately US\$96.3 million.

Consolidated Statement of Cash Flows

Net cash used in operating activities of US\$2.9 million in FY2020 was mainly due to a net loss of US\$3.9 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in Portfolio Companies of approximately US\$11.0 million; (ii) income from services to Portfolio Companies of approximately US\$2.2 million; (iii) financial income, net of approximately US\$3.6 million; (iv) investments in Portfolio Companies, net of approximately US\$5.8 million; (v) sale of short term investment of approximately US\$9 million; and (vi) income tax benefit of approximately US\$9 million.

Net cash used in investing activities of US\$4.4 million in FY2020 was mainly due to purchase of a long-term bank deposit of approximately US\$4.1 million.

Net cash used in financing activities of US\$0.4 million in FY2020 was mainly due to the payment of lease liability of approximately US\$0.5 million.

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.

The COVID-19 pandemic shaped much of our operations in 2020. While we have not experienced a material impact on our activities, we have seen the impact of the pandemic on various aspects of our business and that of our portfolio companies. Notably, our offices in Israel have now gone through three closures as a result of government-declared lockdowns. During these closures, we have successfully made the transition to working from home and the use of a variety of communications tools to maintain contact with our staff, our companies, and our stakeholders.

A number of portfolio companies have seen their plans for 2020 and beyond affected by the pandemic. Portfolio companies that launched sales in 2020 found it difficult to support the sales

process since they could not travel to potential customers and to support their distributors; fortunately, all of our revenue-stage portfolio companies found ways to work around the restrictions and, while sales forecasts for most were reduced, the companies have adjusted well and are poised for sales increases in 2021.

Similarly, portfolio companies that are conducting or planning to conduct clinical trials find their plans delayed as hospitals around the world have reduced the number of elective procedures being performed. However, towards the end of 2020, many medical centers have opened up and the clinical trials have resumed.

In November 2019, the Company announced the first close in the fundraising round for its new Trendlines Agrifood Fund, together with the beginning of operations of the Trendlines Agrifood Innovation Centre in Singapore (“AFIC”). Fundraising for the Fund was slowed as a result of our inability to travel to meet with potential investors as well as the “wait and see” attitude that was adopted by many investors due to the economic uncertainty caused by the pandemic. On the other hand, the Fund had very strong deal flow in 2020 and was able to make three investments and to establish the first cohort for its pre-incubation accelerator program. The Fund is now launching the second cohort of its accelerator and we have also intensified our fund-raising activities.

The Company remains committed to its plans in the medical and agrifood technologies fields as stated in its Offer Document dated 16 November 2015 and reiterated since then and believes that the continued need for new and improved products in these fields represents both investment and liquidity opportunities for the Company. The COVID-19 crisis has drawn a lot of media and investor attention to our two areas of healthcare and food; we believe that, in the long run, this renewed interest in our investment areas will be beneficial to our portfolio companies and to the Group.

During 2020, a record 34 of our portfolio companies succeeded in raising follow-on capital and we completed the sale of portfolio company ApiFix Ltd. to Orthopediatrics Inc. from the United States.

In the second half of 2020, the Government of Israel announced the normalization of relations with several countries, including the United Arab Emirates, Bahrain, and Morocco. As a result of this process, there has been a strong interest in developing commercial ties between companies in these countries and in Israel, particularly in our focus areas of agrifood technology and medical technology. We have been investigating some of the opportunities in these countries and believe that this could expand the opportunities available to the Group and to our portfolio companies.

As previously announced, in compliance with SGX regulations, the Company’s board of directors decided to cease its quarterly financial reporting and adopt semi-annual financial reporting with effect from the financial year beginning on 1 January 2020. Consistent with our commitment to provide timely information about business developments within the Group, we held conference calls for shareholders on 7 April 2020 and 21 October 2020, to provide non-financial business updates, and we continue to issue monthly updates on the business.

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 and the reason(s) for the decision

The Company does not meet the conditions required by law of companies in Israel to declare a dividend. According to the Israeli Law of Companies, a company who wishes to distribute a dividend must meet two cumulative conditions: (1) The Company has distributable surpluses and if the total retained earnings is negative, it is possible to divide the profits accumulated in the past two years (the earnings test) and (2) The Company has the ability to meet all of its liabilities even after the distribution of the dividend (the repayment ability test). As the Company does not meet the required conditions, no dividend has been declared or recommended for FY2020.

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 FY2020.

While the total amount invested by Agriline Limited¹ in 18 portfolio companies was S\$9.4 million, the

¹ Agriline Limited is ultimately held by Geneva Trust Company (GTC) SA as Trustees of The VT Two Trust. Librae Holdings Limited, ultimately held by Geneva Trust Company (GTC) SA as Trustees of The Tchenguiz Three Trust, currently holds 23% of the issued share capital of the Company and is thereby considered a controlling shareholder of the Company under the Catalist Rules. As Mr. Vincent Tchenguiz is the discretionary beneficiary of both trusts, Agriline Limited is an "interested person" as defined under Chapter 9 of the Catalist Rules.

value of the transactions (which is the amount at risk to the Company) is S\$0 as the investments did not result in a change in the fair value of the Group's holdings in the portfolio companies or the consolidated net tangible assets of the Group.

14. Use of IPO proceeds

The Company refers to the net proceeds ("IPO Net Proceeds") amounting to S\$19.28 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	10,000	-
Expansion of our operations into new markets	5,000	5,000	-
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
Total	19,275	19,275	-

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 2017 Placement proceeds

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

As at the date of this announcement, the status on the use of the 2017 Placement Net Proceeds is as follows:

<u>Use of 2017 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	-

* The general working capital expenditures are mainly related to professional services, rent and maintenance, consulting, communications and office expenses.

The above utilizations are in accordance with the intended use of the 2017 Placement Net Proceeds, as stated in the Company's announcement dated 10 October 2017.

16. Use of 2019 Placement proceeds

The Company refers to the net proceeds amounting to S\$10.82 million raised from the placement of 103,619,048 shares which was completed on 6 August 2019 ("2019 Placement Net Proceeds").

As at the date of this announcement, the status on the use of the 2019 Placement Net Proceeds is as follows:

<u>Use of 2019 Placement Net Proceeds</u>	<u>Amount Allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital *	3,246	3,246	-
Direct and indirect investments into new, prospective or existing Portfolio Companies	7,574	7,574	-
Total	10,820	10,820	-

* The general working capital expenditures are mainly related to professional services, rent and maintenance, consulting, communications and office expenses.

The above utilizations are in accordance with the intended use of the 2019 Placement Net Proceeds, as stated in the Company's announcement dated 22 July 2019.

17. Use of 2019 Rights Issue proceeds

The Company refers to the net proceeds amounting to S\$8.13 million raised from the rights issue exercise which resulted in the issuance and allotment of 78,830,585 shares on 23 December 2019 ("2019 Rights Issue Net Proceeds").

As at the date of this announcement, the status on the use of the 2019 Rights Issue Net Proceeds is as follows:

<u>Use of 2019 Rights Issue Net Proceeds</u>	<u>Amount Allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital *	2,440	461	1,979
Direct and indirect investments into new, prospective or existing Portfolio Companies	5,690	1,075	4,615
Total	8,130	1,535	6,595

* The general working capital expenditures are mainly related to professional services, rent and

maintenance, consulting, communications and office expenses.

The above utilizations are in accordance with the intended use of the 2019 Rights Issue Net Proceeds, as stated in the Company's announcement dated 19 December 2019.

Pending the deployment of the unutilised proceeds from the 2019 Rights Issue, the unutilised proceeds will be invested from time to time, either in interest-bearing deposits with licensed banks (in Israel or Singapore) or in a structured investment, by which the principal will be kept, but the interest will be dependent on highly risky performance of structured investments. The amount invested in those structured investments will be held in the licenced bank for a period of one or two years (pending on the chosen investment).

18. 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.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

19. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable. The Group currently operates in 2 geographical locations, namely Israel and Singapore. Notwithstanding that the subsidiary of the Company, Trendlines Medical Singapore, is based in Singapore, the operations of Trendlines Medical Singapore does not contribute significantly to the Group and hence, it is not meaningful to present the geographical segment of Singapore. The Company has only one operating segment.

20. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8 above.

21. A breakdown of total sales as follows:

	Group		
	FY2020 (Unaudited) US\$'000	FY2019 (Audited) US\$'000	Increase / (Decrease) %
(a) Total income reported for first half year	225	1,663	(86.47)
(b) Net loss after tax before deducting non-controlling interests reported for first half year	(4,108)	(2,153)	90.80
(c) Total income reported for second half year	(3,528)	8,159	(143.24)
(d) Net profit/(loss) after tax before deducting non-controlling interests reported for second half year	157	1,458	(89.23)

N.M. – Not meaningful

22. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

Not applicable. No dividend has been declared or recommended in FY2020 and FY2019.

23. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying managerial position in the Company or any of its principal subsidiaries who is a relative of Director or Chief Executive Officer or substantial shareholders of the Company.

24. Disclosure of acquisition (including incorporations) and sale of shares under Catalist Rule 706A.

During FY2020, the Company did not acquire or dispose of any shares which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company's shareholding percentage in any subsidiary or associated company.

The Company incorporated 2 new Portfolio Companies as subsidiaries in FY2020 which are set out in the table below.

S/N	Name	Date of incorporation	Country of incorporation	% held by the Group	Paid up capital	Principal activity
1	STEP Surgical Solutions Pte. Ltd.	20 May 2020	Singapore	96%	S\$158,333	Fluidly operated tacker and cutting instrument
2	Dermacut Medical Pte Ltd.	31 December 2020	Singapore	100%	S\$1	Solution to improve scar revision outcomes

The incorporation of these Portfolio Companies were funded in cash through internal resources and did not have any material impact on the net tangible assets and earnings per share of the Group for FY2020.

On 30 December 2020, the Company announced a notice of a proposed absorption-type merger of the Company's wholly owned subsidiary, Trendlines Incubators Israel Ltd (the "**Absorbed Company**"), for operational, administrative, financial, and tax reasons (the "**Merger**"). The purpose of the Merger is to enhance the organizational structure of the Group, reduce management costs, improve management efficiency, optimize utilization of assets, organizational and managerial resources, and the tax structure of the Group.

Subject to the fulfillment of certain predetermined conditions as set out in the announcement on the Merger, the Absorbed Company will be dissolved.

For more information, please refer to the Company's announcement dated 30 December 2020.

In February 2021, the Company received approvals from the IIA and the Israel Tax Authority in relation to the Merger. The Company will update shareholders via SGXNET once the Merger is completed.

BY ORDER OF THE BOARD

D. Todd Dollinger
Chair and CEO
23 February 2021

*This announcement has reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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