THE TRENDLINES GROUP LTD.
(Incorporated in Israel)
(Company Registration No. 513970947)

Unaudited Financial Statements and Dividend Announcement
For the Financial Year Ended 31 December 2018

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 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		
	Full Year Ended		
	31 December 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000	Change %
Income:			
Gain (loss) from change in fair value of investments in Portfolio Companies	(6,046)	9,399	N.M
Income from services to Portfolio Companies	5,760	4,904	17.46
Group's share of losses of companies accounted for under the equity method	-	(167)	N.M.
Income from contracted R&D services	476	473	0.63
Financial income	1,248	665	87.51
Other income	360	355	1.41
Total income	1,798	15,629	(88.50)
Expenses			
Operating, general and administrative expenses	6,395	8,579	(25.45)
Marketing expenses	404	354	14.12
R&D expenses, net	1,057	1,111	(4.86)
Financial expenses	428	10	4,180
Total expenses	8,284	10,054	(17.60)
Income (loss) before income taxes	(6,486)	5,575	N.M
Tax benefit (Income tax expenses)	168	(1,643)	(110.22)
Net income (loss)	(6,318)	3,932	N.M
Other comprehensive income (loss):			
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:			
Gain (loss) from cash flow hedges	(161)	90	N.M.
Total comprehensive income (loss)	(6,479)	4,022	N.M
Net income (loss) attributable to:			
Equity holders of the Company	(6,121)	3,863	N.M
Non-Controlling Interests	(197)	69	N.M
	(6,318)	3,932	N.M
Total comprehensive profit (loss) attributable to:			
Equity holders of the Company	(6,282)	3,953	N.M

Non-Controlling Interests	(197)	69	N.M
	(6,479)	4,022	N.M
Net earnings (loss) per share attributable to equity holders of the Company (U.S. cents):			
Basic net earnings (loss)	(1.01)	0.74	N.M
Diluted net earnings (loss)	(1.01)	0.74	N.M

*N.M. – not meaningful

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

	31 December 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Depreciation and amortization	288	183
Foreign currency exchange gain	502	499
Adjustments for under or over provision of tax in tespect of prior years	-	297

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 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000	31 December 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Assets				
Current assets				
Cash and cash equivalents	8,136	8,747	6,429	5,880
Short-term bank deposits	2,728	10,730	2,642	10,545
Accounts and other receivables	605	716	162	238
Short-term loans to Portfolio Companies	363	229	-	-
	11,832	20,422	9,233	16,663
Non-current assets				
Investment in Subsidiaries	-	-	77,317	77,045
Investments in Portfolio Companies	97,226	96,800	-	-
Property, plant and equipment, net	952	1,050	329	274
	98,178	97,850	77,646	77,319
Total assets	110,010	118,272	86,879	93,982
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	1,745	2,225	776	1,409
Deferred revenues	3,630	3,970	-	194
	5,375	6,195	776	1,603
Non-current liabilities				
Deferred revenues	1,393	1,352	-	-
Loans from the Israel Innovation Authority	2,974	3,830	-	-
Deferred taxes, net	13,676	13,844	-	-
Other long-term liabilities	177	186	145	168
	18,220	19,212	145	168
Total liabilities	23,595	25,407	921	1,771

Equity				
Equity Attributable to Equity Holders of the Company:				
Share capital	1,601	1,601	1,601	1,601
Share premium	65,282	65,028	65,282	65,028
Reserve from hedge	(95)	66	(95)	66
Reserve from share-based payment transactions	4,252	4,477	4,252	4,477
Retained earnings	14,918	21,039	14,918	21,039
Equity attributable to owners of the parent	85,958	92,211	85,958	92,211
Non-controlling interests	457	654	-	-
Total equity	86,415	92,865	85,958	92,211
Total equity and liabilities	110,010	118,272	86,879	93,982

1(b)(ii) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 December 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
-	-	-	-

Amount repayable after one year

As at 31 December 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
2,974	-	3,830	-

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:

	Number of shares in each Portfolio Company pledged in favor of the IIA	
Name of Portfolio Company	As at 31 December 2018 (Unaudited)	As at 31 December 2017 (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 2018 (Unaudited) US$´000	**31 December 2017 (Unaudited) US$´000**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	(6,318)	3,932
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Depreciation	288	183
(Tax benefit) income tax expenses	(168)	1,643
Loss (gain) from changes in fair value of investments in Portfolio Companies	6,046	(9,399)
Financial income, net	(1,206)	(151)
Income from services to Portfolio Companies	(4,952)	(4,288)
Share-based payments	29	248
Group's share of losses of companies accounted for under the equity method, net	-	167
Changes in asset and liability items:		
Increase in short-term loans to Portfolio Companies	(134)	(17)
Decrease (increase) in accounts and other receivables	(68)	269
Increase in trade and other payables	(388)	484
Increase (decrease) in other long-term liabilities	(9)	42
	(562)	(10,819)
Proceeds from sale of investment in Portfolio Company	-	2,444
Investments in Portfolio Companies	(1,725)	(2,502)
	(1,725)	(58)
Cash (paid) received during the year for:		
Tax paid	-	(297)
Interest paid	-	(76)
Interest received	212	-
Net cash used in operating activities	(8,393)	(7,318)

	Full Year Ended	
	31 December 2018 (Unaudited) US$´000	31 December 2017 (Unaudited) US$´000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(192)	(441)
Proceeds from sale (purchase) of short-term bank deposits	8,002	(1,505)
Consolidation of subsidiary (Note 1)	-	1,544
Deconsolidation of subsidiary (Note 2)	(145)	-
Net cash provided by (used in) investing activities	7,665	(402)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of shares, net	-	9,843
Loans repaid to the Israel Innovation Authority	(69)	(459)
Loans received from the Israel Innovation Authority	186	106
Net cash provided by financing activities	117	9,490
Increase (decrease) in cash and cash equivalents	(611)	1,770
Cash and cash equivalents at the beginning of the year	8,747	6,977
Cash and cash equivalents at the end of the year	8,136	8,747
Note 1:		
Consolidation of subsidiary:		
Investment accounted for under the equity method	-	913
Trade and other payables	-	364
Property, plant and equipment, net	-	(284)
Non-controlling interests	-	551
	-	1,544
Note 2:		
Deconsolidation of subsidiary:		
Accounts and other receivables	(18)	-
Property, plant and equipment, net	(2)	-
Investments in Portfolio Companies, net	830	-
Trade and other payables	92	-
Deferred revenues	(472)	-
Gain from revaluation of investment resulting from deconsolidation of subsidiary	(285)	-
	145	-

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 2018	**1,601**	**65,028**	**66**	**4,477**	**21,039**	**92,211**	**654**	**92,865**
Net loss and total comprehensive loss	-	-	(161)	-	(6,121)	(6,282)	(197)	(6,479)
Cost of share-based payments	-	-	-	29	-	29	-	29
Expiration of options	-	254	-	(254)	-	-	-	-
Balance as at 31 December 2018	**1,601**	**65,282**	**(95)**	**4,252**	**14,918**	**85,958**	**457**	**86,415**
(Audited)								
Balance as at 1 January 2017	**1,315**	**55,316**	**(24)**	**4,384**	**17,176**	**78,167**	**34**	**78,201**
Net loss and total comprehensive loss	-	-	90	-	3,863	3,953	69	4,022
Issuance of shares, net	286	9,557	-	-	-	9,843	-	9,843
Cost of share-based payments	-	-	-	248	-	248	-	248
Expiration of options	-	155	-	(155)	-	-	-	-
Consolidation of subsidiary	-	-	-	-	-	-	551	551
Balance as at 31 December 2017	**1,601**	**65,028**	**66**	**4,477**	**21,039**	**92,211**	**654**	**92,865**

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 2018	**1,601**	**65,028**	**66**	**4,477**	**21,039**	**92,211**
Net loss and total comprehensive loss	-	-	(161)	-	(6,121)	(6,282)
Cost of share-based payments	-	-	-	29	-	29
Expiration of options	-	254	-	(254)	-	-
Balance as at 31 December 2018	**1,601**	**65,282**	**(95)**	**4,252**	**14,918**	**85,958**
(Audited)						
Balance as at 1 January 2017	**1,315**	**55,316**	**(24)**	**4,384**	**17,176**	**78,167**
Net loss and total comprehensive loss	-	-	90	-	3,863	3,953
Issuance of shares, net	286	9,557	-	-	-	9,843
Cost of share-based payments	-	-	-	248	-	248
Expiration of options	-	155	-	(155)	-	-
Consolidation of subsidiary	-	-	-	-	-	-
Balance as at 31 December 2017	**1,601**	**65,028**	**66**	**4,477**	**21,039**	**92,211**

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 September 2018 to 31 December 2018.

As at 31 December 2018, there are 52,340,556 outstanding options which can be converted into 52,340,556 ordinary shares of the Company (31 December 2017: 55,229,448 outstanding options which can be converted into 55,229,448 Shares).

Save as disclosed above, the Company did not have any other convertibles as at 31 December 2018 and 31 December 2017.

There were also no treasury shares or subsidiary holdings as at 31 December 2018 and 31 December 2017.

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 2018	As at 31 December 2017
Total number of issued shares	608,741,749	608,741,749

The Company did not have any treasury shares as at 31 December 2018 and 31 December 2017.

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 2017.

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 ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2018. The adoption of these new and revised IFRS and INT FRS 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

	Group	
	Full Year Ended	
Earnings / (Loss) per share ("EPS" / "(LPS))"	**31 December 2018 (Unaudited)**	**31 December 2017 (Audited)**
Profit (loss) attributable to owners of the parent for the computation of basic net earnings (US$'000)	(6,122)	3,863
Weighted average number of ordinary shares in issue (in thousands)	608,742	525,408
Basic EPS (LPS) (US cents)	(1.01)	0.74
Profit (loss) attributable to owners of the parent for the computation of diluted net earnings (US$'000)	(6,122)	3,863
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	608,742	525,408
Fully diluted EPS (LPS) (US cents)	(1.01) [(1)]	0.74 [(2)]

Notes:

(1) Fully diluted (LPS) of the Group for the financial year ended 31 December 2018 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 of the Group for the financial year ended 31 December 2017 is the same as the basic EPS because the outstanding options were out of the money.

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	
Net asset value ("NAV")	**31 December 2018 (Unaudited)**	**31 December 2017 (Audited)**	**31 December 2018 (Unaudited)**	**31 December 2017 (Audited)**
NAV (US$)	85,957,672	92,210,823	85,957,672	92,210,823
Number of ordinary shares in issue	608,741,749	608,741,749	608,741,749	608,741,749
NAV per ordinary share (US$)	0.14	0.15	0.14	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 financial year ended 31 December 2018 ("FY2018") as compared to the financial year ended 31 December 2017 ("FY2017").

Gain (loss) from change in fair value of investments in Portfolio Companies

The loss in fair value of investments in Portfolio Companies was US$6.0 million in FY2018 as compared to a gain of US$9.4 million in FY2017 mainly due to:

(i) An aggregate net decrease of US$8.1 million in the fair value of Stimatix GI due to the initial revenues of Stimatix GI being lesser than previously projections arising from the product's staggered launch, despite that B. Braun's launch of the Stimatix product remains on track, and further due to a tax ruling under which Stimatix GI agreed to pay a higher overall tax rate which tax payment is deferred until the royalties are actually received, rather than an immediate tax on the estimated full value of royalties.

(ii) A decrease of approximately US$2.6 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 FY2018; and

(iii) the write off of five (5) Portfolio Companies of approximately US$3.2 million as a result of lack of funding in those companies.

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

An aggregate net increase of US$7.5 million in the overall fair market 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 and higher commercial or technological progress would lead to higher fair market values.

Income from services to Portfolio Companies

Income from services to Portfolio Companies comprised approximately US$0.8 million received as overhead reimbursement from our Portfolio Companies and approximately US$5.0 million value of

non-cash benefits received from the IIA in Israel. Income from services to Portfolio Companies received as overhead reimbursement from our Portfolio Companies increased by approximately US$0.9 million or 17.45% mainly due to an increase in number of Portfolio Companies being serviced by the Group in FY2018 as compared to FY2017.

Financial income

Financial income increased by US$0.6 million due to changes in the exchange rate since the exchange rate between US$ and NIS (US$:NIS) as at 31 December 2018 was much higher than 31 December 2017. Due to the revaluations on the liabilities in NIS, the Group recorded a higher gain on foreign currency exchange as at 31 December 2018; and in addition to the exchange rate, the decrease in the loans from the IIA contributed to the increase in financial income as well.

Group's share of losses of companies accounted for under the equity method

The Group's share of losses of companies accounted for under the equity method decreased by US$0.2 million due to the consolidation of Trendlines Medical Singapore in FY2018.

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses decreased by approximately US$2.2 million or 25.45%. The decrease was mainly attributable to the decrease of employment cost and other general and administrative costs as part of the Group's cost reduction plan for FY2018 which was announced in October 2017.

R&D expenses, net

R&D expenses decreased by approximately US$0.1 million or 4.86%. The decrease was mainly attributable to the decrease of employment cost as part of the Group's cost reduction plan for FY2018 which was announced in October 2017.

Financial expenses

Financial expenses increased by approximately US$0.4 million. The increase was mainly due to exchange rate changes since the exchange rate of US$:NIS at 31 December 2018 was much higher than 31 December 2017. Due to the revaluations on the assets in NIS, the Group recorded a higher expenses on foreign currency exchange in 31 December 2018

Income before income taxes

In view of the above, loss before income tax in FY2018 was approximately US$6.5 million as compared to an income of approximately US$5.6 million in FY2017, mainly due to the loss from change in fair value of investments in Portfolio Companies.

Consolidated Statement of Financial Position

Comparative performance for both assets and liabilities are based on the Group's financial statements as at 31 December 2018 and 31 December 2017.

Total assets

Total assets decreased by approximately 6.9% from US$118.3 million as at 31 December 2017 to US$110.0 million as at 31 December 2018. This was mainly due to approximately US$8 million reduction in short-term bank deposits which were used primarily to finance current operations and investments.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of US$97.2 million as at 31 December 2018 comprised of 53 Portfolio Companies presented at fair value, an increase of US$0.4 million or 0.4% as compared to 31 December 2017.

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

- An aggregate increase of approximately US$8.5 million in the overall fair value of several of our Portfolio Companies which was derived based on factors such as the completion of fund raising exercises at favorable terms to the Company, and each company's commercial and technological progress;
- The additional investments in a few of our Portfolio Companies and establishment of 10 additional Portfolio Companies which contributed approximately US$4.6 million to the fair value of our Portfolio Companies as at 31 December 2018; and
- Deconsolidation of one Portfolio Company added to the value of the investment in Portfolio Companies of US$0.8 million.

The increase in investments in Portfolio Companies was offset by:

- The write-off of five Portfolio Companies during FY2018 amounting to approximately US$3.2 million due to lack of sufficient technological advancement and funding;
- An aggregate net decrease of US$8.1 million in the fair value of Stimatix GI due to the initial revenues of Stimatix GI being lesser than previously projections arising from the product's staggered launch, despite that B. Braun's launch of the Stimatix product remains on track, and further due to a tax ruling under which Stimatix GI agreed to pay a higher overall tax rate which tax payment is deferred until the royalties are actually received, rather than an immediate tax on the estimated full value of royalties.

- An aggregate decrease of approximately US$2.6 million in the overall fair value of several of our Portfolio Companies which was derived based on factors such as the completion of fund raising exercises at less favorable terms to the Company, and each company's commercial and technological progress.

Current assets

Cash and cash equivalents

Cash and cash equivalents decreased by approximately US$0.6 million mainly due to the utilization of cash for operating activities during January till December 2018. Please refer to the section "Consolidated Statement of Cash Flow" below for explanation on the utilization of cash for operating activities.

Short-term bank deposits

Our Short-term bank deposits decreased by US$8.0 million mainly due to the sale of short-term bank deposits, the proceeds of which had been recorded under "cash and cash equivalents" and was used for operating activities as explained in the preceding paragraph.

Our cash and cash equivalents and short term deposit represent 92.6% of our total current assets.

Accounts and other receivables

The decrease of US$0.1 million in accounts and other receivables was mainly due to the reduction of R&D services provided by Trendlines Labs to third parties as compared to the end of 2017.

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 2018, long term deferred revenues amounted to US$1.4 million, relatively unchanged from 31 December 2017.

Loans from the IIA

The loans from the IIA decreased by US$0.9 million or 22.35%, from US$3.8 million as at 31 December 2017 to US$2.9 million as at 31 December 2018 mainly due to the decrease in fair value of specific Portfolio Companies for which the loans were received.

Current liabilities

Trade and other payables

Trade and other payables decreased by approximately US$0.5 million, or 21.57%, from approximately US$2.2 million as at 31 December 2017 to approximately US$1.7 million as at 31 December 2018 mainly due to decrease in trade payables relating to services provided at the end of 2017 and its related expense which was paid during FY2018.

Short-term deferred revenues

A decrease of US$0.3 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 31 December 2018, that have deferred revenues to be recognized in the 1st - to 12 - month period, as compared to that as at 31 December 2017.

Equity

As at 31 December 2018, equity attributable to equity holders of the Company amounted to approximately US$85.9 million.

Consolidated Statement of Cash Flow

Net cash used in operating activities of US$8.4 million in FY2018 was mainly due to a net loss of US$6.3 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in Portfolio Companies of approximately US$6.0 million; (ii) income from services to Portfolio Companies of approximately US$4.9 million; and (iii) non cash income tax income of approximately US$0.2 million.

Net cash provided by investing activities of US$7.7 million in FY2018 was mainly due to proceeds from sale of short-term bank deposits.

Net cash provided by financing activities of US$0.2 million in FY2018 was mainly due to loans received from the IIA.

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.

In the fourth quarter of 2017, the Company completed a strategic review in respect of its operations with a view to reduce costs, increase efficiency and enhance shareholder value. Consequently, the Company implemented a plan to reduce its operating expenses for the financial year ending 31 December 2018 by approximately US$1.3 million, as compared to the Group's "Operating, General and Administrative Expenses" and research and development salaries under "R&D Expenses," for the 3 months ended 30 June 2017, on an annualized basis. In accordance with this decision, the

Company's relevant expenses (excluding expenses due to expansion of the Group's business activity or from consolidation of Trendlines Singapore) for 2018 were US$ 6.1 million, a 32% decrease compared to 2017.

Noting that the Company has exceeded its cost reduction goals for the financial year ended 31 December 2018, in the interest of staff retention, the Company has determined to discontinue salary cuts for certain staff for the financial year ending 31 December 2019 ("FY2019"), returning their salaries to FY2017 levels. Additionally, the Company will reinstate half of the salary cut of the Company's Co-CEOs David Todd Dollinger and Stephen Louis Rhodes, such that their salaries for FY2019 will be 10% below their FY2017 salary levels.

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.

On 18 December 2018, Trendlines announced that it intends to open a Singapore-based innovation center focused on developing agrifood technologies and that it is planning to raise a US$40 million venture fund to support the new investment activity and will act as the new fund's general partner. The new Trendlines' agrifood tech center aims to leverage technological and scientific knowledge in Singapore and the region with Trendlines' experience and know-how in investing in and building companies to accelerate technology development and investment in Southeast Asia's agrifood supply chain. On 15 January 2019 the Company announced that its new Singapore agrifood-focused venture fund has been appointed as one of the partners under the Startup SG Equity scheme, administered by SEEDS Capital Pte. Ltd. ("SEEDS Capital"), an investment arm of SPRING Singapore, and on 30 January 2019 the Company announced that Dr. Nitza Kardish, Chief Executive Officer of Trendlines Incubators Israel and Vice President of the Company, has accepted the position of Vice Chair at the planned Singapore-based innovation center. The Company believes that the new venture, under the experienced management of Dr. Kardish, and with the support of SEEDS Capital, will grow to become an important part of its operations, as Trendlines Medical Singapore has become in the past two years.

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 FY2018.

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 FY2018.

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:

Use of IPO Net Proceeds	Amount allocated (S$'000)	Amount utilized (S$'000)	Balance (S$'000)

Follow-on investments in Portfolio Companies	10,000	8,412	1,588
Expansion of our operations into new markets	5,000	2,491	2,509
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
Total	19,275	15,178	4,097

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:

Use of Placement Net Proceeds	**Amount allocated (S$'000)**	**Amount utilized (S$'000)**	**Balance (S$'000)**
General working capital	4,000	-	4,000
Direct and indirect investments into new, prospective or existing Portfolio Companies	9,338	6,924	2,414
Total	13,338	6,924	6,414

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

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.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

17. 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 Pte. Ltd. ("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.

18. 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.

19. A breakdown of total sales as follows:

	Group		
	FY2018 (Unaudited) US$'000	**FY2017 (Audited) US$'000**	**Increase / (Decrease) %**
(a) Total income reported for first half year	814	6,563	(87.60)
(b) Net (loss)/profit after tax before deducting minority interests reported for first half year	(3,113)	735	N.M
(c) Total income reported for second half year	984	9,066	(68.27)
(d) Net profit (loss) after tax before deducting minority interests reported for second half year	(3,185)	3,197	N.M

N.M. – Not meaningful

20. 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 FY2018 and FY2017.

21. 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.

BY ORDER OF THE BOARD

David Todd Dollinger
Chairman and CEO
20 February 2019

*This announcement has been prepared by The Trendlines Group Ltd. (the "**Company**") and its contents have been reviewed by PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (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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