Frequently Asked Questions about Our Financial Statements

Misgav, Israel, 7 August 2017 - The business model of The Trendlines Group Ltd. (the "Company" or "Trendlines" and together with its subsidiaries and associated companies, the "Group") may be perceived as uncommon as we are investors who create and develop companies. Our intense involvement in our portfolio companies and the non-recourse government funding received by many of our companies result in financial statements that may be perceived to have some uncommon aspects. For clarification purposes, the Board of Directors of Trendlines wishes to provide the following frequently asked questions that we receive from time to time from the market – and our answers ("Q&A"). (*All references are to US Dollars)*

Legal clarification: The information contained in this Q&A does not purport to cover or include all the information that may be relevant for understanding of our financial statements. This Q&A does not exhaust the full data about our Group and its operations and results of its financial statements and does not replace the need to review the announcements and/or press releases and/or financial reports published by the Company from time to time. The information contained in this Q&A is incomplete and all that is stated therein is subject to the relevant reports of the Company, including and especially in the notes of the financial statements. In any discrepancy between the information presented in this Q&A and the information appearing in the Company's reports, the contents of the Company's reports shall prevail. The Company does not undertake to update its answers to this Q&A.

Questions about our Statement of Financial Position (Balance Sheet):

Q1. Your single largest asset is "Investments in Portfolio Companies." How is the value determined?

We review the fair market value of each of our portfolio companies every quarter. When we believe there has been a change in the value of a portfolio company – either positive or negative – then the updated fair value will be determined by an external, independent valuation firm. Changes in valuation may be due to new investments, technological status change, commercial status change, or other factors. If there is an indication of irreparable difficulties and management believes there will be no return of investment, management may write-off the value. Even if none of these circumstances have occurred, every portfolio company's fair value is reviewed *at least* annually by the third-party, independent valuation firm.

In performing the valuations, a variety of IFRS- compatible methodologies are used, including among others, Income Approach ("DCF"), Market Comparable Approach, Option Pricing Model ("OPM"), which is based on a company's last non-Trendlines related investment valuation round, and Cost

Approach. The valuation firm advises Trendlines as to the appropriate valuation methodology, for each specific portfolio company on a case by case basis, as described in our Annual Report.[1]

When the most recent investment in a portfolio company is in preferred shares, the OPM Model is used to calculate a discount from the value of the preferred shares to apply to the portfolio company's ordinary shares, which, typically, is what we hold; *frequently, the OPM may result in a 20% to 40% discount being applied to the value of our holdings* – see Q2 below for further details.

Q2: Do you believe the value of your portfolio companies, as stated on your balance sheet, is justified?

We believe that the value represents a reasonable estimate of the fair value as of the date measured. The work of the external third-party, independent valuation firm is performed in accordance with generally accepted valuation methodologies, and in accordance with IFRS principles and fairly states our portfolio companies' values, taking into consideration measurement risks as appropriate for financial reporting. At the same time, experience has taught us that at Exit, when we have sold our shares in a portfolio company to a third-party in an arms-length transaction, it is not unusual for there to be a large jump in value of our holdings in that particular portfolio company, and we believe this jump occurs for the following reasons:

1. The OPM approach, mentioned above, is often used for portfolio companies that have preferred shares. This model uses parameters which may result in a 20% to 40% discount on the value of ordinary shares – the shares that we typically hold initially – compared to the value of the preferred shares. This is because the preferred shares have priority as to any increase in value of the portfolio company – but up to a limit. Beyond that limit, the preferred and ordinary shares participate pro rata in the increase in value. When Exits occur at values significantly higher than the valuations of the investment rounds, as has usually been the case for our portfolio companies, the significance of the preferences can be reduced, or even eliminated. In such cases, the value of our share in the portfolio company increases by both the value of the Exit and by the elimination or marginalization of the preference.

2. In some cases, the external third-party, independent valuation firm applies other discounts to their valuations. For example, they sometimes apply a discount based on the fact that a portfolio company is a private company and, as a result, there is no ready market for its shares. In other cases, they may apply discounts based on identified risk factors.

3. As previously mentioned, we have generally experienced large "jumps" in value at the time of Exits. Actual exit values for our portfolio companies have been at least twice as high as the carrying value on our books before we knew there was going to be an exit, and, on average, much higher. These higher exit valuations are only fully reflected on our balance sheet when

[1] See pages 108 – 111 of our 2016 Annual Report for a full explanation of valuation methods used.

the transaction agreement is fully executed. In our seven exits through Q2 2017, the *average value of our exits has been approximately 3.5X compared to the value in our books* prior to executing the transaction agreement.

Q3: About half of your total portfolio value, $43.8 million as at 30 June 2017, is found in your "Most Valuable Portfolio Company." How was this value derived and what can you tell us about it?

In 2014, this portfolio company completed a sale of substantially all of its assets relating to a medical device product to a multinational corporation. The sale was for cash, milestone payments, and – significantly – for royalties from the sale of the product when it comes to market. Due to the significant value of this asset, an external valuation of this company is performed on a quarterly basis by a company that specializes in valuations of medical device companies. The $43.8 million Q2 2017 valuation represents the net present value of our share of estimated future royalty payments, after adjusting the cash flow to take account of multiple risk factors, including market risk, manufacturing risk, and product risk, and then applying a financial discount rate. It should be noted that in June 2017 we were advised by the acquirer of the assets that it is establishing a high-volume manufacturing facility for the production of the product and is on schedule to release the product in 2018.[2]

Q4: What is "Deferred Revenues" in the Liabilities section of your balance sheet?

The Group, through its incubators, covers most of our portfolio companies' overhead expenses, such as rent, insurance, and legal and accounting services, in their first two years. Additionally, we support our portfolio companies in technology development, business development, capital raising, access to government grants and administrative support. In consideration for the incubators' obligation to provide these services to the portfolio companies over a company's first two years, in accordance with our commitments to the Israel Innovation Authority (the IIA, formerly known as the Office of the Chief Scientist – the OCS), the Group receives equity interests in the portfolio companies at the formation of the portfolio company. In our books we initially record the fair value of these equity interests as an asset with a corresponding liability which reflects our commitment to provide these services over a two-year period. As the services are provided, we reduce the amount of the liability and report income from services as we "earn" the equity that we received in the portfolio companies. The deferred revenues, although classified as liabilities in our balance sheet, are non-cash liabilities, but are our obligation to provide the services.[3]

[2] See press release "Most Valuable Company's Product on Schedule", dated 12 June 2017.
[3] See page 100 of our 2016 Annual Report, Note 2(B) (12) (c).

Q5: Your balance sheet as at 31 December 2016 reports almost $20 million in long-term liabilities. Isn't this a lot of debt?

Although reported as debt, about 99% of our long-term liabilities are non-recourse and, as such, are conditional debt– coming due and payable in cash only when certain value-building events occur. Our two largest items in this section, loans from the IIA and deferred taxes, *only come due upon successfully exiting* portfolio companies. *If we write off or write down a portfolio company, the part of our long-term liabilities attributable to that portfolio company is also written off or written down.*

There are three main long-term liability items:

1. Roughly $2 million of our long-term liabilities as at 31 December 2016 are the long-term portion of **Deferred Revenues**, which, as explained above, represent our commitment to provide two years of services to some portfolio companies in exchange for shares that we received.

2. Just over $4 million of our long-term liabilities as at 31 December 2016 are made up of **Loans from the IIA**. This debt is primarily comprised of non-recourse loans received from the IIA under an old funding program, and are presented at fair value. Each loan was granted in regard to a specific portfolio company and is only repayable if we exit from that specific portfolio company for which the loan was received. This method of funding by the IIA is no longer in effect and IIA funding is now given as a grant directly to the portfolio company and not through our balance sheet.[4]

3. The largest part of our long-term liabilities is **Deferred Taxes**, which at 31 December 2016 was approximately $12.5 million. Deferred taxes derive mainly from the difference between the carrying value and tax basis of our portfolio companies and are recorded mainly when there is an increase in the carrying value of our investment in portfolio companies. These taxes only become due upon a taxable event, when we sell all or a portion of our holdings, such as in the event of an exit. When the value of a portfolio company increases or decreases, the corresponding deferred tax liability will increase or decrease accordingly. *If we write off or write down a portfolio company, the deferred taxes attributable to that portfolio company, are also written off or written down.*[5]

Questions about our Statement of Profit or Loss:

Q6: Why do you show over $4 million of Income from Services to Portfolio Companies (as at 31 December 2016)?

[4] See page 121 of our 2016 Annual Report, note 13(A)(4).
[5] See page 98 of our 2016 Annual Report, note 2(B) (10) (d).

As mentioned before, in response to Q4 on Deferred Revenues, the Group, through its Incubators, provides our portfolio companies with services in the area of technology development, business development, capital raising, access to OCS grants and administrative support. In consideration for these services, the Group receives equity interests in the portfolio companies, which interests are initially recorded as Deferred Revenues and certain fixed cash payments from portfolio companies as per the franchise terms. The amortization of Deferred Revenues and cash payments for rendering these services over the two years of incubation, are booked into this line item.

Q7: How do you explain your Operating, General and Administrative expenses as at 31 December 2016?

Our total operating, general and administrative expenses ("G&A expenses") for 2016 were $8.66 million. Our G&A expenses may look high but, in fact, a substantial portion of our G&A expenses are actually investments into our portfolio companies. As mentioned above, the key to our business model is being extremely involved in our portfolio companies; accordingly, we provide services to our portfolio companies that cost us approximately $4 million in 2016. We believe that these expenditures significantly increase the chances of our companies succeeding. At the same time, the expenditures effectively reduce the amount of working capital that our portfolio companies require by spreading overhead expenses over a number of companies and by providing this support at cost rather than requiring the companies to hire profit-focused third-party consultants who – unlike us – do not have major holdings in these companies. *Because the cost of these services are, concurrently, recognized as income as we earn shares in our portfolio companies, we are essentially capitalizing these expenses as an indirect investment.*

Our total 2016 G&A expenses of $8.66 million[6] also include approximately $1.7 million of expenses related to our being a public company. Net of portfolio company-related operating expenses (of approximately $4 million as mentioned above) and estimated public company related expenses, our operating expenses totaled $2.7 million in 2016.

Q8: Why do you show R&D expenses?

R&D Expenses represent expenses incurred by our Trendlines Labs unit; they are divided into two parts. A portion of the R&D Expenses represent expenses incurred in performing funded contracted R&D services for partner companies (for which we record revenues). The other portion represents our investments in Trendlines Lab's research and technologies for our own account; under accounting rules, these R&D costs are expensed as incurred and not capitalized, even though we typically invent and develop these intellectual property assets with the expectation of monetizing them. We do not

[6] See page 86 of our 2016 Annual Report.

currently record any value for *the research and development work of Trendlines Labs – their value is not reflected on our balance sheet* until we either bring external investors into a project or sell them off.

Q9: Do you plan to pay dividends in the future?

We aspire to pay dividends in the future. The form, frequency and amount of future dividends for any particular financial year will be subject to the factors outlined below as well as other factors deemed relevant by our Directors:

(a) the level of our cash and retained earnings;
(b) our actual and projected financial performance;
(c) our projected levels of capital expenditure and expansion plans;
(d) our working capital requirements and general financing condition; and
(e) restrictions on payment of dividends imposed on us by our financing arrangements (if any).

With regard to item (a) above, it should be noted that the Israeli Companies Law, similar to the Companies Act (Chapter 50) of Singapore, places restrictions on the payment of dividends from paid-in capital. A company may only pay a dividend out of its profits and the distribution amount is limited to the greater of retained earnings or earnings accumulated over the two (2) most recent years. Should our Board of Directors determine it is appropriate to pay a dividend even if we do not have the legally required accumulated earnings, we can apply to the court for permission to pay a dividend. Dividends may be subject to withholding tax.[7] For further information, please read the "Dividend Policy" section contained in pages 71-72 of the initial Offer Document of the Company dated 16 November 2015.

About The Trendlines Group Ltd.

Trendlines is an innovation investment and commercialization company that invents, discovers, invests in, and incubates innovation-based medical and agricultural technologies to fulfill its mission to improve the human condition. As intensely hands-on investors, Trendlines is involved in all aspects of its portfolio companies from technology development to business building. Trendlines' shares are traded on the Singapore Stock Exchange (SGX: 42T) and in the United States as an American Depositary Receipt (ADR) on the OTCQX International (OTCQX: TRNLY).

[7] See pages 321-322 of our Offering Document dated 16 November 2015

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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 was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This press release 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 press release.

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