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

Unaudited Financial Statements and Dividend Announcement
For the three months ended 30 September 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 and associated companies (the "**Group**") also has its own internal innovation centre, Trendlines Labs (established as a business unit of the Company in 2011), where it engages in research and development activities to create new technologies, either as principal or in collaboration with global and local companies and partners, to address unmet market needs.

Further, Trendlines Labs' technologies can be used for sale or licensing to others or for transfer to the incubators for further development and 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			Group		
	Three Months Ended			Nine Months Ended		
	30 September 2018 (Unaudited) US$'000	30 September 2017 (Unaudited) US$'000	Change %	30 September 2018 (Unaudited) US$'000	30 September 2017 (Unaudited) US$'000	Change %
Income:						
Gain from change in fair value of investments in Portfolio Companies	4,527	5,252	(13.80)	1,749	8,290	(78.90)
Income from services to Portfolio Companies	1,323	1,265	4.58	4,117	3,483	18.2
Group's share of losses of companies accounted for under the equity method	-	-	N.M.	-	(167)	N.M.
Income from contracted R&D services	358	103	247.57	476	431	10.44
Financial income	403	-	N.M.	772	787	(1.91)
Other income	20	140	(85.71)	331	499	(33.67)
Total income	6,631	6,760	(1.91)	7,445	13,323	(44.12)
Expenses						
Operating, general and administrative expenses	1,795	1,857	(3.34)	4,911	5,827	(15.72)
Marketing expenses	46	57	(19.30)	271	259	4.63
R&D expenses, net	163	298	(45.30)	652	937	(30.42)
Financial expenses	307	475	(35.37)	377	503	(25.05)
Total expenses	2,311	2,687	(13.99)	6,211	7,526	(17.47)
Income before income taxes	4,320	4,073	6.06	1,234	5,797	(78.71)
Tax expenses	1,225	1,059	15.68	1,252	2,048	(38.87)
Net income (loss)	3,095	3,014	2.69	(18)	3,749	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	46	-	N.M.	(111)	24	N.M.
Total comprehensive income (loss)	3,141	3,014	4.21	(129)	3,773	N.M.
Net income (loss) attributable to:						
Equity holders of the Company	3,158	2,987	5.72	160	3,648	(95.61)
Non-Controlling Interests	(63)	27	N.M.	(178)	101	N.M.
	3,095	3,014	2.69	(18)	3,749	N.M.

Total comprehensive profit (loss) attributable to:						
Equity holders of the Company	3,204	3,014	6.30	49	3,672	(98.67)
Non-Controlling Interests	(63)	-	N.M.	(178)	101	N.M.
	3,141	3,014	4.21	(129)	3,773	N.M.
Net earnings (loss) per share attributable to equity holders of the Company (U.S. cents):						
Basic net earnings (loss)	0.52	0.59	(11.86)	0.03	0.72	(95.83)
Diluted net earnings (loss)	0.52	0.59	(11.86)	0.03	0.72	(95.83)

*N.M. – not meaningful

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

	Three Months Ended		Nine Months Ended	
	30 September 2018 (Unaudited) US$'000	30 September 2017 (Unaudited) US$'000	30 September 2018 (Unaudited) US$'000	30 September 2017 (Unaudited) US$'000
Depreciation and amortization	73	57	214	122
Foreign currency exchange (gain)/loss	(48)	31	148	(315)

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

	Group		Company	
	30 September 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000	30 September 2018 (Unaudited) US$'000	31 December 2017 (Audited) US$'000
Assets				
Current assets				
Cash and cash equivalents	4,369	8,747	2,788	5,880
Short-term bank deposits	8,792	10,730	8,703	10,545
Accounts and other receivables	644	716	155	238
Short-term loans to Portfolio Companies	136	229	-	-
	13,941	20,422	11,646	16,663
Non-current assets				
Investment in Subsidiaries	-	-	81,675	77,045
Investments in Portfolio Companies	102,476	96,800	-	-
Property, plant and equipment, net	958	1,050	330	274
	103,434	97,850	82,005	77,319
Total assets	117,375	118,272	93,651	93,982
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	1,688	2,225	965	1,409
Deferred revenues	3,156	3,970	194	194
	4,844	6,195	1,159	1,603
Non-current liabilities				
Deferred revenues	991	1,352	-	-
Loans from the Israel Innovation Authority	3,458	3,830	-	-
Deferred taxes, net	15,096	13,844	-	-
Other long-term liabilities	188	186	170	168
	19,733	19,212	170	168
Total liabilities	24,577	25,407	1,329	1,771

Equity				
Equity Attributable to Equity Holders of the Company:				
Share capital	1,601	1,601	1,601	1,601
Share premium	65,237	65,028	65,237	65,028
Reserve from hedge	(45)	66	(45)	66
Reserve from share-based payment transactions	4,330	4,477	4,330	4,477
Retained earnings	21,199	21,039	21,199	21,039
Equity attributable to owners of the parent	92,322	92,211	92,322	92,211
Non-controlling interests	476	654	-	-
Total equity	92,798	92,865	92,322	92,211
Total equity and liabilities	117,375	118,272	93,651	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 30 September 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 30 September 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
3,458	-	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 30 September 2018 (Unaudited)	As at 31 December 2017 (Unaudited)
Advanced Memtech Ltd.	77,668	77,668
Leviticus Cardio Ltd.	49,250	49,250
Liola Technologies Ltd.	36,500	36,500
Magdent Ltd.	40,750	40,750
NeuroQuest Ltd.	71,820	71,820
ProArc Medical Ltd.	34,860	34,860
Sol Chip Ltd.	66,310	66,310
VivoText Ltd.	36,669	36,669

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

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

Consolidated Statement of Cash Flows

	Three Months Ended		Nine Months Ended	
	30 September 2018 (Unaudited) US$´000	30 September 2017 (Unaudited) US$´000	30 September 2018 (Unaudited) US$´000	30 September 2017 (Unaudited) US$´000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	3,095	3,014	(18)	3,749
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Adjustments to the profit or loss items:				
Depreciation	73	57	214	122
Income tax expense	1,225	1,059	1,252	2,048
Gain from changes in fair value of investments in Portfolio Companies	(4,527)	(5,252)	(1,749)	(8,290)
Financial expense (income), net	(133)	298	(456)	61
Income from services to Portfolio Companies	(1,207)	(1,149)	(3,717)	(3,183)
Share-based payments	13	53	62	212
Group's share of losses of companies accounted for under the equity method, net	-	-	-	167
Changes in asset and liability items:				
Decrease in short-term loans to Portfolio Companies	21	107	93	26
Decrease (increase) in accounts and other receivables	(162)	299	(57)	507
Decrease in trade and other payables	(50)	(397)	(445)	(418)
Increase (decrease) in other long-term liabilities	(2)	(2)	2	15
	(4,750)	(4,927)	(4,802)	(8,733)
Proceeds from sale of investment in Portfolio Company	-	577	-	1,877
Investments in Portfolio Companies	(289)	(470)	(1,295)	(1,879)
	(289)	107	(1,295)	(2)
Cash (paid) received during the year for:				
Tax paid	-	-	-	(384)
Interest (paid) received	60	(1)	179	(29)
Net cash used in operating activities	(1,883)	(1,807)	(5,935)	(5,399)

	Three Months Ended		Nine Months Ended	
	30 September 2018 (Unaudited) US$´000	30 September 2017 (Unaudited) US$´000	30 September 2018 (Unaudited) US$´000	30 September 2017 (Unaudited) US$´000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(38)	(101)	(124)	(245)
Proceeds from sale (purchase) of short-term bank deposits	(53)	1,997	1,938	4,008
Consolidation of subsidiary (Note 1)	-	1,547	-	1,547
Deconsolidation of subsidiary (Note 2)	-	-	(145)	-
Net cash provided by (used in) investing activities	(91)	3,443	1,669	5,310
CASH FLOWS FROM FINANCING ACTIVITIES:				
Loans repaid to the Israel Innovation Authority	-	(317)	(269)	(383)
Loans received from the Israel Innovation Authority	47	-	157	-
Net cash provided by (used in) financing activities	47	(317)	(112)	(383)
Increase (decrease) in cash and cash equivalents	(1,927)	1,319	(4,378)	(472)
Cash and cash equivalents at the beginning of the period	6,293	5,186	8,747	6,977
Cash and cash equivalents at the end of the period	4,369	6,505	4,369	6,505
Note 1:				
Consolidation of subsidiary:				
Investment accounted for under the equity method	-	913	-	913
Trade and other payables	-	365	-	365
Fixed assets	-	(284)	-	(284)
Non-controlling interests	-	553	-	553
	-	1,547	-	1,547
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 July 2018	**1,601**	**65,235**	**(91)**	**4,319**	**18,041**	**89,105**	**539**	**89,644**
Net loss and total comprehensive loss	-	-	46	-	3,158	3,204	(63)	3,141
Cost of share-based payments	-	-	-	13	-	13	-	13
Expired options	-	2	-	(2)	-	-	-	-
Balance as at 30 September 2018	**1,601**	**65,237**	**(45)**	**4,330**	**21,199**	**92,322**	**476**	**92,798**
(Unaudited)								
Balance as at 1 July 2017	**1,315**	**55,316**	**-**	**4,543**	**17,837**	**79,011**	**108**	**79,119**
Net loss and total comprehensive loss	-	-	-	-	2,987	2,987	27	3,014
Cost of share-based payments	-	-	-	53	-	53	-	53
Consolidation of subsidiary	-	-	-	-	-	-	553	553
Balance as at 30 September 2017	**1,315**	**55,316**	**-**	**4,596**	**20,824**	**82,051**	**688**	**82,739**

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 July 2018	**1,601**	**65,235**	**(91)**	**4,319**	**18,041**	**89,105**
Net loss and total comprehensive loss	-	-	46	-	3,158	3,204
Cost of share-based payments	-	-	-	13	-	13
Expired options	-	2	-	(2)	-	-
Balance as at 30 September 2018	**1,601**	**65,237**	**(45)**	**4,330**	**21,199**	**92,322**
(Unaudited)						
Balance as at 1 July 2017	**1,315**	**55,316**	**-**	**4,543**	**17,837**	**79,011**
Net loss and total comprehensive loss	-	-	-	-	2,987	2,987
Cost of share-based payments	-	-	-	53	-	53
Consolidation of subsidiary	-	-	-	-	-	-
Balance as at 30 September 2017	**1,315**	**55,316**	**-**	**4,596**	**20,824**	**82,051**

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

Share Capital – Ordinary Shares

There were no changes in the issued share capital of the Company ("**Shares**") since 30 June 2018 to 30 September 2018.

As at 30 September 2018, there are 52,340,556 outstanding options which can be converted into 52,340,556 ordinary shares of the Company (30 September 2017: 56,833,386 outstanding options which can be converted into 56,833,386 Shares).

Save as disclosed above, the Company did not have any other convertibles as at 30 September 2018 and 30 September 2017.

There were also no treasury shares or subsidiary holdings as at 30 September 2018 and 30 September 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 30 September 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 30 September 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		Group	
	Three Months Ended		Nine Months Ended	
Earnings per share ("EPS")	**30 September 2018 (Unaudited)**	**30 September 2017 (Unaudited)**	**30 September 2018 (Unaudited)**	**30 September 2017 (Unaudited)**
Profit attributable to owners of the parent for the computation of basic net earnings (US$'000)	3,158	2,987	160	3,648
Weighted average number of ordinary shares in issue (in thousands)	608,742	508,742	608,742	508,742
Basic EPS (US cents)	0.52	0.59	0.03	0.72
Profit attributable to owners of the parent for the computation of diluted net earnings (US$'000)	3,158	2,987	160	3,648
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	608,742	508,742	608,742	508,742
Fully diluted EPS (US cents)	0.52 (1)	0.59 (1)	0.03 (1)	0.72 (1)

Note:

(1) Fully diluted EPS of the Group is the same as the basic EPS because the outstanding option 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")	**30 September 2018 (Unaudited)**	**31 December 2017 (Audited)**	**30 September 2018 (Unaudited)**	**31 December 2017 (Audited)**
NAV (US$)	92,321,930	92,210,823	92,321,930	92,210,823
Number of ordinary shares in issue	608,741,749	608,741,749	608,741,749	608,741,749
NAV per ordinary share (US$)	0.15	0.15	0.15	0.15

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

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Consolidated Statement of Comprehensive Income

Review for the performance of the Group for the three months ended 30 September 2018 ("3Q2018") as compared to the three months ended 30 September 2017 ("3Q2017").

Gain from change in fair value of investments in Portfolio Companies

The gain in fair value of investments in Portfolio Companies was US$4.5 million in 3Q2018 as compared to a gain of US$5.2 million in 3Q2017 mainly due to:

An aggregate net increase of US$5.4 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, better terms for fund raising exercises and greater commercial or technological progress would lead to higher fair market values.

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

An aggregate net decrease of US$0.8 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, less favourable terms for fund raising exercises and lower commercial or technological progress would lead to lower fair market values.

Income from services to Portfolio Companies

Income from services to Portfolio Companies comprised US$0.1 million received as overhead reimbursement from Portfolio Companies and US$1.2 million of non-cash benefits received from the IIA in Israel. Income from services to Portfolio Companies remained relatively unchanged in 3Q2018 as compared to 3Q2017.

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

Income from contracted R&D services increased by approximately US$0.3 million or 247.6% due to a higher level of activity in relation to R&D services provided by Trendlines Labs to third parties as compared to 3Q2017.

Financial income

Financial income increased by US$0.4 million due to changes in the exchange rate.

Other income

Other income decreased by approximately US$0.1 million mainly due to the absence of one time income in 3Q2017 related to services provided to a third party.

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses decreased by approximately US$0.1 million or 3.3%. 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 which was announced in October 2017.

R&D expenses, net

R&D expenses decreased by approximately US$0.1 million or 3.3%. The decrease was mainly attributable to the decrease of employment cost as part of the Group's cost reduction plan which was announced in October 2017.

Financial expenses

Financial expenses decreased by approximately US$0.2 million or 35.37%. The decrease was mainly due to a decrease in the exchange rate in 3Q2018 compared to an increase in the exchange rate in 3Q2017, as well as a decrease in the incubator's loans from the IIA.

Income before income taxes

In view of the above, income before income tax in 3Q2018 was approximately US$4.3 million as compared to an income of approximately US$4.1 million in 3Q2017.

Consolidated Statement of Financial Position

Comparative performance for both assets and liabilities are based on the Group's financial statements as at 30 September 2018 and 31 December 2017.

Total assets

Total assets decreased by approximately 1.0% from US$118.3 million as at 31 December 2017 to US$117.4 million as at 30 September 2018. This was mainly due to approximately US$6.3 million reduction in cash and short-term bank deposits which were used primarily to finance current

operations and investments. The decrease was partially offset by the increase of the fair value investments in the portfolio companies, as explained below.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of US$102.5 million as at 30 September 2018 comprised of 51 Portfolio Companies presented at fair value, an increase of US$5.7 million or 5.86% 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$8.1 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 3 additional Portfolio Company which contributed approximately US$2.5 million to the fair value of our Portfolio Companies as at 30 September 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 one Portfolio Company during the three months ended 31 March 2018 amounting to approximately US$0.8 million due to lack of sufficient technological advancement and funding;
- A decrease of US$2.8 million in the fair value of Stimatix GI mainly due to change in NPV of projected cash flows and discount rate value and increased sales model accuracy as we observe the product launch; and
- An aggregate decrease of approximately US$2.1 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$4.4 million mainly due to the utilization of cash in operating activities during January till September 2018.

Short-term bank deposits

Our short-term bank deposits as at 30 September 2018 represented 63.1% of our total current assets. Short-term bank deposits decreased by US$1.9 million due to the utilization of cash in operating activities.

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). A decrease of US$0.4 million in the long-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 30 September 2018, that have deferred revenues to be recognized in the 13 - to 24 - month period, as compared to that as at 31 December 2017.

Loans from the IIA

The loans from the IIA decreased by US$0.3 million or 8.8%, from US$3.8 million as at 31 December 2017 to US$3.5 million as at 30 September 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 24.1%, from approximately US$2.2 million as at 31 December 2017 to approximately US$1.7 million as at 30 September 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 the nine months ended 30 September 2018.

Short-term deferred revenues

A decrease of US$0.8 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 30 September 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 30 September 2018, equity attributable to equity holders of the Company amounted to approximately US$92.3 million, relatively unchanged from 31 December 2017.

Consolidated Statement of Cash Flow

Net cash used in operating activities of US$1.9 million in 3Q2018 was mainly due to a net income of US$3.1 million and adjustments for non-cash items such as (i) gain from changes in fair value of investments in Portfolio Companies of approximately US$4.5 million; (ii) income from services to Portfolio Companies of approximately US$1.2 million ;and (iii) non cash income tax expenses of approximately US$1.2 million.

Net cash used for investing activities of US$0.1 million in 3Q2018 was mainly due to purchase of short-term bank deposits.

Net cash used in financing activities of US$0.05 million in 3Q2018 was due to repayment of loan to 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$1.3 million, as compared to the Group's "Operating, General and Administrative Expenses" and research and development salaries under "R&D Expenses," for the 3 months ended 30 June 2017, on an annualized basis. In accordance with this decision, the Company's relevant expenses (excluding expenses due to expansion of the Group's business activity or from consolidation of Trendlines Singapore) for the first nine months of 2018 were US$ 4.6 million, a 36% decrease compared to the first nine months of 2017.

Noting that the Company has exceeded its cost reduction goals for the financial year ending 31 December ("FY") 2018, in the interest of staff retention, the Company has determined to discontinue salary cuts for certain staff for fiscal 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.

Earlier this year the Company noted a growing trend, which was originally identified in 2017, of strategic investors investing in the Company's Portfolio Companies. During the third quarter, Johnson & Johnson Innovation – JJDC, Inc. invested US$3 million in Trendlines portfolio company OrthoSpin Ltd. The Company believes that this is an important trend and is working through its business development efforts to further encourage such investments.

11. Dividend

If a decision regarding dividend has been made: -

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

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

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

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

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

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

(d) The date the dividend is payable.

Not applicable.

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

Not applicable.

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

No dividend has been declared or recommended for 3Q2018.

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 3Q2018.

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	8,019	1,981
Expansion of our operations into new markets	5,000	2,428	2,572
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
Total	19,275	14,721	4,554

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	2,034	7,304
Total	13,338	2,034	11,304

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.

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

The Board of Directors of the Company confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the 3 months and 9 months ended 30 September 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

David Todd Dollinger
Chairman and CEO
8 November 2018

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*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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