



THE TRENDLINES GROUP LTD.

(Incorporated in Israel)

(Company Registration No. 513970947)

**Unaudited Financial Statements and Dividend Announcement
For the Three Months Ended 30 June 2019**

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			Group		
	Three Months Ended			Six Months Ended		
	30 June	30 June		30 June	30 June	
	2019	2018		2019	2018	
	(Unaudited)	(Unaudited)	Change	(Unaudited)	(Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<u>Income:</u>						
Gain (loss) from change in fair value of investments in Portfolio Companies	(1,143)	(1,544)	(25.97)	(1,395)	(2,778)	(49.79)
Income from services to Portfolio Companies	1,251	1,354	(7.6)	2,498	2,794	(10.59)
Income from contracted R&D services	30	29	3.45	278	118	(135.59)
Financial income	85	369	(76.96)	256	369	(30.72)
Other income	6	36	(77.78)	26	311	(91.00)
<u>Total income</u>	<u>229</u>	<u>244</u>	<u>(54.92)</u>	<u>1,663</u>	<u>814</u>	<u>90.25</u>
<u>Expenses</u>						
Operating, general and administrative expenses	1,681	1,609	4.47	3,128	3,116	0.38
Marketing expenses	39	130	(70.00)	88	225	(60.94)
R&D expenses, net	221	242	(8.68)	653	489	33.48
Financial expenses	276	-	N.M.	611	70	772.85
<u>Total expenses</u>	<u>2,217</u>	<u>1,981</u>	<u>5.96</u>	<u>4,480</u>	<u>3,900</u>	<u>11.84</u>
Loss before income taxes	(1,988)	(1,737)	14.51	(2,817)	(3,086)	(8.68)
Tax benefits (expenses)	542	(25)	N.M.	664	(27)	N.M.
<u>Net loss</u>	<u>(1,446)</u>	<u>(1,762)</u>	<u>(17.88)</u>	<u>(2,153)</u>	<u>(3,113)</u>	<u>(30.80)</u>
<u>Other comprehensive loss:</u>						
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met:						
Gain (loss) from cash flow hedges	22	(100)	N.M.	126	(157)	N.M.
<u>Total comprehensive loss</u>	<u>(1,424)</u>	<u>(1,862)</u>	<u>(23.47)</u>	<u>(2,027)</u>	<u>(3,270)</u>	<u>(37.98)</u>
<u>Net loss attributable to:</u>						
Equity holders of the Company	(1,369)	(1,682)	(18.55)	(1,948)	(2,998)	(34.99)
Non-Controlling Interests	(77)	(80)	(3.75)	(205)	(115)	78.26
	<u>(1,446)</u>	<u>(1,762)</u>	<u>(17.88)</u>	<u>(2,153)</u>	<u>(3,113)</u>	<u>(30.80)</u>
<u>Total comprehensive loss attributable to:</u>						
Equity holders of the Company	(1,347)	(1,782)	(24.35)	(1,822)	(3,155)	(42.21)
Non-Controlling Interests	(77)	(80)	(3.75)	(205)	(115)	78.26

	<u>(1,424)</u>	<u>(1,862)</u>	(23.47)	<u>(2,027)</u>	<u>(3,270)</u>	(37.98)
Net loss per share attributable to equity holders of the Company (U.S. cents):						
Basic net loss	<u>(0.22)</u>	<u>(0.28)</u>	(21.42)	<u>(0.32)</u>	<u>(0.49)</u>	(34.69)
Diluted net loss	<u>(0.22)</u>	<u>(0.28)</u>	(21.42)	<u>(0.32)</u>	<u>(0.49)</u>	(34.69)

*N.M. – not meaningful

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

	Three Months Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation and amortization	195	71	390	141
Foreign currency exchange (gain)/loss	(38)	255	(191)	196

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 June 2019	31 December 2018	30 June 2019	31 December 2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
Assets				
Current assets				
Cash and cash equivalents	8,176	8,136	5,817	6,429
Short-term bank deposits	90	2,728	-	2,642
Accounts and other receivables	355	605	(14)	162
Short-term loans to Portfolio Companies	235	363	-	-
	8,856	11,832	5,803	9,233
Non-current assets				
Investment in Subsidiaries	-	-	78,752	77,317
Investments in Portfolio Companies	95,641	97,226	-	-
Right of use asset	2,427	-	-	-
Property, plant and equipment, net	849	952	290	329
	98,917	98,178	79,042	77,646
Total assets	107,773	110,010	84,845	86,879
EQUITY AND LIABILITIES				
Current liabilities				
Lease liability	374	-	-	-
Trade and other payables	1,364	1,745	532	776
Deferred revenues	2,536	3,630	-	-
	4,274	5,375	532	776
Non-current liabilities				
Deferred revenues	402	1,393	-	-
Loans from the Israel Innovation Authority	3,291	2,974	-	-
Lease liability	2,203	-	-	-
Deferred taxes, net	13,011	13,676	-	-
Other long-term liabilities	189	177	162	145
	19,096	18,220	162	145
Total liabilities	23,370	23,595	694	921

Equity

Equity Attributable to Equity

Holders of the Company:

Share capital	1,601	1,601	1,601	1,601
Share premium	65,714	65,282	65,714	65,282
Reserve from hedge	31	(95)	31	(95)
Reserve from share-based payment transactions	3,835	4,252	3,835	4,252
Retained earnings	12,970	14,918	12,970	14,918

Equity attributable to owners of the parent

Non-controlling interests	84,151	85,958	84,151	85,958
	252	457	-	-

Total equity

84,403	86,415	84,151	85,958
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Total equity and liabilities

107,773	110,010	84,845	86,879
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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 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	374	-	-

Amount repayable after one year

As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
3,291	2,203	2,974	-

Details of any collateral

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

Name of Portfolio Company	Number of shares in each Portfolio Company pledged in favor of the IIA	
	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (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

	Three Months Ended		Six Months Ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	(1,446)	(1,762)	(2,153)	(3,113)
<u>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</u>				
Adjustments to the profit or loss items:				
Depreciation	195	71	390	141
Income tax (benefit) expense	(542)	25	(664)	27
Loss from changes in fair value of investments in Portfolio Companies	2,250	1,544	2,502	2,778
Financial expense (income), net	376	(485)	487	(323)
Income from services to Portfolio Companies	(963)	(1,212)	(2,057)	(2,510)
Share-based payments	44	19	15	49
Changes in asset and liability items:				
Decrease in short-term loans to Portfolio Companies	16	67	128	72
Decrease in accounts and other receivables	187	52	250	105
Increase (decrease) in trade and other payables	(82)	31	(255)	(395)
Increase (decrease) in other long-term liabilities	5	(6)	12	4
	1,486	106	808	(52)
Investments in Portfolio Companies	(430)	(370)	(915)	(1,006)
	(430)	(370)	(915)	(1,006)
Cash (paid) received during the year for:				
Interest paid	(136)	-	(91)	-
Interest received	47	50	64	119
Net cash used in operating activities	(479)	(1,976)	(2,287)	(4,052)

	Three Months Ended		Six Months Ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(18)	(34)	(47)	(86)
Proceeds from sale of short-term bank deposits	2,659	867	2,638	1,991
Deconsolidation of subsidiary (Note 1)	-	-	-	(145)
Net cash provided by investing activities	2,641	833	2,591	1,760
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of lease liability	(241)	-	(355)	-
Loans repaid to the Israel Innovation Authority	(32)	(136)	(82)	(269)
Loans received from the Israel Innovation Authority	101	35	173	110
Net cash used in financing activities	(172)	(101)	(264)	(159)
Increase (decrease) in cash and cash equivalents	1,990	(1,244)	40	(2,451)
Cash and cash equivalents at the beginning of the period	6,186	7,540	8,136	8,747
Cash and cash equivalents at the end of the period	<u>8,176</u>	<u>6,296</u>	<u>8,176</u>	<u>6,296</u>
Note 1:				
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)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>145</u>
Non-cash transactions				
Right of use asset recognized against Lease liability	-	-	2,666	-

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 April 2019	1,601	65,553	9	3,952	14,339	85,454	329	85,783
Net loss and total comprehensive loss	-	-	22	-	(1,369)	(1,347)	(77)	(1,424)
Cost of share-based payments	-	-	-	44	-	44	-	44
Expiration of options	-	161	-	(161)	-	-	-	-
Balance as at 30 June 2019	1,601	65,714	31	3,835	12,970	84,151	252	84,403
(Unaudited)								
Balance as at 1 April 2018	1,601	65,028	9	4,507	19,723	90,868	619	91,487
Net loss and total comprehensive loss	-	-	(100)	-	(1,682)	(1,782)	(80)	(1,862)
Cost of share-based payments	-	-	-	19	-	19	-	19
Expiration of options	-	207	-	(207)	-	-	-	-
Balance as at 30 June 2018	1,601	65,235	(91)	4,319	18,041	89,105	539	89,644

**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 April 2019	1,601	65,553	9	3,952	14,339	85,454
Net loss and total comprehensive loss	-	-	22	-	(1,369)	(1,347)
Cost of share-based payments	-	-	-	44	-	44
Expiration of options	-	161	-	(161)	-	-
Balance as at 30 June 2019	1,601	65,714	31	3,835	12,970	84,151
(Unaudited)						
Balance as at 1 April 2018	1,601	65,028	9	4,507	19,723	90,868
Net loss and total comprehensive loss	-	-	(100)	-	(1,682)	(1,782)
Cost of share-based payments	-	-	-	19	-	19
Expiration of options	-	207	-	(207)	-	-
Balance as at 30 June 2018	1,601	65,235	(91)	4,319	18,041	89,105

- 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 31 March 2019 to 30 June 2019.

As at 30 June 2019, there are 49,885,153 outstanding options which can be converted into 49,885,153 ordinary shares of the Company (30 June 2018: 52,340,556 outstanding options which can be converted into 52,340,556 Shares).

Save as disclosed above, the Company did not have any other convertibles as at 30 June 2019 and 30 June 2018.

There were also no treasury shares or subsidiary holdings as at 30 June 2019 and 30 June 2018.

- 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 June 2019	As at 31 December 2018
Total number of issued shares	608,741,749	608,741,749

The Company did not have any treasury shares as at 30 June 2019 and 31 December 2018.

- 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 2018.

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 2019. The Company adopted IFRS 16 as of January 1, 2019 using the modified retrospective approach electing to recognize the right of use asset in an amount equal to the lease liability as of the adoption date in the amount of approximately \$2.7 million respectively, with no change in its equity. The adoption of the applicable new and revised IFRS and INT FRS did not have any significant impact on the financial statements of the Group for the current financial period reported on.

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

Loss per share ("LPS")	Group		Group	
	Three Months Ended 30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	Six Months Ended 30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Loss attributable to owners of the parent for the computation of basic net loss (US\$'000)	(1,369)	(1,682)	(1,948)	(2,998)
Weighted average number of ordinary shares in issue (in thousands)	608,742	608,742	608,742	608,742
Basic LPS (US cents)	(0.22)	(0.28)	(0.32)	(0.49)
Loss attributable to owners of the parent for the computation of diluted net loss (US\$'000)	(1,369)	(1,682)	(1,948)	(2,998)
Weighted average number of ordinary shares in issue on fully diluted basis (in thousands)	608,742	608,742	608,742	608,742
Fully diluted LPS (US cents)	(0.22) ⁽¹⁾	(0.28) ⁽¹⁾	(0.32) ⁽¹⁾	(0.49) ⁽¹⁾

Notes:

(1) Fully diluted LPS of the Group is the same as the basic LPS because the potential ordinary shares to be converted under any convertible securities are anti-dilutive.

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

Net asset value ("NAV")	Group		Company	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
NAV (US\$)	84,151,000	85,957,672	84,151,000	85,957,672
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 three months ended 30 June 2019 ("Q2 2019") as compared to the three months ended 30 June 2018 ("Q2 2018").

Loss from change in fair value of investments in Portfolio Companies

The main reasons to the Q2 2019 loss are:

A decrease of approximately US\$2.4 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 Q2 2019.

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

An aggregate net increase of US\$1.2 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\$0.3 million received as overhead reimbursement from our Portfolio Companies and approximately US\$1.0 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 decreased by approximately US\$0.1 million or 7.6% mainly due to a decrease in number of Portfolio Companies being serviced by the Group in Q2 2019 as compared to Q2 2018.

Financial income

Financial income is US\$0.1 million due to an exchange rate difference between the USD and the NIS. The exchange rate between USD:NIS was 3.56 as of 30 June 2019 and 3.75 as of 31 December 2018.

Expenses

Operating, general and administrative expenses

Operating, general and administrative expenses increased by approximately US\$0.1 million or 4.5%. The increase was mainly attributable to the establishment of the new venture capital fund Trendlines Agrifood Pte. Ltd.

Marketing expenses

Marketing expenses decreased by approximately US\$0.1 million or 70%. The decrease was mainly from the company's decision to reduce activity at marketing conferences.

Financial expenses

Financial expenses is US\$0.3 million due to increase in the fair value of the loans received from the IIA and due to the exchange rate difference between the USD and the NIS.

Depreciation and Amortization

The depreciation and amortization increased by US\$0.1 million due to the adoption of the IFRS 16, and a creation of a new assets " Right of use asset" which is being depreciated over the terms of the leases.

Loss before income taxes

In view of the above, loss before income tax in Q2 2019 was approximately US\$2.0 million as compared to a loss of US\$1.7 million in Q2 2018, mainly due to lower income from services to Portfolio Companies, and changes in financial expenses, net.

Consolidated Statement of Financial Position

Comparative performance for both assets and liabilities are based on the Group's financial statements as at 30 June 2019 and 31 December 2018.

Total assets

Total assets decreased by approximately 2.0% in the six-months ended 30 June 2019 ("1H 2019"). This was due to the decrease in the investments in Portfolio Companies in the amount of US\$1.6 million and the withdrawal of short-term deposits in the amount of US\$2.6 million. The decrease in total assets was offset by the initial adoption of IFRS 16, which resulted with the booking of the right of use of the facilities (future rent cost) as an asset (Right of use assets) in the amount of US\$2.4 million.

Non-current assets

Investments in Portfolio Companies

The investments in Portfolio Companies of US\$95.6 million as at 30 June 2019 comprised of 53 Portfolio Companies presented at fair value, a decrease of US\$1.6 million or 1.6% as compared to 31 December 2018. The portfolio value does not reflect all current portfolio companies due to consolidation of six Singapore-based companies that are treated as subsidiaries controlled by The Trendlines Group.

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

- The write-off of one Portfolio Company during Q1 2019 amounting to approximately US\$0.7 million due to lack of funding in this company;
- An aggregate decrease of approximately US\$2.8 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; and
- An aggregate net decrease of US\$1.1 million in the fair value of Stimatix GI due to the decrease in the assets because of the dividend distribution. Out of this distribution, during Q2 2019, the Company received a dividend in the amount of US\$1.1 million from Stimatix GI.

The decrease in investments in Portfolio Companies was offset by:

- An aggregate increase of approximately US\$2.0 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; and
- The additional investments in a few of our Portfolio Companies in the amount of approximately US\$1.0 million.

Current assets

Short-term bank deposits

Short-term bank deposits decreased by approximately US\$2.6 million mainly due to the withdrawal of short-term deposits that was used for operating activities.

Our cash and cash equivalents and short term bank deposits represent 93.3% of our total current assets.

Accounts and other receivables

Accounts and other receivables decreased by US\$0.2 million mainly due to a decrease in Trendlines Labs' customers.

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 30 June 2019, long term deferred revenues amounted to US\$0.4 million. This represents a decrease of US\$1.0 million which was mainly due to fewer number of Portfolio Companies, as at 30 June 2019, that have deferred revenues to be recognized in the 13th to 24th month period, as compared to that as at 31 December 2018.

Loans from the IIA

The loans from the IIA increased by US\$0.3 million or 10.65%, mainly due to new operation loans received during 1H 2019 from the IIA and also due to the exchange rate difference between the USD and the NIS.

Lease Liabilities

Upon adoption of the IFRS 16 as explained in paragraph 5, the Company recognized the right of use asset in an amount equal to the lease liability as of the adoption date in the amount of approximately US\$2.6 million, with no change in its equity. As at 30 June 2019, long term lease liabilities amounted to US\$2.2 million (in addition to US\$0.4 million as current maturity of lease liability).

Current liabilities

Trade and other payables

Trade and other payables decreased by approximately US\$0.4 million, or 21.8% in 1H 2019, mainly due to decrease in trade payables relating to services provided at the end of 2018 and its related expense which was paid during 1H 2019.

Short-term deferred revenues

A decrease of US\$1.1 million in the short-term deferred revenue was mainly due to fewer number of Portfolio Companies, as at 30 June 2019, that have deferred revenues to be recognized in the 1st- to 12th-month period, as compared to that as at 31 December 2018.

Equity

As at 30 June 2019, equity attributable to equity holders of the Company amounted to approximately US\$84.2 million.

Consolidated Statement of Cash Flows

Net cash used in operating activities of US\$0.5 million in Q2 2019 was mainly due to a net loss of US\$1.4 million and adjustments for non-cash items such as (i) loss from changes in fair value of investments in Portfolio Companies of approximately US\$2.2 million; (ii) income from services to Portfolio Companies of approximately US\$1.0 million; (iii) non cash income tax expense of approximately US\$0.5 million; and (iv) financial expenses, net of approximately US\$0.4 million.

Net cash provided by investing activities of US\$2.6 million in Q2 2019 was mainly due to proceeds from sale of short-term bank deposits.

Net cash used in financing activities of US\$0.2 million in Q2 2019 was mainly due to repayment of lease liability, upon adoption of the IFRS 16.

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

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

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

The Company is placing primary emphasis during 2019 on supporting its existing portfolio companies, and less emphasis on investing in new companies. As a result, the Company expects to establish fewer new companies in 2019 compared with previous years.

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

During 2018, the Company implemented a cost reduction plan, as has previously been reported. In 2019, the Company is continuing to carefully monitor its expense structure and certain additional cuts have been made.

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. On 19 July 2019 the Company announced that a global investment company headquartered in Singapore has made a capital commitment of US\$5 million to this venture fund. 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.

On 22 July 2019 the Company announced that it has executed a subscription agreement with Librae Holdings Limited (“LH”) (the “Subscription Agreement”), pursuant to which the Company shall issue 103,619,048 new ordinary shares in the capital of the Company (the “Placement Shares”) to LH, by way of a private placement. Pursuant to the Subscription Agreement, LH will purchase the Placement Shares at a placement price of S\$0.1050 per Placement Share (“Placement Price”) and for a total consideration of S\$10,880,000 (US\$8,000,000 at the exchange rate of US\$1.00 = S\$1.360 as at 19 July 2019). The Company has completed the Placement following the allotment and issuance of 103,619,048 Placement Shares on 6 August 2019 to LH in accordance with the terms and conditions of the Subscription Agreement.

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 current and 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 Q2 2019.

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 Q2 2019.

14. Use of IPO proceeds

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

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

<u>Use of IPO Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
Follow-on investments in Portfolio Companies	10,000	9,152	848
Expansion of our operations into new markets	5,000	3,037	1,963
Expansion of our business units, Trendlines Labs	2,875	2,875	-
Operational expenses to support Portfolio Companies	1,400	1,400	-
Total	19,275	16,464	2,811

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

15. Use of Placement proceeds

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

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

<u>Use of Placement Net Proceeds</u>	<u>Amount allocated (S\$'000)</u>	<u>Amount utilized (S\$'000)</u>	<u>Balance (S\$'000)</u>
General working capital	4,000	-	4,000
Direct and indirect investments into new, prospective or existing Portfolio Companies	9,338	8,038	1,300
Total	13,338	8,038	5,300

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 pursuant to Rule 705(5). (Not required for announcement on full year results)

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 6 months ended 30 June 2019 to be false or misleading in any material aspect

BY ORDER OF THE BOARD

[Name]
[Designation]
[Date]

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Ms. Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).