

BIOLIGHT LIFE SCIENCES LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016

UNAUDITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>September 30,</u>		<u>December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	31,432	36,715	50,697
Short-term deposits	372	364	385
Trade receivables	634	574	76
Other accounts receivable	1,056	1,477	1,290
Inventories	675	1,030	991
	<u>34,169</u>	<u>40,160</u>	<u>53,439</u>
NON-CURRENT ASSETS:			
Other long-term assets	142	87	2,141
Property and equipment, net	1,296	775	743
Investment in companies accounted for at equity	-	-	79
Goodwill and intangible assets, net	6,691	6,929	6,869
	<u>8,129</u>	<u>7,791</u>	<u>9,832</u>
	<u><u>42,298</u></u>	<u><u>47,951</u></u>	<u><u>63,271</u></u>

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2016	2015	2015
	Unaudited		Audited
	NIS in thousands		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	735	1,074	873
Other accounts payable	4,693	4,588	5,732
	<u>5,428</u>	<u>5,662</u>	<u>6,605</u>
NON-CURRENT LIABILITIES:			
Liability for grants	9,380	8,500	8,918
Excess of losses over investment in company accounted for at equity	47	-	-
Other long-term liabilities	683	200	687
	<u>10,110</u>	<u>8,700</u>	<u>9,605</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital, premium and reserves	243,045	242,884	244,310
Accumulated deficit	(225,431)	(204,350)	(209,666)
	<u>17,614</u>	<u>38,534</u>	<u>34,644</u>
Non-controlling interests	<u>9,146</u>	<u>(4,945)</u>	<u>12,417</u>
Total equity	<u>26,760</u>	<u>33,589</u>	<u>47,061</u>
	<u><u>42,298</u></u>	<u><u>47,951</u></u>	<u><u>63,271</u></u>

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands (except share and loss per share data)				
Revenues	1,772	1,138	923	656	1,391
Cost of revenues	697	565	381	340	734
Gross profit	1,075	573	542	316	657
Research and development expenses, net	7,798	10,178	2,712	3,145	13,045
Selling and marketing expenses	3,893	3,289	1,191	1,125	4,432
General and administrative expenses	6,213	6,441	1,843	2,124	8,830
Other expenses, net	3,719	895	-	-	907
	21,623	20,803	5,746	6,394	27,214
Operating loss	20,548	20,230	5,204	6,078	26,557
Finance income	(5)	(598)	-	(1,277)	(543)
Finance expense	2,291	965	1,046	742	1,204
Company's share of losses of company accounted for at equity	351	63	33	63	364
Net loss	23,185	20,660	6,283	5,606	27,582
Other comprehensive loss (income):					
Foreign currency translation adjustments	1	14	3	11	11
Total comprehensive loss	23,186	20,674	6,286	5,617	27,593
Total loss attributable to:					
Equity holders of the Company	15,765	13,943	3,930	3,704	19,259
Non-controlling interests	7,420	6,717	2,353	1,902	8,323
	23,185	20,660	6,283	5,606	27,582
Total comprehensive loss attributable to:					
Equity holders of the Company	15,766	13,957	3,933	3,715	19,270
Non-controlling interests	7,420	6,717	2,353	1,902	8,323
	23,186	20,674	6,286	5,617	27,593
Loss per share attributable to equity holders of the Company (in NIS):					
Basic and diluted loss per share	6.05	5.94	1.51	1.43	7.98
Weighted number of shares used in the computation of loss per share	2,606,688	2,346,282	2,606,688	2,594,306	2,412,099

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STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Ordinary shares	Share premium	Options and warrants	Share-based payment reserve	Transactions with non-controlling interests reserve	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance at January 1, 2016 (audited)	6,519	219,200	11,417	1,827	9,089	(209,666)	(3,742)	36,644	12,417	47,061
Loss	-	-	-	-	-	(15,765)	-	(15,765)	(7,420)	(23,185)
Total other comprehensive loss	-	-	-	-	-	-	(1)	(1)	-	(1)
Total comprehensive loss	-	-	-	-	-	(15,765)	(1)	(15,766)	(7,420)	(23,186)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	206	206
Share-based payment in the Company	-	-	-	125	-	-	-	125	-	125
Non-controlling interests in subsidiary	-	-	-	-	(460)	-	-	(460)	460	-
Issuance and purchase of shares and warrants in a subsidiary	-	-	-	-	(548)	-	-	(548)	3,102	2,554
Share options expiration	-	6,572	(6,572)	-	(381)	-	-	(381)	381	-
Balance at September 30, 2016	6,519	225,772	4,845	1,952	7,700	(225,431)	(3,743)	17,614	9,146	26,760

The accompanying notes are an integral part of the interim consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Ordinary shares	Share premium	Share options and warrants	Reserve for share-based payment	Reserve for transactions with non-controlling interests	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance at January 1, 2015 (audited)	5,215	193,000	11,526	4,485	8,315	(190,407)	(3,731)	28,403	(2,665)	25,738
Loss	-	-	-	-	-	(13,943)	-	(13,943)	(6,717)	(20,660)
Total other comprehensive loss	-	-	-	-	-	-	(14)	(14)	-	(14)
Total comprehensive loss	-	-	-	-	-	(13,943)	(14)	(13,957)	(6,717)	(20,674)
Issuance of shares, net	1,304	23,149	-	-	-	-	-	24,453	-	24,453
Transactions with non-controlling interest	-	-	-	-	36	-	-	36	72	108
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	343	343
Share-based payment in the Company	-	-	-	245	-	-	-	245	-	245
Purchase of shares and warrants in a subsidiary	-	-	-	-	(458)	-	-	(458)	3,833	3,375
Exercise of options in a subsidiary	-	-	-	-	(188)	-	-	(188)	189	1
Share options expiration	-	111	(109)	(2)	-	-	-	-	-	-
Balance at September 30, 2015	6,519	216,260	11,417	4,728	7,705	(204,350)	(3,745)	38,534	(4,945)	33,589

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Ordinary shares	Share premium	Options and warrants	Share-based payment reserve	Transactions with non-controlling interests reserve	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in thousands									
Balance at July 1, 2016	6,519	225,772	4,845	1,929	7,980	(221,501)	(3,740)	21,804	9,503	31,307
Loss	-	-	-	-	-	(3,930)	-	(3,930)	(2,353)	(6,283)
Total other comprehensive loss	-	-	-	-	-	-	(3)	(3)	-	(3)
Total comprehensive loss	-	-	-	-	-	(3,930)	(3)	(3,933)	(2,353)	(6,286)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	55	55
Share-based payment in the Company	-	-	-	23	-	-	-	23	-	23
Non-controlling interests in subsidiary	-	-	-	-	(104)	-	-	(104)	104	-
Issuance and purchase of shares in a subsidiary	-	-	-	-	(176)	-	-	(176)	1,837	1,661
Balance at September 30, 2016	<u>6,519</u>	<u>225,772</u>	<u>4,845</u>	<u>1,952</u>	<u>7,700</u>	<u>(225,431)</u>	<u>(3,743)</u>	<u>17,614</u>	<u>9,146</u>	<u>26,760</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Ordinary shares	Share premium	Receipt on shares	Share options and warrants	Reserve for share-based payment	Reserve for transactions with non-controlling interests	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS in thousands										
Balance at July 1, 2015	6,449	214,966	1,362	11,417	4,652	7,893	(200,646)	(3,734)	42,359	(3,331)	39,028
Loss	-	-	-	-	-	-	(3,704)	-	(3,704)	(1,902)	(5,606)
Total other comprehensive loss	-	-	-	-	-	-	-	(11)	(11)	-	(11)
Total comprehensive loss	-	-	-	-	-	-	(3,704)	(11)	(3,715)	(1,902)	(5,617)
Issuance of shares, net	70	1,292	(1,362)	-	-	-	-	-	-	-	-
Exercise of options in a subsidiary	-	-	-	-	-	(188)	-	-	(188)	189	1
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	-	99	99
Share-based payment in the Company	-	-	-	-	78	-	-	-	78	-	78
Share options expiration	-	2	-	-	(2)	-	-	-	-	-	-
Balance at September 30, 2015	6,519	216,260	-	11,417	4,728	7,705	(204,350)	(3,745)	38,534	(4,945)	33,589

The accompanying notes are an integral part of the interim consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Ordinary shares	Share premium	Options and warrants	Share-based payment reserve	Transactions with non-controlling interests reserve	Accumulated deficit	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
	(Audited)									
	NIS in thousands									
Balance at January 1, 2015 (audited)	5,215	193,000	11,526	4,485	8,315	(190,407)	(3,731)	28,403	(2,665)	25,738
Loss	-	-	-	-	-	(19,259)	-	(19,259)	(8,323)	(27,583)
Total other comprehensive loss	-	-	-	-	-	-	(11)	(11)	-	(11)
Total comprehensive loss	-	-	-	-	-	(19,259)	(11)	(19,270)	(8,323)	(27,593)
Issuance of shares, net	1,304	23,149	-	-	-	-	-	24,453	-	24,453
Transactions with non-controlling interest	-	-	-	-	36	-	-	36	72	108
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	283	283
Share-based payment in the Company	-	-	-	284	-	-	-	284	-	284
Non-controlling interests in subsidiary	-	-	-	-	(124)	-	-	(124)	124	-
Issuance and purchase of shares in a subsidiary	-	-	-	-	1,363	-	-	1,363	19,049	20,412
Issuance and purchase of shares and warrants in a subsidiary	-	-	-	-	(458)	-	-	(458)	3,833	3,375
Share options exercise in a subsidiary	-	-	-	-	(188)	-	-	(188)	189	1
Share options expiration	-	3,051	(109)	(2,942)	145	-	-	145	(145)	-
Balance at December 31, 2015 (audited)	<u>6,519</u>	<u>219,200</u>	<u>11,417</u>	<u>1,827</u>	<u>9,089</u>	<u>(209,666)</u>	<u>(3,742)</u>	<u>34,644</u>	<u>12,417</u>	<u>47,061</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from operating activities:</u>					
Loss	(23,185)	(20,660)	(6,283)	(5,606)	(27,582)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Finance (income) expenses, net	1,226	(18)	685	-	(243)
Adjustment of liabilities for grants	1,250	1,224	383	757	1,462
Depreciation, amortization and impairment loss, net	342	1,231	124	152	1,306
Share-based payment	125	245	23	78	284
Share-based payment in subsidiaries	206	343	55	99	283
Share of loss of an affiliate	351	63	33	63	364
	<u>3,500</u>	<u>3,088</u>	<u>1,303</u>	<u>1,149</u>	<u>3,456</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(558)	(282)	(549)	(445)	216
Decrease (increase) in other accounts receivable	2,288	(469)	104	(171)	(511)
Decrease (increase) in inventories	(89)	(54)	51	41	22
Increase (decrease) in trade payable	(138)	131	(369)	(430)	(70)
Increase (decrease) in other accounts payable	(1,828)	(406)	(6)	17	727
Increase in employee benefit liabilities	-	(34)	-	-	(34)
Change in commitment for subsidiary's shares	(4)	(271)	-	(271)	(280)
	<u>(329)</u>	<u>(1,385)</u>	<u>(769)</u>	<u>(1,259)</u>	<u>70</u>
Cash received during the period for:					
Interest received	<u>1</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>19</u>
	<u>1</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>19</u>
Net cash used in operating activities	<u>(20,013)</u>	<u>(18,939)</u>	<u>(5,749)</u>	<u>(5,716)</u>	<u>(24,037)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
<u>Cash flows from investing activities:</u>					
Investment in an affiliate	(277)	-	-	-	(837)
Investment in short-term deposit, net	(32)	6,044	3	6	6,023
Purchase of property and equipment	(312)	(162)	(74)	(57)	(182)
Withdrawal of (investment in) long-term leasing deposit	(10)	(10)	(5)	(1)	(10)
Net cash provided by (used in) investing activities	(581)	5,872	(76)	(52)	4,994
<u>Cash flows from financing activities:</u>					
Exercise of options in a subsidiary	-	1	-	1	1
Proceeds from issuance of shares in a subsidiary, net	-	-	-	-	20,899
Proceeds from issuance of shares and warrants in a consolidated company, net	2,554	3,375	1,661	-	3,375
Proceeds from issuance of shares, net	-	24,453	-	-	24,453
Deferred issuance expenses	-	(229)	-	(172)	(1,408)
Net cash provided by financing activities	2,554	27,600	1,661	(171)	47,320
Exchange differences on balances of cash and cash equivalents	(1,225)	(14)	(683)	(11)	224
Increase (decrease) in cash and cash equivalents	(19,265)	14,519	(4,847)	(5,950)	28,501
Cash and cash equivalents at the beginning of the period	50,697	22,196	36,279	42,665	22,196
Cash and cash equivalents at the end of the period	31,432	36,715	31,432	36,715	50,697

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2016	2015	2016	2015	2015
	Unaudited				Audited
	NIS in thousands				
(a) Financing and investing activities not involving cash flows:					
Conversion of loan by non- controlling interest in a consolidated company	-	108	-	-	108
Transfers from property and equipment to inventories	(405)	-	(405)	-	37

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