

CollPlant Holdings Ltd.

Interim Financial Information (Unaudited)

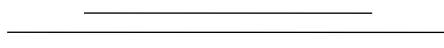
March 31, 2017

CollPlant Holdings Ltd.
Interim Financial Information

(Unaudited)
March 31, 2017

Contents

	Page
Condensed Consolidated Interim Financial Statements (NIS):	
Condensed Consolidated Statements of Financial Position	3
Condensed Consolidated Statements of Comprehensive Loss	4
Condensed Consolidated Statements of Changes in Equity	5
Condensed Consolidated Statements of Cash Flows	6-7
Notes to the Condensed Consolidated Financial Statements	8-10



CollPlant Holdings Ltd.
Condensed Consolidated Statements of Financial Position
March 31, 2017

	March 31		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	NIS thousands		
Assets			
Current assets:			
Cash and cash equivalents	4,436	5,738	3,797
Receivables	3,481	3,972	3,785
Inventory	487	-	487
	8,404	9,710	8,069
Non-current assets:			
Restricted deposit	527	544	557
Long term receivables	168	66	168
Property and equipment, net	3,743	2,462	4,008
Intangible assets, net	1,585	1,721	1,631
	6,023	4,793	6,364
Total assets	14,427	14,503	14,433
Liabilities and equity			
Current liabilities -			
Accounts payable			
Trade payables	3,267	2,259	5,189
Other	1,470	1,328	1,617
Total current liabilities	4,737	3,587	6,806
Non-current liabilities			
Royalties to the OCS	2,117	-	2,181
Long-term payables	232	-	286
	2,349	-	2,467
Total liabilities	7,086	3,587	9,273
Equity:			
Ordinary shares			
Additional paid in capital	3,842	2,837	3,207
Accumulated deficit	166,017	147,890	159,864
Total equity	(162,518)	(139,811)	(157,911)
Total liabilities and equity	7,341	10,916	5,160
	14,427	14,503	14,433

Adi Goldin
Chairman of the Board

Yehiel Tal
CEO

Eran Rotem
CFO

The interim financial statements were approved by the Company's board of directors on May 28, 2017

The accompanying notes are an integral part of the condensed financial statements

CollPlant Holdings Ltd.

Condensed Consolidated Statements of Comprehensive Loss
for the three months ended March 31, 2017

	Three months ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	NIS thousands		
Revenue	252		292
Research and development expenses:			
Research and development expenses	5,130	8,319	29,200
Participation in research and development expenses, net	(1,088)	(2,915)	(12,411)
Research and development expenses, net	4,042	5,404	16,789
General, administrative and marketing expenses	1,341	2,035	11,048
Operating loss	5,131	7,439	27,545
Financial income		(3)	(93)
Financial expenses	61	191	441
Financial expenses (income), net	61	188	348
Comprehensive loss for the period	5,192	7,627	27,893
Basic and diluted loss per ordinary share (NIS)	0.04	0.09	0.28
Weighted average of the number of ordinary issued shares - basic and fully diluted	118,299,021	92,514,714	100,624,945

The accompanying notes are an integral part of the condensed financial statements

CollPlant Holdings Ltd.
Condensed Consolidated Statements of Changes in Equity
for the three months ended March 31, 2017

	Equity attributable to shareholders of the Company			
	Ordinary shares	Premium and options	Accumulated deficit	Total equity
	NIS thousands			
Balance as at January 1, 2017 (audited)	3,207	159,864	(157,911)	5,160
Movement in the three months ended March 31, 2017 (unaudited):				
Comprehensive loss for the period			(5,192)	(5,192)
Share-based compensation to employees and consultants			585	585
Issue of shares and options, less issue expenses of NIS 404 thousand	635	6,153		6,788
Balance as at March 31, 2017 (unaudited)	<u>3,842</u>	<u>166,017</u>	<u>(162,518)</u>	<u>7,341</u>
Balance as at January 1, 2016 (audited)	2,665	140,704	(133,590)	9,779
Movement in the three months ended March 31, 2016 (unaudited):				
Comprehensive loss for the period			(7,627)	(7,627)
Share-based compensation to employees and consultants			1,406	1,406
Issue of shares and options, less issue expenses of NIS 643 thousand	172	7,186		7,358
Balance as at March 31, 2016 (unaudited)	<u>2,837</u>	<u>147,890</u>	<u>(139,811)</u>	<u>10,916</u>
Balance as at January 1, 2016 (audited)				
Movement in 2016:				
Comprehensive loss for the year	2,665	140,704	(133,590)	9,779
Share-based compensation to employees and consultants			(27,893)	(27,893)
Proceeds from issue of shares and options, less issue expenses of NIS 1,327 thousand			3,572	3,572
Exercise of options for shares	510	17,995		18,505
Issue of shares	32	1,165		1,197
Balance as at December 31, 2016 (audited)	<u>3,207</u>	<u>159,864</u>	<u>(157,911)</u>	<u>5,160</u>

The accompanying notes are an integral part of the condensed financial statements

CollPlant Holdings Ltd.
Condensed Consolidated Statements of Cash Flows
for the three months ended March 31, 2017

	Three months ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	NIS thousands		
Cash flows from operating activities:			
Net cash used in operations (see appendix A)	(5,969)	(6,792)	(19,357)
Net cash used in operating activities	<u>(5,969)</u>	<u>(6,792)</u>	<u>(19,357)</u>
Cash flows from investing activities:			
Purchases of property and equipment	(41)	(166)	(492)
Change in restricted deposit in use		21	
Net cash used for investing activities	<u>(41)</u>	<u>(145)</u>	<u>(492)</u>
Cash flow from financing activities:			
Proceeds from issue of shares and options, less issue expenses	6,788	7,358	18,505
Equipment purchased in unusual credit terms	(63)	-	(19)
Net cash from financial activities	<u>6,725</u>	<u>7,358</u>	<u>18,486</u>
Decrease in cash and cash equivalents	715	421	(1,363)
Cash and cash equivalents at the beginning of the period:	3,797	5,317	5,317
Gains from exchange differences on cash	(76)	-	(157)
Cash and cash equivalents at the end of the period	<u>4,436</u>	<u>5,738</u>	<u>3,797</u>

Notes to the Condensed Financial Statements
The accompanying notes are an integral part of the condensed financial statements

CollPlant Holdings Ltd.
Condensed Consolidated Statements of Cash Flows
for the three months ended March 31, 2017

	Three months ended March 31		Year ended December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	NIS thousands		
Appendix to the statement of cash flows			
A. Net cash used in operating activities:			
Loss for the period	(5,192)	(7,627)	(27,893)
Adjustments for:			
Depreciation and amortization	352	316	864
Share-based compensation to employees and service providers	585	1,406	3,572
Losses (gains) from exchange differences for cash and cash equivalents	76		157
Gains from exchange differences for restricted deposits	30		8
	(4,149)	(5,905)	(23,292)
Changes in operating asset and liability items:			
Decrease (increase) in other receivables	304	(731)	(544)
Decrease (increase) in other long-term receivables		7	(95)
Increase (decrease) in trade payables and other long-term payables	(1,913)	(237)	2,498
Increase (decrease) in other payables	(147)	74	382
Increase in Inventory			(487)
Increase (decrease) in long-term liability to the OCS	(64)		2,181
	(1,820)	(887)	3,935
Net cash used in operating activities	(5,969)	(6,792)	(19,357)
B. Non-cash investing and financing activities			
Acquisition of fixed assets against issue of shares and borrowings			1,678

CollPlant Holdings Ltd.

March 31, 2017

(Unaudited)

NOTE 1 - GENERAL

- A.** CollPlant Holdings Ltd. is a biotechnology company focused on regenerative medicine. The Company operates through CollPlant Ltd., a wholly-owned subsidiary focused on research, development, manufacture and marketing of medical products for tissue repair (CollPlant Holdings Limited and CollPlant Ltd. will be referred to hereinafter as "the Company" or "CollPlant", respectively). The Company's products are based on recombinant human collagen produced from genetically-modified tobacco plants, and the Company focuses on orthopedics, 3D printing of tissues and organs and advanced wound healing. Two of the company's products received CE approval during 2016, allowing them to be marketed in Europe, and the Company began its commercialization.
- B.** In accordance with Regulation 4 of the Regulations for Periodic and Immediate Reports, the Company has not attached separate financial information to its consolidated financial statements in accordance with Regulation 38(D) of the Securities Regulations (Periodic and Immediate Reports), 1970. The Company did not include separate financial information due to the negligible effect that the separate financial statements have on the consolidated financial statements and since the separate financial statement does not add material information to the consolidated statements. For this purpose, the Company reviewed, among other things, the comparison of the separate financial information with the consolidated financial statements and the information provided in the consolidated financial statements. The information that was reviewed included the following items and their percentage of the consolidated financial statements:

	<u>March 31, 2017</u> <u>NIS thousands</u>	<u>Percentage of consolidated</u> <u>financial statements</u>
Cash and cash equivalents	1,077	24%
Assets, with the exception of cash and cash equivalents	3,900	39%
Current liabilities	(1,300)	27%
	<u>Three months ended</u> <u>March 31, 2017</u> <u>NIS thousands</u>	<u>Percentage of consolidated</u> <u>financial statements</u>
Operating expenses	288	5%

- C.** As at March 31, 2017, the Company generated insignificant amounts of income and up to the reporting date, it has accumulated losses of NIS 163 million. The Company plans to continue research and development, manufacture and marketing in the coming year, supported by funding sources such as the Company's cash balances and government grants. Management believes that these funding sources allow the Company's operations to continue at least until the course of the third quarter of 2017. The Company's plans for 2017 include focusing on orthopedics, including the development of soft and hard tissue repair and advanced wound healing, joint development with international companies of 3D biological ink for the printing of organs and tissues using various printing technologies and advanced wound healing.

CollPlant Holdings Ltd.
Notes to the Condensed Financial Statements
March 31, 2017
(Unaudited)

NOTE 1 – GENERAL (CONTD.)

The Company is taking steps to raise additional financing sources to allow the continuation of operations beyond this period. These sources include raising funds from private and/or institutional and/or strategic investors in Israel and overseas or from the public. It is uncertain whether the Company will be able to raise additional funds as aforesaid.

These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The financial statements do not include adjustments for assets and liabilities and their classification which may be required if the Company is unable to continue as a going concern.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

A. General

The Company's condensed consolidated financial information as at March 31, 2017 ("the Interim Financial Information") is prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") and includes additional disclosure in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The Interim Financial Information does not include all the information and disclosures required for annual financial statements. The Interim Financial Information should be reviewed together with the annual financial statements for 2016 and their accompanying notes, which were prepared in conformity with International Financial Reporting Standards, the standards and interpretations issued by the International Accounting Standards Board ("IFRS"), and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 2010.

B. Estimates

Preparation of interim financial statements requires the Company's management to exercise judgment and requires the use of accounting estimates and assumptions that affect the application of the Company's accounting policies and the amounts of the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

When preparing these interim financial statements, significant judgments used by the management when applying the Company's accounting policies and the uncertainty in the principal assumptions underlying the estimates were similar to those in the Company's annual financial statements for the year ended December 31, 2016.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and calculation methods applied when preparing the Interim Financial Information are consistent with those used when preparing the Company's annual financial statements for 2016.

New standards that are not yet effective and which the Group did not choose to adopt ahead of their effective date are described in the Company's annual financial statements for 2016.

CollPlant Holdings Ltd.
Notes to the Condensed Financial Statements
March 31, 2017
(Unaudited)

NOTE 4 – EQUITY

- A. On February 12, 2017, the Company completed a capital raise of NIS 7.2 million in gross proceeds by way of a non-uniform offering to institutional investors and a uniform offer to the public (the issuance expenses amounted to NIS 404 thousand). In consideration, the Company issued 21,152,000 of its shares and 10,576,000 Series K warrants exercisable into 10,576,000 ordinary shares of the Company at an exercise price of NIS 0.36 per option, until June 13, 2017. In addition, in consideration, the Company issued to the broker under the terms of the broker agreement, 941,400 Series L warrants exercisable into 941,400 ordinary shares of the Company at an exercise price of NIS 0.36 per warrant, for three years.
- B. In April and May 2017 597,775 Series K warrants were exercised into 597,775 ordinary shares of NIS 0.03 par value, at an exercise price of NIS 0.36 for each option. The total consideration for exercising the option amounts to NIS 215 thousand.

