

CollPlant Holdings Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF JUNE 30, 2017

CollPlant Holdings Ltd.

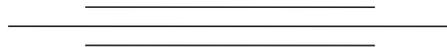
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF JUNE 30, 2017

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COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

	June 30		December 31
	2017	2016	2016
	(Unaudited)		(Audited)
	NIS In thousands		
Assets			
Current assets:			
Cash and cash equivalents	4,540	11,118	3,797
Receivables	190		217
Other receivables	838	5,167	3,568
Inventory	550	278	487
	<u>6,118</u>	<u>16,563</u>	<u>8,069</u>
Non-current assets:			
Restricted deposit	507	558	557
Property and equipment, net	3,543	2,314	4,008
Intangible assets, net	1,540	1,721	1,631
Long-term receivables	168	45	168
	<u>5,758</u>	<u>4,638</u>	<u>6,364</u>
TOTAL ASSETS	<u>11,876</u>	<u>21,201</u>	<u>14,433</u>
Liabilities and equity			
Current liabilities -			
accounts payable:			
Trade payables	2,173	2,370	5,189
Other	1,786	1,851	1,617
	<u>3,959</u>	<u>4,221</u>	<u>6,806</u>
Non-current liabilities			
Royalties to the OCS	2,155	599	2,181
Long-term payables	177		286
	<u>2,332</u>	<u>599</u>	<u>2,467</u>
Total liabilities	<u>6,291</u>	<u>4,820</u>	<u>9,273</u>
Equity:			
Ordinary shares	4,144	3,175	3,207
Additional paid in capital	169,333	158,699	159,864
Accumulated deficit	<u>(167,892)</u>	<u>(145,493)</u>	<u>(157,911)</u>
TOTAL EQUITY	<u>5,585</u>	<u>16,381</u>	<u>5,160</u>
TOTAL LIABILITIES AND EQUITY	<u>11,876</u>	<u>21,201</u>	<u>14,433</u>

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

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	Six months ended June 30		Three months ended June 30		December 31,
	2016	2017	2016	2017	2016
	(Unaudited)				(Audited)
	NIS in thousands				
REVENUE		453		201	292
RESEARCH AND DEVELOPMENT EXPENSES, net:					
Research and development expenses	15,892	9,111	7,573	3,981	29,200
Participation in research and development expenses	(6,244)	(771)	(3,329)	317	(12,411)
RESEARCH AND DEVELOPMENT EXPENSES, net	9,648	8,340	4,244	4,298	16,789
GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES	4,202	2,930	2,167	1,589	11,048
OPERATING LOSS	13,850	10,817	6,411	5,686	27,545
FINANCIAL INCOME	(39)		(36)		(93)
FINANCIAL EXPENSES	204	220	13	159	441
FINANCIAL EXPENSES (INCOME), net	165	220	(23)	159	348
COMPREHENSIVE LOSS	14,015	11,037	6,388	5,845	27,893
BASIC AND DILUTED LOSS PER ORDINARY SHARE (NIS/USD)	0.15	0.09	0.07	0.04	0.28
Weighted average ordinary shares outstanding	94,914,632	124,504,278	97,186,863	130,598,626	100,624,945

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

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

	Ordinary shares	Additional paid-in capital	Accumulated deficit	Total equity
	(Unaudited)			
	NIS in thousands			
BALANCE AS AT JANUARY 1, 2017	3,207	159,864	(157,911)	5,160
CHANGES IN THE SIX MONTH PERIOD ENDED JUNE 30, 2017:				
Comprehensive loss			(11,037)	(11,037)
Share-based compensation			1,056	1,056
Issue of shares and options, net of issue expenses of NIS 404 thousand	635	6,153		6,788
Options exercise	302	3,316		3,618
BALANCE AT JUNE 30, 2017	<u>4,144</u>	<u>169,333</u>	<u>(167,892)</u>	<u>5,585</u>
BALANCE AS AT JANUARY 1, 2016	2,665	140,704	(133,590)	9,779
CHANGES IN THE SIX MONTH PERIOD ENDED JUNE 30, 2016:				
Comprehensive loss			(14,015)	(14,015)
Share-based compensation			2,112	2,112
Issue of shares and options, net of issue expenses of NIS 1,327 thousand	510	17,995		18,505
BALANCE AT JUNE 30, 2016	<u>3,175</u>	<u>158,699</u>	<u>(145,493)</u>	<u>16,381</u>
BALANCE AS AT APRIL 1, 2017	3,842	166,017	(162,518)	7,341
CHANGES IN THE THREE MONTH PERIOD ENDED JUNE 30, 2017:				
Comprehensive loss			(5,845)	(5,845)
Share-based compensation			471	471
Options exercise	302	3,316		3,618
BALANCE AT JUNE 30, 2017	<u>4,144</u>	<u>169,333</u>	<u>(167,892)</u>	<u>5,585</u>
BALANCE AS AT APRIL 1, 2016	2,837	147,890	(139,811)	10,916
CHANGES IN THE THREE MONTH PERIOD ENDED JUNE 30, 2016:				
Comprehensive loss			(6,388)	(6,388)
Share-based compensation			706	706
Issue of shares and options, net of issue expenses of NIS 684 thousand	338	10,809		11,147
BALANCE AT JUNE 30, 2016	<u>3,175</u>	<u>158,699</u>	<u>(145,493)</u>	<u>16,381</u>
BALANCE AS AT JANUARY 1, 2016 (audited)	2,665	140,704	(133,590)	9,779
MOVEMENT IN 2016:				
Comprehensive loss for the year			(27,893)	(27,893)
Share-based compensation			3,572	3,572
Proceeds from issue of shares and options, less issue expenses of NIS 1,327 thousand	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 these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Six months ended June 30		Three months ended June 30		Year ended December 31,
	2016	2017	2016	2017	2016
	(Unaudited)				(Audited)
	NIS in thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Loss for the period	(14,015)	(11,037)	(6,388)	(5,845)	(27,893)
Required adjustments for cash flow from operating activities (see appendix A)	1,680	1,621	824	2,398	8,536
Net cash used in operating activities	(12,335)	(9,416)	(5,564)	(3,447)	(19,357)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(227)	(45)	(61)	(4)	(492)
Net cash used in investing activities	(227)	(45)	(61)	(4)	(492)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issue of shares and options, net of issue expenses	18,505	6,788	11,147		18,505
Exercise of options for shares		3,618		3,618	
Equipment purchased in unusual credit terms		(127)		(64)	(19)
Net cash provided by financing activities	18,505	10,279	11,147	3,554	18,486
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,943	818	5,522	103	(1,363)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,317	3,797	5,738	4,436	5,317
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(142)	(75)	(142)	1	(157)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>11,118</u>	<u>4,540</u>	<u>11,118</u>	<u>4,540</u>	<u>3,797</u>

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

COLLPLANT HOLDINGS LTD.
 CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
 (UNAUDITED)

Six months ended June 30		Three months ended June 30		Year ended December 31
2016	2017	2016	2017	2016
(Unaudited)				(Audited)
NIS in thousands				

**APPENDIX A TO THE
 STATEMENTS OF CASH FLOW:**

Adjustments for:

Depreciation and amortization	525	601	209	249	864
Share-based compensation to employees and consultants	2,112	1,056	706	471	3,572
Exchange differences on restricted deposit	7	50	(14)	20	8
Exchange differences on cash and cash equivalents	142	75	142	(1)	157
	<u>2,786</u>	<u>1,782</u>	<u>1,043</u>	<u>739</u>	<u>4,601</u>

Changes in operating asset and liabilities items:

Decrease (increase) in other receivables (including long-term receivables)	(1,898)	2,757	(1,174)	2,453	(639)
Decrease (Increase) in trade payables	(126)	(2,998)	111	(1,085)	2,498
Increase (Decrease) in other payables	597	169	523	316	382
Increase in inventory	(278)	(63)	(278)	(63)	(487)
Increase (Decrease) in royalties to the OCS	599	(26)	599	38	2,181
	<u>(1,106)</u>	<u>(161)</u>	<u>(219)</u>	<u>1,659</u>	<u>3,935</u>
Net cash used in operations	<u>1,680</u>	<u>1,621</u>	<u>824</u>	<u>2,398</u>	<u>8,536</u>

B. Non-cash investing and financing activities

Acquisition of fixed assets against issue of shares and borrowings					1,678
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

COLLPLANT HOLDINGS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (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 is in the process of their commercialization in Europe.
- 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:

	June 30, 2017	Percentage of consolidated
	NIS thousands	financial statements
Cash and cash equivalents	652	14%
Assets, with the exception of cash and cash equivalents	103	1%
Current liabilities	(1,522)	38%
	Six Months ended	Percentage of consolidated
	June 30, 2017	financial statements
	NIS thousands	financial statements
Operating expenses	1,041	9%

- C.** As at June 30, 2017, the Company generated insignificant amounts of income and up to the reporting date, it has accumulated losses of NIS 168 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. Management believes that these funding sources allow the Company's operations to continue at least until the course of the fourth quarter of 2017.
- The Company's plans for 2017 include focusing on orthopedics, including the development of soft and hard tissue repair, joint development with international companies of 3D biological ink for the printing of organs and advanced wound healing.
- 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 and government grants. 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.

COLLPLANT HOLDINGS LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued) (UNAUDITED)

NOTE 2 - BASIS OF PRESENTATION:

A. General

The Company's condensed consolidated financial information as at June 30, 2017 and to the period of 6 and 3 months ended that date ("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.

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.
- B. During the second quarter of 2017, 10,055,464 Series K warrants were exercised into 10,055,464 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 3,618 thousand. 1,461,936 Series K warrants that were not exercised expired on June 14, 2017.