

Evogene Ltd.

Financial Statements
as of June 30, 2012

Chapter C



Evogene Ltd.

Consolidated Interim Financial Statements as of June 30, 2012

Unaudited

Index

	<u>Page</u>
Auditor's review of the Consolidated Interim Financial Statements	2
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Changes in Equity	5-7
Consolidated Statement of Cash Flows	8-9

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Auditing Accountant's Review Report of the Interim Financial Statements to the Shareholders of Evogene Ltd.

Introduction

We have reviewed the accompanying financial information of Evogene Ltd. and its subsidiaries (henceforth "The Group"), which includes the condensed consolidated balance sheet for June 30, 2012 and the consolidated condensed statements of comprehensive income, the changes in equity and cash flows for the six-month and three-month periods then ended. The Board of Directors and the Management are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion for this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Review Standard of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be indentified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with the International Accounting Standard IAS 34.

In addition to the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv
August 13, 2012

Kost Forer Gabbay & Kasierer
Accountants

Consolidated Balance Sheets

ASSETS	June 30		December 31,
	2012	2011	2011
	Unaudited		Audited
	Thousands of US Dollars		
<u>Current Assets</u>			
Cash & Cash Equivalents	11,558	21,710	6,465
Short-Term investments	30,643	35,267	34,672
Short-Term Deposits	10,600	3,995	17,652
Trade Receivable	3,911	2,809	800
Other Trade Receivable	681	591	981
	<u>57,393</u>	<u>64,372</u>	<u>60,570</u>
<u>Non-Current Assets</u>			
Long-Term Deposits	47	46	48
Fixed Assets	7,825	5,860	7,138
Intangible Assets	111	156	134
	<u>7,983</u>	<u>6,062</u>	<u>7,320</u>
	<u>65,376</u>	<u>70,434</u>	<u>67,890</u>
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Trade Payables	1,299	1,028	2,059
Other Accounts Payable	1,866	1,559	2,079
Liabilities for Scientist's Grants	493	487	905
Deferred Income	<u>4,374</u>	<u>4,300</u>	<u>4,037</u>
	<u>8,032</u>	<u>7,374</u>	<u>9,080</u>
<u>Non-Current Liabilities</u>			
Liabilities for Scientist's Grants	2,947	3,398	3,039
Deferred Income	6,027	6,798	7,673
Liabilities for Employee Benefits	9	9	9
	<u>8,983</u>	<u>10,205</u>	<u>10,721</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share Capital	100	100	100
Share Premium	82,042	80,411	81,364
Sell Options	(7,764)	(4,433)	(7,764)
Capital reserve for transaction with controlling shareholder	1,156	1,156	1,156
Capital reserve for share-based payment transactions	7,021	5,835	6,692
Loss	<u>(34,194)</u>	<u>(30,214)</u>	<u>(33,459)</u>
	<u>48,361</u>	<u>52,855</u>	<u>48,089</u>
	<u>65,376</u>	<u>70,434</u>	<u>67,890</u>

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

August 13, 2012

Financial
Statements
Approval date

Martin Gerstel
Chairman, Board of
Directors

Ofer Haviv
President & CEO

Rita Silberberg
Director of
Finance

Consolidated Statement of Comprehensive Income

	For the Six Months ended June 30,		For the Three Months ended June 30,		For the Year ended December 31, 2011
	2012	2011	2012	2011	Audited
	Unaudited				
	Thousands of US Dollars (Except Profit (Loss) Net per share data)				
Revenues	8,287	6,816	4,087	3,429	14,901
Cost of sales	<u>4,483</u>	<u>3,556</u>	<u>2,404</u>	<u>1,846</u>	<u>8,247</u>
Gross profit	<u>3,804</u>	<u>3,260</u>	<u>1,683</u>	<u>1,583</u>	<u>6,654</u>
Research and Development Costs, Net	3,308	2,690	1,851	1,464	6,384
Business Development Expenses General and Administrative Expenses	544	487	295	215	1,136
Other expenses	1,069	1,123	533	545	2,313
	-	-	-	-	4
Total Operational Expenses	<u>4,921</u>	<u>4,300</u>	<u>2,679</u>	<u>2,224</u>	<u>9,837</u>
Operational loss	(1,117)	(1,040)	(996)	(641)	(3,183)
Financing income	510	1,333	-	738	1,294
Financing Expenses	(57)	(51)	(114)	(9)	(1,039)
Financing Income for Revaluation of Option Certificates, Net	-	3,729	-	2,691	3,729
Financing Income (Expenses) for Revaluation of Liabilities towards the Scientist, Net	<u>(19)</u>	<u>(81)</u>	<u>(29)</u>	<u>(6)</u>	<u>(156)</u>
Income (loss) before income tax	(683)	3,890	(1,139)	2,773	645
Income tax	<u>(52)</u>	-	<u>(52)</u>	-	-
Total net income (loss)	<u>(735)</u>	<u>3,890</u>	<u>(1,191)</u>	<u>2,773</u>	<u>645</u>
Basic Net Income per Share (in US Dollars)	<u>(0.02)</u>	<u>0.125</u>	<u>(0.032)</u>	<u>0.089</u>	<u>0.02</u>
Diluted Net Income per Share (in US Dollars)	<u>(0.02)</u>	<u>0.116</u>	<u>(0.032)</u>	<u>0.083</u>	<u>0.02</u>

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

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Sell Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share- based payment transactions	Retained loss	Total equity
Thousands of US Dollars							
Balance as of <u>January 1, 2012</u> (Audited)	100	81,364	(7,764)	1,156	6,692	(33,459)	48,089
Total Comprehensive loss	-	-	-	-	-	(735)	(735)
Realization and expiry of Options	(*) -	678	-	-	(245)	-	433
Cost of Share-Based Payment	-	-	-	-	574	-	574
Balance as of June 30, 2012	<u>100</u>	<u>82,042</u>	<u>(7,764)</u>	<u>1,156</u>	<u>7,021</u>	<u>(34,194)</u>	<u>48,361</u>
	Share Capital	Share Premium	Sell Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share- based payment transactions	Retained Loss	Total equity
Thousands of Dollars							
Balance as of <u>January 1, 2011</u> (Audited)	82	49,248	(4,433)	1,156	4,782	(34,104)	16,731
Total comprehensive income	-	-	-	-	-	3,890	3,890
Issue of Share Capital	5	9,577	-	-	-	-	9,582
Realization and Expiry of Options	13	21,586	-	-	(136)	-	21,463
Cost of Share-Based Payment	-	-	-	-	1,189	-	1,189
Balance as of June 30, 2011	<u>100</u>	<u>80,411</u>	<u>(4,433)</u>	<u>1,156</u>	<u>5,835</u>	<u>(30,412)</u>	<u>52,855</u>

(*) = Less than \$1,000.

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

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Sell Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share- based payment transactions	Retained loss	Total equity
Thousands of US Dollars							
Balance as of <u>April 1, 2012</u>	100	81,587	(7,764)	1,156	6,923	(33,003)	48,999
Total Comprehensive loss	-	-	-	-	-	(1,191)	(1,191)
Realization and expiry of Options	(*) -	455	-	-	(133)	-	322
Cost of Share-Based Payment	-	-	-	-	231	-	231
Balance as of June 30, 2012	<u>100</u>	<u>82,042</u>	<u>(7,764)</u>	<u>1,156</u>	<u>7,021</u>	<u>(34,194)</u>	<u>48,361</u>
	Share Capital	Share Premium	Sell Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share- based payment transactions	Retained Loss	Total equity
Thousands of Dollars							
Balance as of <u>April 1, 2011</u>	89	63,433	(4,433)	1,156	5,366	(32,987)	32,624
Total comprehensive income	-	-	-	-	-	2,773	2,773
Issue of Share Capital	-	-	-	-	-	-	-
Realization and Expiry of Options	11	16,978	-	-	(55)	-	16,934
Cost of Share-Based Payment	-	-	-	-	524	-	524
Balance as of June 30, 2011	<u>100</u>	<u>80,411</u>	<u>(4,433)</u>	<u>1,156</u>	<u>5,835</u>	<u>(30,214)</u>	<u>52,855</u>

(*) = Less than \$1,000.

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

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Sell Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share-based payment transactions	Retained earnings (deficit)	Total equity
Thousands of US Dollars							
Balance as of <u>January 1, 2011</u>	82	49,248	(4,433)	1,156	4,782	(34,104)	16,731
Total Net Profit	-	-	-	-	-	645	645
Issue of Share Capital	5	9,577	-	-	-	-	9,582
Sell Option Issue, Net	-	727	(3,331)	-	-	-	(2,604)
Realization & Expiry of Option Certificates	13	21,812	-	-	(219)	-	21,606
Cost of Share-Based Payment	-	-	-	-	2,129	-	2,129
Balance as of <u>December 31, 2011</u>	<u>100</u>	<u>81,364</u>	<u>(7,764)</u>	<u>1,156</u>	<u>6,692</u>	<u>(33,459)</u>	<u>48,089</u>

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

Consolidated Statement of Cash Flows

	For the Six Months ended June 30,		For the Three Months ended June 30,		For the Year ended December 31,
	2012	2011	2012	2011	2011
	Unaudited				Audited
Thousands of US Dollars					
Cash Flows from Current Operations					
Net income (loss)	(735)	3,890	(1,191)	2,773	645
Adjustments Necessary to Present Cash Flows from Current Operations:					
Adjustments to Profit & Loss Clauses:					
Depreciation & Deductions	874	565	450	286	1,419
Share-Based Payment Costs	574	1,189	231	524	2,129
Financing Expenses (Income), Net	(434)	(4,930)	143	(3,414)	(3,828)
Loss from Fixed Assets Realization	-	-	-	-	4
	1,014	(3,176)	824	(2,604)	(276)
Changes in Assets and Liabilities Clauses:					
Decrease (Increase) in Trade Receivable	(3,096)	(667)	(2,280)	(1,517)	1,341
Decrease (Increase) in Other Trade Receivable	250	(38)	(262)	62	(374)
Decrease (Increase) in Advance Expenses	1	(9)	-	(9)	(11)
Increase (Decrease) in Accounts Payable	(138)	(332)	542	268	423
Increase (Decrease) in Other Accounts Payable	(192)	(390)	97	45	220
Increase (Decrease) in Deferred Incomes	(1,309)	1,067	(935)	(987)	(907)
Increase in liabilities with respect to grants from royalties	(90)	-	(90)	-	-
	(4,574)	(369)	(2,928)	(2,138)	692
Cash Received (paid) During the Period For:					
Interest Received	626	180	281	106	1,072
Taxes paid	(52)	-	(52)	-	-
Net Cash Resulting from Current Operations (used for Operations)	(3,721)	525	(3,066)	(1,863)	2,133
Cash Flows from Investment Activities					
Purchase of Fixed Assets	(2,127)	(1,984)	(960)	(1,633)	(3,759)
Return from Realization of Fixed Assets	-	-	-	-	9
Return from Realization of Securities Measured at Fair Value via Profit & Loss	8,917	1,568	5,728	1,568	10,710
Purchase of Securities Measured at Fair Value via Profit & Loss	(5,097)	(14,905)	(2,965)	(3,789)	(24,268)
Collection (Investment) of Deposits in Banking Institutions, Net	7,052	505	692	1,216	(13,274)
Net Cash Resulting from Investment Activities (used for that activity)	8,745	(14,816)	2,495	(2,638)	(30,582)

Consolidated Statement of Cash Flows

	For the Six Months ended June 30,		For the Three Months ended June 30,		For the Year ended December 31, 2011
	2012	2011	2012	2011	Audited
	Unaudited				
	Thousands of US Dollars				
<u>Cash Flows from Financing Operations</u>					
Share Issue, Net	-	9,582	-	13	9,582
Realization of Option Certificates	433	15,993	322	13,149	16,136
Receiving Commitments for Scientist's Grants	230	180	110	10	260
Redeeming Commitments for Scientist's Grants	(664)	(212)	(3)	-	(402)
Net Cash Resulting from Financing (used for Operations)	(1)	25,543	429	13,172	25,576
Exchange Rate Differences for Cash & Cash Equivalent Balances	70	338	199	120	(782)
Increase (Decrease) in Cash & Cash Equivalents	5,093	11,590	57	8,791	(3,655)
Cash & Cash Equivalent Balances at the Beginning of the Period	6,465	10,120	11,501	12,919	10,120
Cash & Cash Equivalent Balances at the End of the Period	11,558	21,710	11,558	21,710	6,465
<u>Significant Operations Not in Cash</u>					
Purchase of Fixed Assets on Credit	420	306	(153)	176	1,009
PUT Options Issue	-	-	-	-	7,764

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