

# **Chapter C**

**Evogene Ltd.**

**Consolidated Financial Statements as of September 30, 2012**



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Evogene Ltd.

Consolidated Interim Financial Statements as of September 30, 2012

Unaudited

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## **Auditors' report on review to the shareholders of Evogene Ltd.**

### **Introduction**

We have reviewed the accompanying financial information of Evogene Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated balance sheet as of September 30, 2102 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are 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 on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Review Standard 1 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 generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified 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 accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the above mentioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim 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, Israel  
November 19, 2012

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

## Consolidated Balance Sheets

	September 30		December
	2012	2011	31, 2011
	Unaudited		Audited
	US Dollars in Thousands		
<u>Current Assets</u>			
Cash & Cash Equivalents	20,913	7,726	6,465
Short-Term investments and Marketable securities	30,260	38,053	34,672
Short-Term Deposits	2,700	13,787	17,652
Trade Receivable	1,502	1,280	800
Other Receivable	439	732	981
	<u>55,814</u>	<u>61,578</u>	<u>60,570</u>
<u>Long- term Assets</u>			
Long-Term Deposits	38	49	48
Fixed Assets	7,597	5,809	7,138
Non tangible Assets	100	145	134
	<u>7,735</u>	<u>6,003</u>	<u>7,320</u>
	<u>63,549</u>	<u>67,581</u>	<u>67,890</u>
<u>Current Liabilities</u>			
Trade Payables	1,052	998	2,059
Other Accounts Payable	1,891	1,651	2,079
Liabilities to Chief Scientist's	470	487	905
Deferred Income	4,347	4,311	4,037
	<u>7,760</u>	<u>7,447</u>	<u>9,080</u>
<u>Long- term Liabilities</u>			
Liabilities for Chief Scientist's Grants	2,879	3,287	3,039
Deferred Income	5,013	5,780	7,673
Employee benefit liabilities	9	9	9
	<u>7,901</u>	<u>9,076</u>	<u>10,721</u>
<u>Shareholders' Equity</u>			
Share Capital	101	100	100
Share Premium	82,340	80,498	81,364
Put 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	7,271	6,290	6,692
Retained deficit	(35,216)	(32,553)	(33,459)
	<u>47,888</u>	<u>51,058</u>	<u>48,089</u>
	<u>63,549</u>	<u>67,581</u>	<u>67,890</u>
November 19, 2012			
Financial Statements Approval Date	Martin Gerstel Chairman, Board of Directors	Ofar Haviv President & CEO	Sigal Fattal VP Finance

## Consolidated Statements of Comprehensive Income

	For the Six Months ended September 30,		For the Three Months ended September 30,		For the Year ended December 31,
	2012	2011	2012	2011	2011
	Unaudited				Audited
	US Dollars in Thousands (Except for Profit (Loss) Net per share data)				
Revenues	12,254	10,168	3,967	3,352	14,901
Cost of Sales	6,903	5,507	2,420	1,951	8,247
Gross profit	5,351	4,661	1,547	1,401	6,654
Research and Development Costs, Net	5,158	4,642	1,850	1,952	6,384
Business Development Expenses	860	727	316	240	1,136
General and Administrative Expenses	1,539	1,650	470	527	2,313
Total Operating Expenses	7,557	7,019	2,636	2,719	9,833
Operating loss	(2,206)	(2,358)	(1,089)	(1,318)	(3,179)
Other Expenses	-	(5)	-	(5)	(4)
Finance Income	824	1,035	314	329	1,294
Finance Expenses	(140)	(732)	(83)	(1,308)	(1,039)
Financial Income for Revaluation of Option Certificates, Net	-	3,729	-	-	3,729
Financial Expenses for Revaluation of Liabilities to the Scientist, Net	(161)	(118)	(142)	(37)	(156)
Income (loss) before taxes on income	(1,683)	1,551	(1,000)	(2,339)	645
Taxes on income	74	-	22	-	-
Total net income (loss)	(1,757)	1,551	(1,022)	(2,339)	645
Basic and Diluted Net Income (loss) per Share (in US Dollars)	(0.05)	0.05	(0.03)	(0.074)	0.02

## Consolidated Statements of Changes in Equity

	Share Capital	Share Premium	PUT Option	Capital reserve for transaction with controlling shareholder	Capital reserve for share- based payment transactions	Retained deficit	Total Equity
Unaudited							
US Dollars in thousands							
Balance as of <u>January 1, 2012</u> <u>(Audited)</u>	100	81,364	(7,764)	1,156	6,692	(33,459)	48,089
Total Comprehensive loss	-	-	-	-	-	(1,757)	(1,757)
Realization and expiry of Options	1	976	-	-	(345)	-	632
Cost of Share-Based Payment	-	-	-	-	924	-	924
Balance as of <u>September 30, 2012</u>	<u>101</u>	<u>82,340</u>	<u>(7,764)</u>	<u>1,156</u>	<u>7,271</u>	<u>(35,216)</u>	<u>47,888</u>
Unaudited							
US Dollars in thousands							
Balance as of <u>January 1, 2011</u> <u>(Audited)</u>	82	49,248	(4,433)	1,156	4,782	(34,104)	16,731
Total comprehensive income	-	-	-	-	-	1,551	1,551
Issue of Share Capital	5	9,577	-	-	-	-	9,582
Realization and Expiry of Options	13	21,673	-	-	(166)	-	21,520
Cost of Share-Based Payment	-	-	-	-	1,674	-	1,674
Balance as of <u>September 30, 2011</u>	<u>100</u>	<u>80,498</u>	<u>(4,433)</u>	<u>1,156</u>	<u>6,290</u>	<u>(32,553)</u>	<u>51,058</u>

## Consolidated Statements of Changes in Equity

	Share Capital	Share Premium	Put Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share- based payment transactions	Retained defecit	Total Equity
US Dollars in thousands							
Balance as of <u>July 1, 2012</u>	100	82,042	(7,764)	1,156	7,021	(34,194)	48,361
Total Comprehensive loss	-	-	-	-	-	(1,022)	(1,022)
Realization and expiry of Options	1	298	-	-	(100)	-	199
Cost of Share-Based Payment	-	-	-	-	350	-	350
Balance as of <u>September 30, 2012</u>	<u>101</u>	<u>82,340</u>	<u>(7,764)</u>	<u>1,156</u>	<u>7,271</u>	<u>(35,216)</u>	<u>47,888</u>
	Share Capital	Share Premium	Put Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share- based payment transactions	Retained defecit	Total Equity
US Dollars in thousands							
Balance as of <u>July 1, 2011</u>	100	80,411	(4,433)	1,156	5,835	(30,214)	52,855
Total comprehensive income	-	-	-	-	-	(2,339)	(2,339)
Realization and Expiry of Options	-	87	-	-	(30)	-	57
Cost of Share-Based Payment	-	-	-	-	485	-	485
Balance as of <u>September 30, 2011</u>	<u>100</u>	<u>80,498</u>	<u>(4,433)</u>	<u>1,156</u>	<u>6,290</u>	<u>(32,553)</u>	<u>51,058</u>

## Consolidated Statements of Changes in Equity

	Share Capital	Share Premium	Put Option	Capital reserve for transaction with controlling shareholder Unaudited	Capital reserve for share-based payment transactions	Retained defecit	Total Equity
US Dollars in thousands							
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>	100	81,364	(7,764)	1,156	6,692	(33,459)	48,089



## Consolidated Statements of Cash Flow

	For the Six Months ended September 30,		For the Three Months ended September 30,		For the Year ended December 31,
	2012	2011	2012	2011	2011
	Unaudited				Audited
	US Dollars in thousands				
<u>Cash Flows from Operating Activities</u>					
Net income (loss)	(1,757)	1,551	(1,022)	(2,339)	645
Adjustments required to reconcile Cash Flows from <u>Operating Activities</u> :					
Adjustments to Profit & Loss Clauses:					
Depreciation & Amortization	1,350	1,047	476	482	1,419
Cost of Share-Based Payment	924	1,674	350	485	2,129
Finance Expenses (Income), Net	(523)	(3,914)	(154)	1,016	(3,828)
Taxes on Income	74	-	22	-	-
Loss from Fixed Assets Realization	-	5	-	5	4
	<u>1,825</u>	<u>(1,188)</u>	<u>694</u>	<u>1,988</u>	<u>(276)</u>
Changes in Assets and Liabilities Clauses:					
Decrease (Increase) in Trade Receivable	(699)	877	2,397	1,544	1,341
Decrease (Increase) in Other Trade Receivable	527	(217)	277	(179)	(374)
Decrease (Increase) in Advance Expenses	10	(12)	9	(3)	(11)
Increase (Decrease) in Accounts Payable	(77)	109	61	441	423
Increase (Decrease) in Other Accounts Payable	(169)	(234)	23	156	220
Increase (Decrease) in Deferred Revenues	(2,350)	60	(1,041)	(1,007)	(907)
Increase in liabilities with respect to grants of royalties	(90)	-	-	-	-
	<u>(2,848)</u>	<u>583</u>	<u>1,726</u>	<u>952</u>	<u>692</u>
Cash Received (paid) During the Period For:					
Interest Received	866	243	240	63	1,072
Taxes paid	(74)	-	(22)	-	-
Net Cash provided by (used in) Operating Activities	<u>(1,988)</u>	<u>1,189</u>	<u>1,616</u>	<u>664</u>	<u>2,133</u>

## Consolidated Statements of Cash Flow

	For the Six Months ended September 30,		For the Three Months ended September 30,		For the Year ended December 31,
	2012	2011	2012	2011	2011
	Unaudited				Audited
	US Dollars in thousands				
<u>Cash Flows from Investing Activities</u>					
Purchase of Property and equipment	(2,685)	(2,839)	(558)	(855)	(3,759)
Proceeds from Realization of Fixed Assets	-	9	-	9	9
Proceeds from Realization of Securities Measured at Fair Value via Profit & Loss Investment in Marketable Securities	10,249	2,871	1,332	1,303	10,710
Measured at Fair Value through Profit & Loss	(6,031)	(19,728)	(934)	(4,823)	(24,268)
Proceeds from (Investment in) Deposits in Banking Institutions, Net	14,952	9,287	7,900	(9,792)	(13,274)
Net Cash Provided by (used in) Investing Activities	16,485	(28,974)	7,740	(14,158)	(30,582)
<u>Cash Flows from Financing Activities</u>					
Issuance of share capital, Net	-	9,582	-	-	9,582
Realization of Option Certificates	632	16,049	199	57	16,136
Proceeds from Scientist's Grants	227	161	62	30	260
Redeeming Commitments for Scientist's Grants	(893)	(402)	(229)	(190)	(402)
Net Cash Provided by (used for) Financing Activities	(34)	25,390	32	(103)	25,576
Exchange Rate Differences for Cash & Cash Equivalent	(15)	1	(33)	(387)	(782)
Increase (Decrease) in Cash & Cash Equivalents	14,448	(2,394)	9,355	(13,984)	(3,655)
Cash & Cash Equivalent Balances at the Beginning of the Period	6,465	10,120	11,558	21,710	10,120
Cash & Cash Equivalent Balances at the End of the Period	20,913	7,726	20,913	7,726	6,465
<u>Significant Operations Not in Cash</u>					
Non cash purchase of Fixed Assets in Credit	99	240	(321)	240	1,009
Issuance of PUT Option	-	-	-	-	7,764