

Evogene Ltd.

Consolidated Financial Statements
as of June 30, 2013

Chapter C





Kost Forer Gabbay & Kasierer
3 Aminadav St.
Tel-Aviv 67067, Israel

Tel: 972 (3)6232525
Fax: 972 (3)5622555
www.ey.com/il

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 June 30, 2013 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 abovementioned, 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

August 18, 2013

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

CONSOLIDATED BALANCE SHEETS**U.S. dollars in thousands**

	As of June 30,		As of
	2013	2012	December
	Unaudited		31,
			2012
			Audited
CURRENT ASSETS:			
Cash and cash equivalents	\$ 16,884	\$ 11,558	\$ 24,262
Marketable securities	33,657	30,643	30,868
Short-term bank deposits	-	10,600	-
Trade receivables	1,853	3,911	1,542
Other receivables	1,573	681	650
	<u>53,967</u>	<u>57,393</u>	<u>57,322</u>
LONG-TERM ASSETS:			
Long term deposits	33	47	43
Plant, property and equipment, net	7,572	7,825	7,401
Other investment	365	-	-
Intangible assets, net	67	111	89
	<u>8,037</u>	<u>7,983</u>	<u>7,533</u>
	<u>\$ 62,004</u>	<u>\$ 65,376</u>	<u>\$ 64,855</u>
CURRENT LIABILITIES:			
Trade payables	\$ 1,873	\$ 1,299	\$ 1,416
Liabilities in respect of grants from the Chief Scientist	528	493	733
Deferred revenues and other advances	3,968	4,374	4,211
Other payables	2,677	1,866	3,139
	<u>9,046</u>	<u>8,032</u>	<u>9,499</u>
LONG-TERM LIABILITIES:			
Liabilities in respect of grants from the Chief Scientist	3,101	2,947	2,918
Deferred revenues and other advances	2,539	6,027	4,168
Severance pay liability, net	19	9	11
	<u>5,659</u>	<u>8,983</u>	<u>7,097</u>
SHAREHOLDERS' EQUITY:			
Ordinary shares of NIS 0.01 par value:			
Authorized - 300,000,000 ordinary shares; Issued and outstanding – 37,759,971, 36,806,749 and 37,476,578 shares at June 30, 2013 and 2012 and December 31, 2012, respectively	103	100	102
Share premium	92,147	89,063	90,746
Put option	(7,764)	(7,764)	(7,764)
Capital reserve - transaction with a former controlling shareholder	1,156	1,156	1,156
Accumulated deficit	(38,343)	(34,194)	(35,981)
	<u>47,299</u>	<u>48,361</u>	<u>48,259</u>
	<u>\$ 62,004</u>	<u>\$ 65,376</u>	<u>\$ 64,855</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

August 18, 2013

Financial Statements
Approval DateMartin Gerstel
Chairman of the BoardOfer Haviv
President & CEOSigal Fattal
CFO**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****U.S. dollars in thousands (except share and per share data)**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2013	2012	2013	2012	2012
	Unaudited		Unaudited		Audited
Revenues	\$ 8,934	\$ 8,287	\$ 4,318	\$ 4,087	\$ 17,072
Cost of revenues	4,688	4,483	2,458	2,404	9,552
Gross profit	4,246	3,804	1,860	1,683	7,520
Operating expenses:					
Research and development, net	4,666	3,308	2,480	1,851	7,252
Business development	532	544	305	295	1,159
General and administrative	1,248	1,069	673	533	2,268
Other income	(51)	-	(31)	-	(33)
Total operating expenses	6,395	4,921	3,427	2,679	10,646
Operating loss	(2,149)	(1,117)	(1,567)	(996)	(3,126)
Financing income	776	510	317	-	972
Financing expenses	(989)	(76)	(631)	(143)	(294)
Loss before taxes on income	(2,362)	(683)	(1,881)	(1,139)	(2,448)
Taxes on income	-	52	-	52	74
Loss	\$ (2,362)	\$ (735)	\$ (1,881)	\$ (1,191)	\$ (2,522)
Total comprehensive loss	\$ (2,362)	\$ (735)	\$ (1,881)	\$ (1,191)	\$ (2,522)
Basic and diluted loss per share	\$ (0.063)	\$ (0.02)	\$ (0.05)	\$ (0.032)	\$ (0.07)

The accompanying Notes are an integral part of the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
U.S. dollars in thousands

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Put Option</u>	<u>Capital reserve - transaction with a former controlling shareholder</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Unaudited</u>					
Balance as of January 1, 2013 (audited)	\$ 102	\$ 90,746	\$ (7,764)	\$ 1,156	\$ (35,981)	\$ 48,259
Total comprehensive loss	-	-	-	-	(2,362)	(2,362)
Exercise of options	1	827	-	-	-	828
Share-based compensation	-	574	-	-	-	574
Balance as of June 30, 2013	<u>\$ 103</u>	<u>\$ 92,147</u>	<u>\$ (7,764)</u>	<u>\$ 1,156</u>	<u>\$ (38,343)</u>	<u>\$ 47,299</u>

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Put Option</u>	<u>Capital reserve - transaction with a former controlling shareholder</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Unaudited</u>					
Balance as of January 1, 2012 (audited)	\$ 100	\$88,056	\$ (7,764)	\$ 1,156	\$ (33,459)	\$ 48,089
Total comprehensive loss	-	-	-	-	(735)	(735)
Exercise of options	*)	433	-	-	-	433
Share-based compensation	-	574	-	-	-	574
Balance as of June 30, 2012	<u>\$ 100</u>	<u>\$ 89,063</u>	<u>\$ (7,764)</u>	<u>\$ 1,156</u>	<u>\$ (34,194)</u>	<u>\$ 48,361</u>

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Put Option</u>	<u>Capital reserve - transaction with a former controlling shareholder</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Unaudited</u>					
Balance as of April 1, 2013	\$ 102	91,505	\$ (7,764)	\$ 1,156	\$ (36,462)	\$ 48,537
Total comprehensive loss	-	-	-	-	(1,881)	(1,881)
Exercise of options	1	392	-	-	-	393
Share-based compensation	-	250	-	-	-	250
Balance as of June 30, 2013	<u>\$ 103</u>	<u>\$ 92,147</u>	<u>\$ (7,764)</u>	<u>\$ 1,156</u>	<u>\$ (38,343)</u>	<u>\$ 47,299</u>

*) Represent amount lower than \$1

The accompanying Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Share Capital	Share Premium	Put Option	Capital reserve - transaction with a former controlling shareholder	Accumula ted Deficit	Total
	Unaudited					
Balance as of April 1, 2012	\$ 100	\$ 88,510	\$ (7,764)	\$ 1,156	\$ (33,003)	\$ 48,999
Total comprehensive loss	-	-	-	-	(1,191)	(1,191)
Exercise of options	-	322	-	-	-	322
Share-based compensation	-	231	-	-	-	231
Balance as of June 30, 2012	<u>\$ 100</u>	<u>\$ 89,063</u>	<u>\$ (7,764)</u>	<u>\$ 1,156</u>	<u>(34,194)</u>	<u>\$ 48,361</u>
	Share Capital	Share Premium	Put Option	Capital reserve - transaction with a former controlling shareholder	Accumula ted Deficit	Total
	Audited					
Balance as of January 1, 2012	\$ 100	\$ 88,056	\$ (7,764)	\$ 1,156	\$ (33,459)	\$ 48,089
Total comprehensive loss	-	-	-	-	(2,522)	(2,522)
Exercise of options	2	1,517	-	-	-	1,519
Share-based compensation	-	1,173	-	-	-	1,173
Balance as of December 31, 2012	<u>\$ 102</u>	<u>\$ 90,746</u>	<u>\$ (7,764)</u>	<u>\$ 1,156</u>	<u>\$ (35,981)</u>	<u>\$ 48,259</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS**U.S. dollars in thousands**

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
<u>Cash Flows from Operating Activities</u>					
Loss	\$ (2,362)	\$ (735)	\$ (1,881)	\$ (1,191)	\$ (2,522)
Adjustments to reconcile loss to net cash used in operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,007	874	501	450	1,835
Share-based compensation	574	574	250	231	1,173
Net financing income	213	(434)	314	143	(678)
Taxes on income	-	-	-	-	74
Gain on disposal of property, plant and equipment	-	-	-	-	(33)
	<u>1,794</u>	<u>1,014</u>	<u>1,065</u>	<u>824</u>	<u>2,371</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	(323)	(3,096)	105	(2,280)	(742)
Decrease (increase) in other receivables	(94)	251	175	(262)	336
Increase (decrease) in trade payables	(255)	(138)	104	542	231
Increase (decrease) in other payables	(502)	(192)	425	97	974
Decrease in deferred revenues and other advances	(2,202)	(1,309)	(1,112)	(935)	(3,331)
Increase in severance pay liability, net	8	-	8	-	-
Increase in liabilities in respect of grants from the Chief Scientist	-	(90)	-	(90)	-
	<u>(3,368)</u>	<u>(4,574)</u>	<u>(295)</u>	<u>(2,928)</u>	<u>(2,532)</u>
Cash received (paid) during the period for:					
Interest received	634	626	596	281	869
Taxes paid (withheld by customers)	-	(52)	-	(52)	(74)
		\$ (3,721)			
Net cash used in operating activities	<u>\$ (3,302)</u>	<u>()</u>	<u>\$ (515)</u>	<u>\$ (3,066)</u>	<u>\$ (1,888)</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2013	2012	2013	2012	2012
	Unaudited				Audited
<u>Cash Flows from Investing Activities</u>					
Purchase of property, plant and equipment	\$ (731)	\$ (2,127)	\$ (582)	\$ (960)	\$ (2,963)
Proceeds from disposal of property, plant and equipment	-	-	-	-	34
Proceeds from sale of marketable securities	13,291	8,917	6,914	5,728	15,697
Purchase of marketable securities	(16,831)	(5,097)	(8,253)	(2,965)	(11,935)
Proceeds from bank deposits, net	-	7,052	-	692	17,652
Net cash provided by (used in) investing activities	<u>(4,271)</u>	<u>8,745</u>	<u>(1,921)</u>	<u>2,495</u>	<u>18,485</u>
<u>Cash Flows from Financing Activities</u>					
Proceeds from exercise of options	828	433	393	322	1,519
Proceeds from the Chief Scientist grants	155	230	73	110	484
Repayment of the Chief Scientist grants	(255)	(664)	-	(3)	(892)
Issuance expenses	(550)	-	(550)	-	-
Net cash provided by (used in) financing activities	<u>178</u>	<u>(1)</u>	<u>(84)</u>	<u>429</u>	<u>1,111</u>
Exchange rate differences - cash and cash equivalent balances	<u>17</u>	<u>70</u>	<u>35</u>	<u>199</u>	<u>89</u>
Increase (decrease) in cash and cash equivalents	<u>(7,378)</u>	<u>5,093</u>	<u>(2,485)</u>	<u>57</u>	<u>17,797</u>
Cash and cash equivalents, beginning of the period	<u>24,262</u>	<u>6,465</u>	<u>19,369</u>	<u>11,501</u>	<u>6,465</u>
Cash and cash equivalents, end of the period	<u>\$ 16,884</u>	<u>\$ 11,558</u>	<u>\$ 16,884</u>	<u>\$ 11,558</u>	<u>\$ 24,262</u>
<u>Significant non-cash transactions</u>					
Acquisition of property, plant and equipment in credit	<u>\$ 526</u>	<u>\$ 420</u>	<u>\$ 201</u>	<u>\$ (153)</u>	<u>\$ 101</u>
Other investment	<u>\$ 365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes are an integral part of the Consolidated Financial Statements.

