

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF MARCH 31, 2019

BioLineRx Ltd.
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BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

	December 31,	March 31,
	2018	2019
	in USD thousands	
Assets		
CURRENT ASSETS		
Cash and cash equivalents	3,404	4,384
Short-term bank deposits	26,747	36,224
Prepaid expenses	488	583
Other receivables	1,339	458
Total current assets	31,978	41,649
NON-CURRENT ASSETS		
Long-term prepaid expenses	56	55
Property and equipment, net	2,227	2,143
Right-of-use assets	-	1,797
Intangible assets, net	21,972	21,950
Total non-current assets	24,255	25,945
Total assets	56,233	67,594
Liabilities and equity		
CURRENT LIABILITIES		
Current maturities of long-term loans	895	1,636
Accounts payable and accruals:		
Trade	4,493	4,817
Other	1,363	989
Lease liabilities	-	693
Total current liabilities	6,751	8,135
NON-CURRENT LIABILITIES		
Warrants	323	5,213
Long-term loans, net of current maturities	7,838	7,228
Lease liabilities	-	1,130
Total non-current liabilities	8,161	13,571
COMMITMENTS AND CONTINGENT LIABILITIES		
Total liabilities	14,912	21,706
EQUITY		
Ordinary shares	3,110	3,928
Share premium	250,192	259,860
Capital reserve	11,955	12,191
Other comprehensive loss	(1,416)	(1,416)
Accumulated deficit	(222,520)	(228,675)
Total equity	41,321	45,888
Total liabilities and equity	56,233	67,594

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

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	Three months ended March 31,	
	2018	2019
	in USD thousands	
RESEARCH AND DEVELOPMENT EXPENSES	(5,070)	(4,392)
SALES AND MARKETING EXPENSES	(484)	(256)
GENERAL AND ADMINISTRATIVE EXPENSES	(1,075)	(930)
OPERATING LOSS	(6,629)	(5,578)
NON-OPERATING INCOME (EXPENSES), NET	462	(340)
FINANCIAL INCOME	175	210
FINANCIAL EXPENSES	(206)	(447)
NET LOSS AND COMPREHENSIVE LOSS	<u>(6,198)</u>	<u>(6,155)</u>
LOSS PER ORDINARY SHARE - BASIC AND DILUTED	<u>(0.06)</u>	<u>(0.05)</u>
WEIGHTED AVERAGE NUMBER OF SHARES USED IN CALCULATION OF LOSS PER ORDINARY SHARE	<u>106,169,273</u>	<u>132,979,984</u>

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

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED)

	Ordinary shares	Share premium	Capital Reserve	Other comprehensive loss	Accumulated deficit	Total
	in USD thousands					
BALANCE AT JANUARY 1, 2018	2,836	240,682	10,337	(1,416)	(199,558)	52,881
CHANGES FOR THREE MONTHS ENDED MARCH 31, 2018:						
Issuance of share capital, net	37	1,386	-	-	-	1,423
Employee stock options exercised	1	29	(30)	-	-	-
Employee stock options forfeited and expired	-	80	(80)	-	-	-
Share-based compensation	-	-	916	-	-	916
Comprehensive loss for the period	-	-	-	-	(6,198)	(6,198)
BALANCE AT MARCH 31, 2018	2,874	242,177	11,143	(1,416)	(205,756)	49,022
	Ordinary shares	Share premium	Capital Reserve	Other comprehensive loss	Accumulated deficit	Total
	in USD thousands					
BALANCE AT JANUARY 1, 2019	3,110	250,192	11,955	(1,416)	(222,520)	41,321
CHANGES FOR THREE MONTHS ENDED MARCH 31, 2019:						
Issuance of share capital, net	817	9,620	-	-	-	10,437
Employee stock options exercised	1	18	(18)	-	-	1
Employee stock options forfeited and expired	-	30	(30)	-	-	-
Share-based compensation	-	-	284	-	-	284
Comprehensive loss for the period	-	-	-	-	(6,155)	(6,155)
BALANCE AT MARCH 31, 2019	3,928	259,860	12,191	(1,416)	(228,675)	45,888

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

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

(UNAUDITED)

	Three months ended March 31,	
	2018	2019
	in USD thousands	
CASH FLOWS - OPERATING ACTIVITIES		
Comprehensive loss for the period	(6,198)	(6,155)
Adjustments required to reflect net cash used in operating activities (see appendix below)	(609)	1,533
Net cash used in operating activities	<u>(6,807)</u>	<u>(4,622)</u>
CASH FLOWS - INVESTING ACTIVITIES		
Investments in short-term deposits	(4,000)	(21,510)
Maturities of short-term deposits	12,167	12,228
Purchase of property and equipment	(54)	(31)
Purchase of intangible assets	(29)	-
Net cash provided by (used in) investing activities	<u>8,084</u>	<u>(9,313)</u>
CASH FLOWS - FINANCING ACTIVITIES		
Issuance of share capital and warrants, net of issuance costs	1,423	14,989
Employee stock options exercised	-	1
Repayments of loans	(23)	(23)
Repayments of lease liabilities	-	(50)
Net cash provided by financing activities	<u>1,400</u>	<u>14,917</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,677	982
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	5,110	3,404
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	23	(2)
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>7,810</u>	<u>4,384</u>

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

BioLineRx Ltd.

APPENDIX TO CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

(UNAUDITED)

	Three months ended March 31,	
	2018	2019
	in USD thousands	
Adjustments required to reflect net cash used in operating activities:		
Income and expenses not involving cash flows:		
Depreciation and amortization	140	213
Long-term prepaid expenses	1	1
Exchange differences on cash and cash equivalents	(23)	2
Gain on adjustment of warrants to fair value	(465)	(79)
Share-based compensation	916	284
Warrant issuance costs	-	417
Interest and exchange differences on short-term deposits	(182)	(195)
Interest and linkage differences on loans	(1)	154
	386	797
Changes in operating asset and liability items:		
Decrease (increase) in prepaid expenses and other receivables	(453)	786
Decrease in accounts payable and accruals	(542)	(50)
	(995)	736
	(609)	1,533
Supplemental information on interest received in cash	167	229
Supplemental information on non-cash transaction:		
Initial establishment of right-of-use assets against lease liabilities	-	1,878

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

BioLineRx Ltd.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – GENERAL INFORMATION

a. General

BioLineRx Ltd. (“BioLineRx”), headquartered in Modi’in, Israel, was incorporated and commenced operations in April 2003.

BioLineRx and its subsidiaries (collectively, the “Company”) are engaged in the development of therapeutics, primarily in clinical-stages, with a focus on the field of oncology.

In February 2007, BioLineRx listed its ordinary shares on the Tel Aviv Stock Exchange (“TASE”) and they have been traded on the TASE since that time. Since July 2011, BioLineRx’s American Depositary Shares (“ADSs”) have also been traded on the NASDAQ Capital Market.

In March 2017, the Company acquired Agalimmune Ltd. (“Agalimmune”), a privately-held company incorporated in the United Kingdom, with a focus on the field of immuno-oncology.

Although the Company has generated significant revenues from a number of out-licensing transactions in the past, the Company cannot determine with reasonable certainty when and if it will have sustainable profits.

b. Approval of financial statements

The condensed consolidated interim financial statements of the Company as of March 31, 2019, and for the three months then ended, were approved by the Board of Directors on May 14, 2019, and signed on its behalf by the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer.

NOTE 2 – BASIS OF PREPARATION

The Company’s condensed consolidated interim financial statements as of March 31, 2019 and for the three months then ended (the “interim financial statements”) have been prepared in accordance with International Accounting Standard No. 34, “Interim Financial Reporting” (“IAS 34”). These interim financial statements, which are unaudited, do not include all disclosures necessary for a fair statement of financial position, results of operations, and cash flows in conformity with International Financial Reporting Standards (“IFRS”). The condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements as of December 31, 2018 and for the year then ended and their accompanying notes, which have been prepared in accordance with IFRS. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period.

BioLineRx Ltd.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and calculation methods applied in the preparation of these interim financial statements are consistent with those applied in the preparation of the annual financial statements as of December 31, 2018 and for the year then ended, except for the adoption of IFRS No. 16, “Leases”.

a. Adjustments recognized on adoption of IFRS 16

The Company has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17, “Leases.” These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of December 31, 2018. The lessee’s weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 15.1%.

	<u>January 1,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Composition of right-of-use assets by type:		
Property	1,552	1,518
Motor vehicles	326	279
Total right-of-use asset	<u>1,878</u>	<u>1,797</u>
Composition of lease liabilities recognized as of January 1, 2019:		
Current lease liabilities	1,165	
Non-current lease liabilities	713	
	<u>1,878</u>	

BioLineRx Ltd.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

b. Practical expedients applied on adoption of IFRS 16

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019, as short-term leases;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4, “Determining whether an Arrangement contains a Lease.”

c. Other information relating to IFRS 16

As of March 31, 2019, the weighted average remaining lease term on the Company’s existing leases was 11.2 years for its property lease and 1.3 years for motor vehicle leases. Lease expense (substantially all of which is non-cash) for the three months ended March 31, 2019 amounted to \$0.1 million. Cash paid for amounts included in the measurement of the operating lease liabilities for the three months ended March 31, 2019 was \$0.1 million.

NOTE 4 – ISSUANCES OF SHARE CAPITAL AND WARRANTS

a. At-the-market (“ATM”) sales agreement with BTIG

In October 2017, the Company entered into an at-the-market (“ATM”) sales agreement with BTIG, LLC (“BTIG”), pursuant to which the Company may, at its sole discretion, offer and sell through BTIG, acting as sales agent, ADSs having an aggregate offering price of up to \$30.0 million throughout the period during which the ATM facility remains in effect. The Company will pay BTIG a commission of 3.0% of the gross proceeds from the sale of ADSs under the facility. From the effective date of the agreement through March 31, 2019, 7,054,192 ADSs were sold under the program for total net proceeds of approximately \$6.0 million, leaving an available balance under the facility of approximately \$24.0 million as of March 31, 2019.

BioLineRx Ltd.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 4 – ISSUANCES OF SHARE CAPITAL AND WARRANTS (cont.)

b. Underwritten public offering

In February 2019, the Company completed an underwritten public offering of 28,000,000 of its ADSs and warrants to purchase 28,000,000 ADSs, at a public offering price of \$0.55 per ADS and accompanying warrant. The warrants are exercisable immediately, expire five years from the date of issuance and have an exercise price of \$0.75 per ADS. The offering raised a total of \$15.4 million, with net proceeds of approximately \$14.1 million, after deducting fees and expenses.

The warrants issued have been classified as a non-current financial liability due to a net settlement provision. This liability was initially recognized at its fair value on the date the contract was entered into and is subsequently accounted for at fair value at each balance sheet date. The fair value changes are charged to non-operating income and expense in the statement of comprehensive loss.

The fair value of the warrants is computed using the Black and Scholes option pricing model. The fair value of the warrants upon issuance was computed based on the then current price of an ADS, a risk-free interest rate of 2.50% and an average standard deviation of 62.8%. The fair value of the warrants as of March 31, 2019 was based on the then current price of an ADS, a risk-free interest rate of 2.23% and an average standard deviation of 63.2%.

NOTE 5 – SHAREHOLDERS' EQUITY

As of December 31, 2018 and March 31, 2019, share capital is composed of ordinary shares, as follows:

	Number of ordinary shares	
	December 31, 2018	March 31, 2019
Authorized share capital	250,000,000	250,000,000
Issued and paid-up share capital	114,933,144	144,563,656
	In USD and NIS	
	December 31, 2018	March 31, 2019
Authorized share capital (in NIS)	25,000,000	25,000,000
Issued and paid-up share capital (in NIS)	11,493,314	14,456,366
Issued and paid-up share capital (in USD)	3,109,746	3,927,737