

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF MARCH 31, 2010

BioLineRx Ltd.
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BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

	<u>December 31,</u>	<u>March 31,</u>	Convenience translation into USD (Note 1b)
	<u>2009</u>	<u>2010</u>	<u>March 31,</u>
	<u>NIS in thousands</u>		<u>2010</u>
			<u>In thousands</u>
Assets			
CURRENT ASSETS			
Cash and cash equivalents	105,890	94,576	25,472
Prepaid expenses	1,094	1,270	342
Trade accounts receivable	37,750	37,130	10,000
Other receivables	2,313	588	158
Total current assets	<u>147,047</u>	<u>133,564</u>	<u>35,972</u>
NON-CURRENT ASSETS			
Restricted deposits	3,704	3,694	995
Long-term prepaid expenses	1,150	1,154	311
Property and equipment, net	4,175	3,909	1,053
Intangible assets, net	3,042	1,524	410
Asset in respect of retirement benefit obligations	49	49	13
Total non-current assets	<u>12,120</u>	<u>10,330</u>	<u>2,782</u>
Total assets	<u>159,167</u>	<u>143,894</u>	<u>38,754</u>
Liabilities and equity			
CURRENT LIABILITIES			
Accounts payable and accruals:			
Trade	6,452	5,920	1,594
OCS	14,005	14,005	3,772
Licensors	10,570	10,396	2,800
Other	10,203	9,798	2,639
Total current liabilities	<u>41,230</u>	<u>40,119</u>	<u>10,805</u>
COMMITMENTS AND CONTINGENT LIABILITIES			
Total liabilities	<u>41,230</u>	<u>40,119</u>	<u>10,805</u>
EQUITY			
Ordinary shares	1,235	1,235	333
Warrants	6,549	6,549	1,764
Share premium	412,513	412,513	111,100
Capital reserve	22,963	24,276	6,538
Accumulated deficit	(325,323)	(340,798)	(91,786)
Total equity	<u>117,937</u>	<u>103,775</u>	<u>27,949</u>
Total liabilities and equity	<u>159,167</u>	<u>143,894</u>	<u>38,754</u>

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

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS
(UNAUDITED)

	Three months ended March 31,		Convenience translation into USD (Note 1b)
	2009	2010	Three months ended March 31, 2010
	NIS in thousands		In thousands
SALES AND MARKETING EXPENSES	(423)	(959)	(258)
RESEARCH AND DEVELOPMENT EXPENSES, NET	(26,486)	(10,736)	(2,892)
GENERAL AND ADMINISTRATIVE EXPENSES	(2,545)	(2,935)	(790)
OPERATING LOSS	(29,454)	(14,630)	(3,940)
FINANCIAL INCOME	3,790	193	52
FINANCIAL EXPENSES	(29)	(1,038)	(279)
COMPREHENSIVE LOSS FOR THE PERIOD	(25,693)	(15,475)	(4,167)
	NIS		USD
LOSS PER ORDINARY SHARE - BASIC AND DILUTED	(0.32)	(0.13)	(0.03)

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

BioLineRx Ltd.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

Ordinary shares	Warrants	Share premium	Capital reserve	Accumulated deficit	Total
NIS in thousands					
625	947	307,658	32,961	(263,805)	78,386
*	*	3	-	-	3
-	(947)	947	-	-	-
-	-	-	1,019	-	1,019
-	-	-	-	(25,693)	(25,693)
625	-	308,608	33,980	(289,498)	53,715

BALANCE AT JANUARY 1, 2009
CHANGES FOR THREE MONTHS ENDING MARCH 31, 2009:

Exercise of warrants
Expiration of warrants
Share based compensation
Comprehensive loss for the period
BALANCE AT MARCH 31, 2009

Ordinary shares	Warrants	Share premium	Capital reserve	Accumulated deficit	Total
NIS in thousands					
1,235	6,549	412,513	22,963	(325,323)	117,937
-	-	-	1,313	-	1,313
-	-	-	-	(15,475)	(15,475)
1,235	6,549	412,513	24,276	(340,798)	103,775

BALANCE AT JANUARY 1, 2010
CHANGES FOR THREE MONTHS ENDING MARCH 31, 2010:

Share based compensation
Comprehensive loss for the year
BALANCE AT MARCH 31, 2010

Ordinary shares	Warrants	Share premium	Capital reserve	Accumulated deficit	Total
Convenience translation into USD in thousands (Note 1b)					
333	1,764	111,100	6,184	(87,619)	31,762
-	-	-	354	-	354
-	-	-	-	(4,167)	(4,167)
333	1,764	111,100	6,538	(91,786)	27,949

BALANCE AT JANUARY 1, 2010
CHANGES FOR THREE MONTHS ENDING MARCH 31, 2010:

Share based compensation
Comprehensive loss for the year
BALANCE AT MARCH 31, 2010

* Less than NIS 1,000

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

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS (UNAUDITED)

	Three months ended March 31,		Convenience translation into USD (Note 1b)
	2009	2010	Three months ended March 31, 2010
	NIS in thousands		In thousands
CASH FLOWS - OPERATING ACTIVITIES			
Comprehensive loss for the period	(25,693)	(15,475)	(4,167)
Adjustments required to reflect net cash used in operating activities (see appendix below)	(16,232)	4,889	1,317
Net cash used in operating activities	<u>(41,925)</u>	<u>(10,586)</u>	<u>(2,850)</u>
CASH FLOWS - INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through profit or loss	17,175	-	-
Purchase of property and equipment	(25)	(114)	(31)
Purchase of intangible assets	(143)	(82)	(22)
Net cash used in investing activities	<u>(17,007)</u>	<u>(196)</u>	<u>(53)</u>
CASH FLOWS - FINANCING ACTIVITIES			
Proceeds from exercise of warrants	3	-	-
Net cash provided by financing activities	<u>3</u>	<u>-</u>	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(24,915)	(10,782)	(2,903)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	60,379	105,890	28,518
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	3,614	(532)	(143)
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>39,078</u>	<u>94,576</u>	<u>25,472</u>

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

BioLineRx Ltd.

APPENDIX TO CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

(UNAUDITED)

	Three months ended March 31,		Convenience translation into USD (Note 1b)
	2009	2010	Three months ended March 31, 2010
	NIS in thousands		In thousands
Adjustments required to reflect net cash used in operating activities:			
Income and expenses not involving cash flows:			
Depreciation and amortization	432	430	116
Impairment of intangible assets	148	1,550	417
Retirement benefit obligations	-	-	-
Long-term prepaid expenses	7	(4)	(1)
Exchange differences on cash and cash equivalents	(3,614)	532	143
Gain on fair value adjustments to financial assets at fair value through profit or loss	(93)	-	-
Share-based compensation	1,019	1,313	354
Interest and exchange differences on restricted deposits	(60)	10	3
	<u>(2,161)</u>	<u>3,831</u>	<u>1,032</u>
Changes in operating asset and liability items:			
Increase in trade accounts receivable and other receivables	1,907	2,169	584
Increase in accounts payable and accruals	(15,978)	(1,111)	(299)
	<u>(14,071)</u>	<u>1,058</u>	<u>285</u>
	<u>(16,232)</u>	<u>4,889</u>	<u>1,317</u>
Supplementary information on interest received in cash	<u>183</u>	<u>183</u>	<u>49</u>

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

BIOLINERX LTD.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – GENERAL INFORMATION

a. General

BioLineRx Ltd. (the “Company”) was incorporated and commenced operations in April 2003.

Since incorporation, the Company has been engaged, both independently and through its consolidated entities (collectively, the “Group”), in the development of therapeutics, from early-stage development to advanced clinical trials, for a wide range of medical needs.

In December 2004, the Company registered a limited partnership, BioLine Innovations Jerusalem L.P. (the “Partnership”), which commenced operations on January 1, 2005. The Company holds a 99% interest in the Partnership, with the remaining 1% held by a wholly owned subsidiary of the Company, BioLine Innovations Ltd. The Partnership was established to operate an industrial research and development center in an incubator located in Jerusalem under an agreement with the State of Israel.

In February 2007, the Company listed its securities on the Tel Aviv Stock Exchange (TASE) and they have been traded on the TASE since that time.

In January 2008, the Company established a wholly owned subsidiary, BioLineRx USA Inc., which serves as the Group’s business development arm in the United States.

The Company has been engaged in drug development since its incorporation. The Company has not yet generated profits from its activities and cannot determine with reasonable certainty if and when the Company will become profitable.

b. Convenience translation into US dollars (“dollars” or “USD”)

For the convenience of the reader, the reported New Israeli Shekel (“NIS”) amounts as of March 31, 2010 have been translated into dollars, at the representative rate of exchange on March 31, 2010 (USD 1 = NIS 3.713). The dollar amounts presented in these financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

NOTE 2 – BASIS OF PREPARATION

The Group’s condensed consolidated interim financial statements as of March 31, 2010 and for the three months then ended (hereinafter – the interim financial statements) have been prepared in accordance with International Accounting Standard No. 34, “Interim Financial Reporting” (hereinafter – IAS 34). These interim financial statements, which are unaudited, do not include all disclosures necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements as of December 31, 2009 and for the year then ended and their accompanying notes, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The results of operations for the three months ended March 31, 2010 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 the interim financial statements are consistent with those applied in the preparation of the annual financial statements as of December 31, 2009 and for the year then ended.

NOTE 4 – RESEARCH AND DEVELOPMENT

Research and development expenses are reflected net of research grants received from an interested (related) party of the Company, pursuant to a research funding arrangement for early development stage projects, as follows:

	Three months ended	
	March 31,	
	2009	2010
	NIS in thousands	
Grants received from an interested party, offset against research and development expenses	<u>685</u>	<u>755</u>

NOTE 5 – EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

In April, the Company received a USD 10 million payment from Ikaria Holdings Inc. (“Ikaria”) according to the terms of the licensing agreement between the parties, following successful completion of the phase 1/2 clinical trial assessing the safety and feasibility of BL-1040 in patients who had experienced a significant acute myocardial infarction. The milestone payment is subject to a U.S. withholding tax of 15%. The Company intends to apply for a refund of this tax and/or utilize the tax paid as a credit against future Israeli income tax. The Company is required to pay 28% of net receipts from Ikaria to the licensors of the original BL-1040 compound.