

**BioLineRx Ltd.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF MARCH 31, 2011

**BioLineRx Ltd.**

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(UNAUDITED)

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## BioLineRx Ltd.

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

	<u>December 31,</u> <u>2010</u>	<u>March 31,</u> <u>2011</u>	<b>Convenience translation into USD (Note 1b)</b> <u>March 31,</u> <u>2011</u>
	<u>NIS in thousands</u>		<u>In thousands</u>
<b>Assets</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	111,746	54,737	15,725
Short-term bank deposits	28,037	73,243	21,041
Prepaid expenses	46	116	33
Other receivables	6,313	6,323	1,816
Total current assets	<u>146,142</u>	<u>134,419</u>	<u>38,615</u>
<b>NON-CURRENT ASSETS</b>			
Restricted deposits	2,414	3,358	965
Long-term prepaid expenses	196	231	66
Property and equipment, net	4,509	4,350	1,250
Intangible assets, net	1,352	1,303	374
Total non-current assets	<u>8,471</u>	<u>9,242</u>	<u>2,655</u>
<b>Total assets</b>	<u>154,613</u>	<u>143,661</u>	<u>41,270</u>
<b>Liabilities and equity</b>			
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term bank loan	307	307	88
Accounts payable and accruals:			
Trade	3,849	3,104	892
OCS	5,993	5,993	1,722
Licensors	1,491	1,463	420
Other	10,551	11,463	3,293
Total current liabilities	<u>22,191</u>	<u>22,330</u>	<u>6,415</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term bank loan, net of current maturities	432	352	101
Retirement benefit obligations	30	30	9
Total non-current liabilities	<u>462</u>	<u>382</u>	<u>110</u>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
Total liabilities	<u>22,653</u>	<u>22,712</u>	<u>6,525</u>
<b>EQUITY</b>			
Ordinary shares	1,236	1,236	355
Warrants	6,549	6,549	1,881
Share premium	414,435	414,571	119,095
Capital reserve	27,623	28,120	8,078
Accumulated deficit	(317,883)	(329,527)	(94,664)
Total equity	<u>131,960</u>	<u>120,949</u>	<u>34,745</u>
<b>Total liabilities and equity</b>	<u>154,613</u>	<u>143,661</u>	<u>41,270</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)
	2010	2011	Three months ended March 31,
	NIS in thousands		2011 In thousands
<b>RESEARCH AND DEVELOPMENT EXPENSES, NET</b>	(10,736)	(6,384)	(1,834)
<b>SALES AND MARKETING EXPENSES</b>	(959)	(750)	(215)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	(2,935)	(2,926)	(840)
<b>OPERATING LOSS</b>	(14,630)	(10,060)	(2,889)
<b>FINANCIAL INCOME</b>	193	1,183	339
<b>FINANCIAL EXPENSES</b>	(1,038)	(2,767)	(795)
<b>LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	(15,475)	(11,644)	(3,345)
	<b>NIS</b>		<b>USD</b>
<b>LOSS PER ORDINARY SHARE - BASIC AND DILUTED</b>	(0.13)	(0.09)	(0.03)

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

**BioLineRx Ltd.**  
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY  
(UNAUDITED)

	<u>Ordinary shares</u>	<u>Warrants</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
	NIS in thousands					
<b>BALANCE AT JANUARY 1, 2010</b>	1.235	6.549	412.513	22.963	(325.323)	117.937
<b>CHANGES FOR THREE MONTHS ENDING MARCH 31, 2010:</b>						
Share based compensation				1.313		1.313
Comprehensive loss for the period	-	-	-	-	(15,475)	(15,475)
<b>BALANCE AT MARCH 31, 2010</b>	<u>1,235</u>	<u>6,549</u>	<u>412,513</u>	<u>24,276</u>	<u>(340,798)</u>	<u>103,775</u>
	<u>Ordinary shares</u>	<u>Warrants</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
	NIS in thousands					
<b>BALANCE AT JANUARY 1, 2011</b>	1.236	6.549	414.435	27.623	(317.883)	131.960
<b>CHANGES FOR THREE MONTHS ENDING MARCH 31, 2011:</b>						
Share based compensation				632		632
Employee stock options exercised			105	(104)		1
Employee stock options expired			31	(31)		
Comprehensive loss for the period					(11,644)	(11,644)
<b>BALANCE AT MARCH 31, 2011</b>	<u>1,236</u>	<u>6,549</u>	<u>414,571</u>	<u>28,120</u>	<u>(329,527)</u>	<u>120,949</u>
	<u>Ordinary shares</u>	<u>Warrants</u>	<u>Share premium</u>	<u>Capital reserve</u>	<u>Accumulated deficit</u>	<u>Total</u>
	Convenience translation into USD in thousands (Note 1b)					
<b>BALANCE AT JANUARY 1, 2011</b>	355	1.881	119.056	7.935	(91.319)	37.908
<b>CHANGES FOR THREE MONTHS ENDING MARCH 31, 2011:</b>						
Share based compensation				182		182
Employee stock options exercised			30	(30)		*
Employee stock options expired			9	(9)		
Comprehensive loss for the period					(3,345)	(3,345)
<b>BALANCE AT MARCH 31, 2011</b>	<u>355</u>	<u>1,881</u>	<u>119,095</u>	<u>8,078</u>	<u>(94,664)</u>	<u>34,745</u>

\* Less than NIS 1,000 / USD 1,000

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

## BioLineRx Ltd.

### CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

(UNAUDITED)

	<b>Three months ended March 31,</b>		<b>Convenience translation into USD (Note 1b) Three months ended March 31,</b>
	<b>2010</b>	<b>2011</b>	<b>2011</b>
	<b>NIS in thousands</b>		<b>In thousands</b>
<b>CASH FLOWS - OPERATING ACTIVITIES</b>			
Comprehensive loss for the period	(15,475)	(11,644)	(3,345)
Adjustments required to reflect net cash used in operating activities (see appendix below)	4,889	3,215	924
Net cash used in operating activities	(10,586)	(8,429)	(2,421)
<b>CASH FLOWS - INVESTING ACTIVITIES</b>			
Investment in short-term bank deposits		(61,012)	(17,527)
Investment in restricted deposits		(1,000)	(287)
Withdrawal of deposits		14,284	4,103
Purchase of property and equipment	(114)	(295)	(85)
Purchase of intangible assets	(82)	(20)	(6)
Net cash used in investing activities	(196)	(48,043)	(13,802)
<b>CASH FLOWS - FINANCING ACTIVITIES</b>			
Repayments of bank loan		(76)	(22)
Proceeds from exercise of employee stock options		1	*
Net cash used in financing activities	-	(75)	(22)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(10,782)	(56,547)	(16,244)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>	105,890	111,746	32,102
<b>EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	(532)	(462)	(133)
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	94,576	54,737	15,725

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

**BioLineRx Ltd.**

## APPENDIX TO CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

(UNAUDITED)

	<b>Three months ended March 31,</b>		<b>Convenience translation into USD (Note 1b)</b>
	<b>2010</b>	<b>2011</b>	<b>Three months ended March 31, 2011</b>
	<b>NIS in thousands</b>		<b>In thousands</b>
<b>Adjustments required to reflect net cash used in operating activities:</b>			
<b>Income and expenses not involving cash flows:</b>			
Depreciation and amortization	430	399	115
Impairment of intangible assets	1,550	-	-
Long-term prepaid expenses	(4)	(35)	(10)
Exchange differences on cash and cash equivalents	532	462	132
Interest and exchange differences on short-term deposits	-	1,522	437
Interest and linkage on bank loan	-	(4)	(1)
Share-based compensation	1,313	632	182
Interest and exchange differences on restricted deposits	10	56	16
	<u>3,831</u>	<u>3,032</u>	<u>871</u>
<b>Changes in operating asset and liability items:</b>			
Decrease (increase) in trade accounts receivable and other receivables	2,169	(80)	(23)
Increase (decrease) in accounts payable and accruals	(1,111)	263	76
	<u>1,058</u>	<u>183</u>	<u>53</u>
	<u>4,889</u>	<u>3,215</u>	<u>924</u>
<b>Supplementary information on interest received in cash</b>	<u>183</u>	<u>363</u>	<u>104</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 sustainable profits from its activities and cannot determine with reasonable certainty if and when the Company will become profitable on a current basis.

##### **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, 2011 have been translated into dollars, at the representative rate of exchange on March 31, 2011 (USD 1 = NIS 3.481). The dollar amounts presented in these condensed consolidated interim financial statements should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated.

##### **c. Approval of consolidated financial statements**

The consolidated financial statements of the Company for the three months ended March 31, 2011 were approved by the Board of Directors of the Company on May 30, 2011, and signed on its behalf by the Chairman of the Board, the Company’s Chief Executive Officer and the Company’s Chief Financial and Operating Officer.



## **BIOLINERX LTD.**

### **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

#### **NOTE 2 – BASIS OF PREPARATION**

The Group's condensed consolidated interim financial statements as of March 31, 2011 and for the three months then ended 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 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, 2010 and for the year then ended and their accompanying notes, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period.

#### **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, 2010 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:

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2011</b>
	<b>NIS in thousands</b>	
Grants received from an interested party, offset against research and development expenses	<u>755</u>	<u>754</u>

**BIOLINERX LTD.**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)

**NOTE 5 – EVENT SUBSEQUENT TO THE BALANCE SHEET DATE**

In May 2011, the Company signed an agreement, effective June 1, 2011, to reacquire all development and commercialization rights to BL-1020 granted to Cypress Bioscience, Inc. (“Cypress Bioscience”) pursuant to the license agreement the Company and Cypress Bioscience entered into in June 2010, as well as terminate the license agreement. In consideration for the reacquisition of such rights, including substantially all materials required for timely commencement of the BL-1020 clinical trial expected to commence in June 2011, the Company is obligated to pay Cypress Bioscience a 1% royalty on worldwide net sales of BL-1020 up to an aggregate cumulative amount of USD 80,000,000. In addition, the Company is obligated to pay Cypress Bioscience 10% of all future one-time payments received in respect of BL-1020, not to exceed an aggregate cumulative amount of USD 10,000,000, as reimbursement for costs that Cypress Bioscience incurred in developing the intellectual property portfolio, designing the clinical trial and conducting substantially all preparations to launch the trial.