



Convenience Translation

CollPlant
Revolutionizing Tissue Repair

CollPlant Holdings Ltd.

Quarterly Report

Second Quarter 2014





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As of the date of this report, the Company is considered to be a "small entity" in accordance with the conditions that are set in Regulation 5C of the Securities Regulations (Periodic and Immediate Report) – 1970 ("The Regulations").

In accordance with a decision by the Company's Board of Directors, the Company has adopted and is implementing a number of the reliefs that have been determined in the Regulations (in so far as such implementation is relevant or will be relevant to the Company), the main reliefs being as follows:

1. The attachment of very significant evaluation is only to be executed over and above a materiality threshold of 20%;¹
2. The statements of significant affiliated companies are only to be attached to the interim financial statements over and above a threshold for attachment of 40% (the total attachment to the annual financial statements is (remains) 20%);²
3. An exemption from the implementation of the provisions of the Second Addition in the Regulations (details regarding exposure to market risks and the manner in which they are managed (Glai Report));³
4. The non-publication of a report in the internal control and a report by the auditor on the internal control, with the attachment of a more limited declaration by management alone.⁴

¹ Regulation 5D(b)(1) of the Regulations. In accordance with legal decision SLB105-23 by the staff at the Securities Authority, as updated in March 13, 2014, on the matter of the parameters for the examination of the materiality of evaluations, a "**very significant evaluation in a small entity**", is defined as an evaluation where:

- (a) The subject matter of the evaluation constitutes at least 20% of the total assets of the company; **or**
- (b) The impact of the change in value as a result of the evaluation on the net income or on the comprehensive income, as the case may be, constitutes at least 20% of the total net income or of the comprehensive income, respectively **and in addition** the impact of the change constitutes at least 10% of the entity's shareholders' equity.

² Regulation 5D(b)(2) of the Regulations.

³ Regulation 5D(b)(3) of the Regulations.

⁴ Regulation 5D(b)(4) of the Regulations.

Statement by the Chairman

After approximately a decade of research and development activity, during which we have developed and accumulated a broad-scale scientific infrastructure in CollPlant, on issues relating to the production of recombinant human Collagen and the development of products that are based on the use of that Collagen, and after having won the trust of strong anchor investors in the past year, which has included an impressive and very respectable expression of faith on the part of some of the leading institutional bodies in Israel and of a foreign (Chinese) investor, who has proven international experiences, we have entered a new phase in our business activities, which is primarily typified by preparations for the commercialization of our first two products, and for the potential business usage, which is inherent in the Company's technology.

This new stage in the Company's operations includes: Clinical trials in relation to our two advanced products – the first being Vergenix®FG, which is intended for the treatment of chronic wounds and the second, Vergenix®STR, is intended for the healing of tendonitis, with the objective of receiving marketing approvals in Europe, intensive marketing efforts, including the activities needed in order to create a commercial infrastructure for the distribution of those products, the upgrading of the production set-up in order to increase the production capacity as well as lowering the production costs by diversifying them.

In the first half of the year 2015, we intend to take action to promote the penetration in Europe, initially, of the first product, and in the second half of the year 2015, in order to progress a similar process for the second product.

In the course of the year 2015, through the Chinese strategic partner, we will begin the activity involved in the registration of the products in China, which is required in order to penetrate the Chinese market. Furthermore, we will act to create a regulatory and marketing infrastructure in the American market and in additional markets, in so far as penetration into those markets will constitute an attractive business opportunity from our perspective.

In addition, we intend to increase the exposure to the international audience, with the objective of strengthening the "CollPlant" brand globally as well as the awareness of the considerable importance that our proprietary recombinant human Collagen has and the unique role that is intended for it in the Collagen based medical products industry as well as in other industries.

The Company is continuing to act in order to implement its business plan for strategic cooperation with key international players.

We are committed to success and are full of faith that we have the know-how that is required, as well as the human capital, the experience and the ability to lead CollPlant to the realization of its inherent potential.

We are acting ceaselessly, together with CollPlant's management and staff in order to advance the Company's objectives and to strive to bring you additional good news in the coming Jewish New Year.

I would like to thank you, for the faith and support that you have given me in our operations in the past year.

Wishing you a happy new year

Yaron Yaniv

CollPlant Holdings Ltd.

Part A – Board of Directors report regarding company's status as of June 30, 2014

The Company's Board of Directors is honored to present hereby the Board of Directors report regarding the status of the Company ("**CollPlant**" or "**The Company**") and its subsidiary company as of June 30, 2014 and for the periods of three months and of six months ended on that date ("**The reporting date**" and "**The interim period**"), in accordance with the Securities Regulations (Periodic and Immediate Reports) – 1970 ("**The report of the Board of Directors for the interim period**"). The report of the Board of Directors for the interim period is attached to the interim consolidated financial statements ("**The interim financial statements**") on the assumption that the said interim financial statements are available to the reader.

A. The explanations of the Board of Directors on the Company's status, the results of its operations, its shareholders equity and its cash flows

CollPlant is a medical device company that is focused on regenerative medicine by utilizing its propriety Collagen technology, which is produced from tobacco plants Collplant is developing a substantial range of biomaterials-based products, which are applicable in multiple medical markets, including orthopedics, wound management, and general surgery. The Company's plans include the conducting of clinical trials for two products in 2014: a syringe for healing wounds and a product for healing inflammations in tendons.

The Company's plans are to complete the clinical trials for these two products, to receive CE approvals and to make preparations for the start of the sale of these two products in 2015, starting with countries in the European Union. In addition, the Company is continuing to increase efficiency in the production processes for the Collagen protein.

On May 15, 2014, the Company received the approval of the Ministry of Health for the performance of an open (revealed) clinical trial for the syringe product, for healing wounds, which it has developed – the Vergenix®FG. This product is a Collagen based gel, which is intended for the treatment of diabetic ulcers, burns, pressure wounds, chronic wounds and surgical wounds. The size of the market for the healing of the wounds for which the Vergenix®FG is intended is estimated at approximately 5 billion Dollars and in accordance with the plans for the start of the sales in 2015, CollPlant is holdings meetings and discussions with international distributors in order to distribute the product in Europe.

1. Significant changes that have occurred in the Company's operations, in its business, and in the figures in its financial statements for the interim period

The financial position

- 1.1 Current assets – The balance of the current assets amounted to NIS 17,937 thousand as of June 30, 2014, as compared with NIS 25,505 thousand as of December 31, 2013. The decrease of NIS 7,568 in the balance of the current assets is attributed primarily to the use of the cash balances by the Company in order to invest in product development operations.
- 1.2 Non-current assets – The balance of the non-current assets amounted to NIS 4,517 thousand as of June 30, 2014, as compared with NIS 4,768 thousand as of December 31, 2013. The change derived primarily from the depreciation and amortization recorded by the Company, in an amount of NIS 416 thousand in

respect of fixed and other assets, which was offset by an invest of NIS 197 thousand in fixed assets in the interim period.

1.3 Current liabilities– The balance of the current liabilities amounted to NIS 2,078 thousand as of June 30, 2014, as compared with NIS 3,189 thousand as of December 31, 2013. The decrease in the balance of the current liabilities in the interim period derived from a decrease of NIS 690 thousand in respect of providers of services in respect of the recruitments of equity in the fourth quarter of 2013 and a reduction of NIS 421 thousand in liabilities to employees and institutions in respect of employees.

1.4 Equity– The Company's equity amounted to NIS 20,376 thousand as of June 30, 2014, as compared with NIS 27,084 thousand as of December 31, 2013. The decrease in the balance of the equity in the course of the interim period derived from the comprehensive loss of NIS 6,797 thousand for the period, less the component of the benefit in respect of options to employees and consultants in an amount of NIS 89 thousand.

2. Business activity results

The following are the Company's condensed statements of income for the periods of six months and of three months ended June 30, 2014 and 2013 and for the year 2013 (in NIS thousands):

	For the six months ended June 30		For the three months ended June 30		For the year ended December 31
	2014	2013	2014	2013	2013
	Unaudited		Unaudited		Unaudited
	NIS thousands				
Research and development expenses:					
Research and development expenses	7,612	8,825	3,895	4,126	16,151
Participation in research and development expenses	(2,618)	(1,956)	(1,661)	(1,358)	(3,717)
Research and development expenses, net	4,994	6,869	2,234	2,768	12,434
General and administrative and marketing expenses	1,770	1,402	704	643	3,747
Operating loss	6,764	8,271	2,938	3,411	16,181
Financing expenses (income), net	33	144	62	25	289
Comprehensive loss for the period	6,797	8,415	3,000	3,436	16,470

The following is an analysis of the operating results:

2.1 Research and development expenses

Research and development expense amounted to NIS 3,895 thousand in the second quarter of 2014, as compared with NIS 4,126 thousand in the comparative quarter in the previous year. The volume of the development expenses has decreased by NIS 231 thousand by comparison to the comparative quarter in the previous year and does not constitute a significant change in the extent of the development activities, which are focused on orthopedic products and wound treatment.

Research and development expense amounted to NIS 7,612 thousand in the first half of the year, as compared with NIS 8,825 thousand in the comparative period in the previous year. The decrease of NIS 1,213 thousand is attributed to the focusing and efficiency plan, which was implemented at the end of the first quarter of 2013. The efficiency plan, details of which have been provided in the periodic reports has focused on the development of orthopedics and wound management products, with a decrease in the size of the workforce, and investment in the development processes in Israel instead of the United States, which has also led to a decrease in the overall development costs in the interim period.

The total amount of the participations in the research and development expenses amounted to NIS 1,661 thousand in the second quarter, as compared with NIS 1,358 thousand in the comparative quarter in the previous year. The total amount the participations in the research and development expenses amounted to NIS 2,618 thousand in the first half of the year, as compared with NIS 1,956 thousand in the comparative period in the previous year. The increase is in respect of an increase in the participation by the Chief Scientist in the Company's development plan and in respect of participation by a strategic partner in the development of a product in the course of the second and the third quarters, in accordance with milestones that have been agreed with the Company.

2.2 General and administrative and marketing expenses

General and administrative and marketing expenses amounted to NIS 704 thousand in the second quarter, which ended on June 30, 2014, as compared with NIS 643 thousand in the comparative quarter in the previous year. General and administrative and marketing expenses amounted to NIS 1,770 thousand in the first half of the year, as compared with NIS 1,402 thousand in the comparative period in the previous year, an increase of NIS 368 thousand, which is attributed to non-recurring expenses, primarily in the course of the first quarter of the year 2014.

2.3 Operating loss

The operating loss amounted to NIS 2,938 thousand and to NIS 3,411 thousand in the quarters ended June 30, 2014 and 2013, respectively. The reduction in the operating loss derived primarily as a result of an increase in the participation by the Chief Scientist in the Company's development plan and from participation by a strategic partner, as described above.

The operating loss amounted to NIS 6,764 thousand in the first half of the year, as compared to NIS 8,271 thousand in the comparative period in the previous year. The reduction in the operating loss derives from the Company having focused on the development of focused on the development of orthopedics and wound management products, with a decrease in the size of the workforce, and investment

in the development processes in Israel instead of the United States, as aforesaid, and from an increase in participation in development expenses by the Chief Scientist in the Company's development plan as well as participation by a strategic partner.

2.4 Financing expenses, net

The financing expenses, net in the second quarter of 2014 amounted to NIS 62 thousand, as compared with financing expenses of NIS 25 thousand in the comparative quarter in the previous year. The Company's financing expenses derive from exchange differences in respect of balances that are held in foreign currency, and from bank commissions in respect of transactions. The financing expenses, net amounted to NIS 33 thousand in the first half of the year 2014, as compared with NIS 144 thousand in the comparative period in the previous year. The decrease in the expenses by comparison to the comparative period is attributed to expenses in respect of exchange differences in the comparative period in the previous year.

2.5 Taxes on income

As of June 30, 2014 and 2013, the Company had significant accumulated losses for tax purposes. Deferred taxes have not been recorded in respect of these losses as a lack of the inability to forecast a tax liability in the future.

2.6 Comprehensive loss for the period

The comprehensive loss amounted to NIS 3,000 thousand and to NIS 3,436 thousand in the quarters ended June 30, 2014 and 2013, respectively. The loss in the periods of six months ended on those dates amounted to NIS 6,797 thousand and to NIS 8,415 thousand, respectively.

The decrease in the comprehensive loss in the second quarter, as compared with the comparative quarter in the previous year is attributed to an increase in the participation by the Chief Scientist in the Company's development plans and participation in the development costs by a strategic partner, as aforesaid.

The reduction in the comprehensive loss, in an amount of NIS 1,618 thousand, in the interim period is credited to the efficiency plan that was executed towards the end of the first quarter in the previous year, which included focusing on the development of orthopaedic and wounds management products, with a decrease in the size of the workforce and investment in the development processes in Israel instead of the United States, as described above, as well as from an increase in participation in the Company's development plans by the Chief Scientist and from participation in the development costs.

3. Liquidity, cash flows and sources of financing

3.1 The Company has not yet generated profits or positive cash flows from its operating activities. The Company's plans for the continuation of the research and the development of products, manufacturing and marketing in the coming year are supported by sources of financing, which include the Company's cash balances and grants from government authorities and receipts from strategic partners. During the course of the fourth quarter of 2013, the Company completed the recruitment of equity in a net amount of approximately NIS 27.4 million.

This consideration will serve the Company, together with the abovementioned external sources of financing, for the financing of the operating activities, including the research and development activities and the financing of the Company's work plan at least until the middle of 2015.

The Company is acting to obtain additional sources of financing, which will enable the continuation of its operations beyond the abovementioned period. These sources include: (1) the signing and execution of additional agreements with companies for the development of joint products, agreements that also include, inter alia, the full financing of the development costs and payments to the Company for a license for the sale of the Company's products in the future; (2) preparations for the start of the sale of the Company's products, where the preparations include the performance of clinical trials and the presentation of applications for the approval of sales of the Company's products in Europe and discussions and meetings with international distributors, who are candidates for the distribution of the Company's products in Europe and (3) the recruitment of sources of financing from the public and/or from private investors and/or from institutional investors in Israel and overseas in accordance with the developments in sections (1) and (2) above. There can be no certainty regarding the Company's ability to recruit additional sources of financing, as previously mentioned. See Note 1C to the interim financial statements for additional details.

3.2 Cash flows

3.2.1 Cash flows from operating activities

The net cash absorbed by operating activities in the second quarter of 2014 amounted to NIS 2,669 thousand, as compared with NIS 3,937 thousand in the comparative quarter in the previous year. The decrease in an amount of NIS 1,268 thousand in the absorption of cash by operating activities derived primarily from a decrease in the use of cash for development needs as a result of the Company's focusing on orthopedic and wound treatment products, and from the cost reduction program that has been operated, as compared with the comparative quarter in the previous year.

The cash flows from operating activities for the period of six months ended June 30, 2014 amounted to NIS 6,942 thousand as compared with NIS 7,548 thousand in the comparative period in the previous year. The decrease in the absorption of cash derived primarily as a result of the Company's focusing on orthopedic and wound management products, and from the cost reduction program that has been operated.

3.2.2 Cash flows from investment activities

The net cash generated by investment activities amounted to NIS 5 thousand, as compared with net cash of NIS 137 thousand that was absorbed by investment activities in the quarters ended June 30, 2014 and 2013, respectively. Furthermore, the cash flows absorbed by investment activities in the first half of the years ended June 30, 2014 and 2013 amounted to NIS 197 thousand and NIS 167 thousand, respectively. These cash flows were primarily directed to investments in fixed assets for the Company's development activity.

3.2.3 Cash flows from operating activities

The Company did not generate net cash from the financing activities in the interim period and in the comparative periods in the previous year.

3.3 The sources of financing:

In the interim period, the Company financed its operations from the balances of cash and cash equivalents that were available to it, including grants from government authorities.

3.4 Quarterly report regarding the volume of the liabilities in accordance with the repayment times

For details regarding the volume of the Company's liabilities, in accordance with the repayment times, see the separate immediate report that has been presented as of the time of this report.

4. **Remuneration for interested parties and senior office holders**

In the interim period, no significant changes have occurred in relation to what is stated in the annual report of the Board of Directors in connection with the manner of the examination of the remuneration terms of the office holders in the /Company, their reasonability and the connection between them and the contribution made by the office holders and interested parties in the Company in accordance with the requirements in Regulation 21 of the Securities Regulations (Periodic and Immediate Reports) – 1970, except as details in the previous quarterly report (Section 4).

B. Aspects of corporate governance

5. **Details relating to the members of the Board of Directors who have accounting and financial expertise**

5.1 In March 2013, the Company's Board of Directors decided that the minimal number of directors (including external directors) having accounting and financial expertise) who are required in the Board of Directors ("**The minimum number**") shall stand at one.

5.2 During the interim period and as of the time of this report, the number of directors having accounting and financial expertise did not fall below the minimum number.

6. **Details in relation in independent directors**

During the interim period and as of the time of the this report, the Company has not adopted provisions in its articles of association regarding the percentage of the members of the Board of Directors who are independent, within the definition of that term in Section 219(E) of the Companies Law – 1999 ("**The Companies Law**").

7. **Update in relation to an event or matter that has been reported on**

During the interim period and as of the time of the publication this report, the Company has not presented a report on an event or on a matter ("**The original report**"), which might occur at a date that is later than the timing of the original report, an update in which should be presented.

8. **Details regarding the Company's internal auditor**

- 8.1 The Company's internal auditor complies with all of the conditions that are set in Section 3(A) of the Internal Audit Law- 1992 ("**The Internal Audit Law**"); the internal auditor complies with the provisions of Section 136(B) of the Companies Law, and the provisions of Section 8 of the Internal Audit Law, and she holds office as a senior office holders in the Company under the provisions of the law.
- 8.2 During the interim period and as of the time of this report, no significant change has occurred in relation to what is described in the annual report of the Board of Directors in connection with the Company's internal auditor.

9. **Details regarding debt certificates that are in circulation**

During the interim period and as of the time of the publication this report, the Company does not have debt certificates that are in circulation

10. **Self purchase plan**

- 10.1 The Company's Board of Directors is the body that is responsible for the exercise of the ultimate control in the Company and for the approval of the financial statements.
- 10.2 As of the time of this report, the members of the Board of Directors are: Yaron Yaniv - Chairman of the Board of Directors, Professor Oded Shoseyov, Dr. Alon Domanis, Rami Armon (External Director), Tony Qian, Efi Cohen-Arazi and Orli Tori (External Director).
- 10.3 In accordance with the provisions of the Companies Regulations (Provisions and conditions on the matter of the process of the approval of the financial statements) – 2010 ("**The Approval of Financial Statements Regulations**"), the Company's Audit Committee has also been appointed as the Company's Financial Statements Examination Committee (in this section: "**The Committee**"). As of the date of this report, the Committee is comprised of two members: Mr. Rami Armon, an external director and the Chairman of the Committee; Ms. Orli Tori, an external director.⁵
- 10.4 The approval of the interim financial statements involves two meetings, as detailed below: (1) a meeting of the Committee before a meeting of the Board of Directors, for a comprehensive discussion in principle on significant reporting and disclosure issued and for a discussion and the formulation of its recommendations for the purpose of the approval of the interim financial statements by the Board of Directors; (2) a meeting of the Board of Directors, for a discussion of the financial statements and the approval thereof. A draft of the financial statements is passed to the directors several days before the time of each meeting, together with the recommendations.
- 10.5 In addition to all of the members of the Committee (Rami Armon, Orli Tori and Ran Nussbaum), the Company's external auditor, officers and other office holders in the company were invited to and attended the meeting of the Committee, which

⁵ It should be noted that Mr. Nussbaum, who held office, inter alia, as a member of the Company's Balance Sheet Committee and also of the other committees of the Board of Directors, resigned from the Company's Board of Directors and from its committees on August 24, 2014, in other words, after the discussion and the (unanimous) decision of the Committee to approve the financial statements for the interim period. As of the time of the publication of this prospectus, a member of the Board of Directors has yet to be appointed to serve on the Balance Sheet Committee in his place.

was held on August 21, 2014, at which the Committee held a discussion and formulated its recommendations to the Board of Directors on the subject of the approval of the interim financial statements.

Within the context of its meeting, the Committee examined the manner of the presentation and received a detailed review by the Company's Chief Financial Officer, inter alia, on the assessments and the estimated that had been made in connection with the interim financial statements, on which figures appearing in the interim financial statements are based, including significant changes in such assessments and the estimates (in so far as there were any), the completeness and the fairness of the reporting and the disclosure in the interim financial statements and the Company's plans for financing its operations in the year following the date of the meeting. The Chief Financial Officer reviews the accounting policy that has been adopted and the accounting treatment that has been implemented on issues that are of significance to the Company before the members of the Committee.

Furthermore, the external auditor related to the issues that had been presented. A discussion was held in the Committee on the subject of the accounting policy and the manner of the presentation and the disclosure in the interim financial statements. The Committee's recommendations were passed to the members of the Board of Directors in writing on August 21, 2014 and the recommended to the Board of Directors to approve the Company's interim financial statements.

- 10.6 The following persons were present at a meeting of the Board of Directors, which was held on August 25, 2014 and which dealt, inter alia, with the approval of the interim financial statements: Yaron Yaniv, the Chairman of the Board of Directors, Professor Oded Shoseyov, Dr. Alon Domanis and his replacement, Rami Armon (External Director), Tony Qian, Orli Tori (External Director) and Efi Cohen Arazi. In addition to the said members of the Board of Directors, the Company's external auditor, officers and other office holders in the Company, who had been invited and were prepared to answer any question that was raised by members of the Board of Directors, were also present at the meeting.

At the said meeting, the Board of Directors discussed the Committee's recommendation, it reviewed the Company's financial results, its financial position and its cash flows and data were presented on the Company's operations together with a comparison to the previous periods that had been reviewed. Furthermore, the Board of Directors discussed and made a decision regarding the non-inclusion of separate financial information in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports) - 1970. The reason for which the Company has not included separate financial data, is in the light if the immaterial impact that separate financial statements would have on the consolidated financial statements and because any additional information would be immaterial in relation to the consolidated financial statements. The timing of the passing of the Committee's recommendations to the members of the Board of Directors is two business days before the said meeting of the Board of Directors, which has been determined to be a reasonable time for the passing of the recommendations, in the light of their extent and their complexity.

During the course of the meeting of the Board of Directors for the approval of the interim financial statements, the Company's Chief Financial Officer provided a detailed review of the principal financial data that are presented in the interim financial statements, the main changes that occurred in the interim financial data, the accounting policy that has been implemented and the changes that occurred therein (in so far as any changes occurred), and the implementation of the principle of fair disclosure in the interim financial statements and the accompanying

information, including on the matters relating to the completeness and the fairness of the disclosure in the interim financial statements were reviewed.

Furthermore, a discussion was held on the sources of financing that the Company will use for the execution of its plans in the coming year. During the course of the discussion, the Company's management responded to questions from the Board of Directors and the external auditor added his comments regarding the interim financial statements. At the end of the said discussion, when it had been clarified that the interim financial statements reflect the state of the Company's business and the results of its operations fairly, the Board of Directors adopted the recommendations of the Committee and approved the Company's interim financial statements.

C. Disclosure provisions in connection with the Company's financial reporting

11. Disclosure regarding events after the date of the statement of financial position

To the best of the Company's knowledge, no significant events have occurred since the date of the statement of financial position, which are mentioned in the interim financial statements. Without detracting from the aforesaid, see also the details in Part C (Update on the entity's business) in this report.

D. Self-purchases

12. Self purchase plan

The Company does not have a plan for the self-purchase of the Company's securities, within the definition of the term "purchase" in Regulation 10(B)(2)(i) of the Regulations.

The Company's Board of Directors wishes to thank the Company's employees and its managers for their contribution to the Company's progress.

Yaron Yaniv
Chairman of the Board of Directors

Yehiel Tal
Chief Executive Officer

Date: August 25, 2014

Convenience Translation

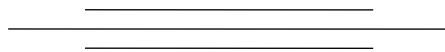
CollPlant Holdings Ltd.
Interim Financial Information
(Unaudited)
June 30, 2014

**CollPlant Holdings Ltd.
Interim Financial Information**

**(Unaudited)
June 30, 2014**

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Auditor's report to the shareholders of CollPlant Holdings Ltd.

Introduction

We have reviewed the accompanying financial information of CollPlant Holdings Ltd. and its subsidiary ("the Company"), including the condensed consolidated statement of financial position as at June 30, 2014 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six and three months then ended. The board of directors and the management are responsible for preparation and presentation of the financial information for this interim period in accordance with IAS 34 - Interim Financial Reporting, and are also responsible for preparation of the interim financial information for this period 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.

Review scope

We conducted our review in accordance with Accounting Standard No. 1 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, established by the Institute of Certified Public Accountants in Israel. A review of interim financial information consists of making enquiries, 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 accounting principles 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 this financial information is not prepared, in all material respects, in accordance with IAS 34.

Additionally, based on our review, nothing has come to our attention that causes us to believe that this financial information is not prepared, in all material respects, in accordance with the disclosure requirements in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our conclusion, we draw attention to Note 1 C to the condensed consolidated financial statements, which describes the factors underlying the significant uncertainty regarding the Company's continued existence as a going concern. The management's plans regarding these factors are also described in this note. The financial statements do not include adjustments for assets and liabilities and their classification which may be required if the Company is unable to continue as a going concern.

Tel Aviv,
August 25, 2014

Kesselman & Kesselman
Certified Public Accountants
Member of PricewaterhouseCoopers International Limited

CollPlant Holdings Ltd.
Condensed consolidated statements of financial position
June 30, 2014

	June 30		December 31
	2014	2013	2013
	(Unaudited)		(Audited)
	NIS thousands		
Assets			
Current assets:			
Cash and cash equivalents	16,594	2,434	23,777
Other receivables	1,343	2,818	1,728
	<u>17,937</u>	<u>5,252</u>	<u>25,505</u>
Non-current assets			
Restricted deposit	498	525	503
Long term receivables	40	-	67
Property, plant and equipment, net	2,247	2,625	2,462
Intangible assets	1,732	1,743	1,736
	<u>4,517</u>	<u>4,893</u>	<u>4,768</u>
Total assets	<u><u>22,454</u></u>	<u><u>10,145</u></u>	<u><u>30,273</u></u>
Liabilities and equity			
Current liabilities			
Other payables			
Trade payables	1,166	1,663	1,856
Other	912	937	1,333
Total current liabilities	<u>2,078</u>	<u>2,600</u>	<u>3,189</u>
Equity			
Ordinary shares	2,369	1,517	2,369
Share premium	130,918	104,373	130,918
Retained loss	(112,911)	(98,345)	(106,203)
Total equity	<u>20,376</u>	<u>7,545</u>	<u>27,084</u>
Total liabilities and equity	<u><u>22,454</u></u>	<u><u>10,145</u></u>	<u><u>30,273</u></u>

Yaron Yaniv
Chairman of the Board

Yehiel Tal
CEO

Eran Rotem
CFO

The interim financial statements were approved by the Company's board of directors on August 25, 2014

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

CollPlant Holdings Ltd.

Condensed consolidated statements of comprehensive loss
for the six and three months ended June 30, 2014

	Six months ended		Three months ended		Year ended
	June 30		June 30		December 31
	2014	2013	2014	2013	2013
	(Unaudited)		(Unaudited)		(Audited)
	NIS thousands				
R&D expenses:					
R&D expenses	7,612	8,825	3,895	4,126	16,151
Participation in R&D expenses	(2,618)	(1,956)	(1,661)	(1,358)	(3,717)
R&D expenses, net	4,994	6,869	2,234	2,768	12,434
General and administrative and marketing expenses	1,770	1,402	704	643	3,747
Loss from operations	6,764	8,271	2,938	3,411	16,181
Financing income	25	25		4	25
Financing expenses	58	169	62	29	314
Financing expenses, net	33	144	62	25	289
Comprehensive loss for the period	6,797	8,415	3,000	3,436	16,470
Basic and diluted loss per share attributable to shareholders of the Company (NIS)	0.03	0.06	0.01	0.02	0.11

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

CollPlant Holdings Ltd.
Condensed consolidated statements of changes in equity
for the six and three months ended June 30, 2014

	Equity attributable to shareholders of the Company			
	Ordinary shares	Premium and options	Retained loss	Total equity
	NIS thousands			
Balance as at January 1, 2014 (audited)	2,369	130,918	(106,203)	27,084
Movement in the six months ended June 30, 2014 (unaudited):			(6,797)	(6,797)
Comprehensive loss for the period				
Benefit component in grant of options to employees and consultants			89	89
Balance as at June 30, 2014 (unaudited)	<u>2,369</u>	<u>130,918</u>	<u>(112,911)</u>	<u>20,376</u>
Balance as at January 1, 2013 (audited)	1,517	104,373	(90,195)	15,695
Movement in the six months ended June 30, 2013 (unaudited):			(8,415)	(8,415)
Comprehensive loss for the period				
Benefit component in grant of options to employees and consultants			265	265
Balance as at June 30, 2013 (unaudited)	<u>1,517</u>	<u>104,373</u>	<u>(98,345)</u>	<u>7,545</u>
Balance as at April 1, 2014 (audited)	2,369	130,918	(109,950)	23,337
Movement in the three months ended June 30, 2014 (unaudited):			(3,000)	(3,000)
Comprehensive loss for the period				
Benefit component in grant of options to employees and consultants			39	39
Balance as at June 30, 2014 (unaudited)	<u>2,369</u>	<u>130,918</u>	<u>(112,911)</u>	<u>20,736</u>
Balance as at April 1, 2013 (audited)	1,517	104,373	(94,945)	10,945
Movement in the three months ended June 30, 2013 (unaudited):			(3,436)	(3,436)
Comprehensive loss for the period				
Benefit component in grant of options to employees and consultants			36	36
Balance as at June 30, 2013 (unaudited)	<u>1,517</u>	<u>104,373</u>	<u>(98,345)</u>	<u>7,545</u>
Balance as at January 1, 2013 (audited)	1,517	104,373	(90,195)	15,695
Movement in 2013			(16,470)	(16,470)
Comprehensive loss for the year				
Benefit component in grant of options to employees and consultants			462	462
Proceeds from issuing shares, less expenses				
Issue amounting to NIS 668 thousand	169	7,871		8,040
Proceeds from issuing shares and options, less expenses				
Issue amounting to NIS 1,963 thousand	683	18,674		19,357
Balance as at December 31, 2013 (audited)	<u>2,369</u>	<u>130,918</u>	<u>(106,203)</u>	<u>27,084</u>

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

CollPlant Holdings Ltd.
Condensed consolidated statements of cash flows
for the six and three months ended June 30, 2014

	Six months ended June 30		Three months ended June 30		Year ended December 31
	2014	2013	2014	2013	2013
	(Unaudited)		(Unaudited)		(Audited)
	NIS thousands				
Cash flows from operating activities:					
Net cash used for activities (see appendix)	(6,967)	(7,573)	(2,681)	(3,931)	(13,269)
Interest (received) paid	25	25	12	(6)	25
Net cash used for operating activities	<u>(6,942)</u>	<u>(7,548)</u>	<u>(2,669)</u>	<u>(3,937)</u>	<u>(13,244)</u>
Cash flows from investing activities:					
Purchase of property, plant and equipment	(197)	(222)	(5)	(192)	(474)
Restricted deposit	<u>55</u>	<u>55</u>	<u>55</u>	<u>55</u>	<u>77</u>
Net cash used in investing activities	<u>(197)</u>	<u>(167)</u>	<u>(5)</u>	<u>(137)</u>	<u>(397)</u>
Cash flow from financing activities:					
Proceeds from issue of shares and options, less issue expenses of NIS 2,631 thousand					<u>27,397</u>
Net cash from finance activities					<u>27,397</u>
Increase (decrease) in cash and cash equivalents	(7,139)	(7,715)	(2,674)	(4,074)	13,756
Cash and cash equivalents at the beginning of the period	23,777	10,308	19,335	6,524	10,308
Gains (losses) from exchange differences for cash	<u>(44)</u>	<u>(159)</u>	<u>(67)</u>	<u>(16)</u>	<u>(287)</u>
Cash and cash equivalents at the end of the period	<u>16,594</u>	<u>2,434</u>	<u>16,594</u>	<u>2,434</u>	<u>23,777</u>

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

CollPlant Holdings Ltd.
Condensed consolidated statements of cash flows
for the six and three months ended June 30, 2014

Six months ended June 30		Three months ended June 30		Year ended December 31	
2014	2013	2014	2013	2013	
(Unaudited)		(Unaudited)		(Audited)	
NIS thousands					

Appendix to the condensed consolidated statement of cash flow used for operating activities:

Loss for the period	(6,797)	(8,415)	(3,000)	(3,436)	(16,470)
Adjustments for:					
Depreciation and amortization	416	529	176	257	951
Benefit component for options granted to employees and service providers	89	265	39	36	462
Interest (received) paid	(25)	(25)	(12)	6	(25)
Exchange rate differences for pledged deposit	5		8		
Losses from exchange differences for cash and cash equivalents	44	159	67	16	287
	<u>(6,269)</u>	<u>(7,487)</u>	<u>(2,722)</u>	<u>(3,121)</u>	<u>(14,795)</u>
Changes in operating asset and liability items:					
Decrease in other long-term receivables	27	82	15	-	15
Decrease (increase) in other receivables	385	211	271	(1,181)	1,301
Increase (decrease) in trade payables	(690)	(20)	(139)	656	173
Increase (decrease) in other payables	(421)	(359)	(106)	(285)	37
	<u>(699)</u>	<u>(86)</u>	<u>41</u>	<u>(810)</u>	<u>1,526</u>
Net cash used for operating activities	<u>(6,967)</u>	<u>(7,573)</u>	<u>(2,681)</u>	<u>(3,931)</u>	<u>(13,269)</u>
Additional information -					
Taxes paid	<u>12</u>	<u>12</u>	<u>6</u>	<u>6</u>	<u>24</u>

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

CollPlant Holdings Ltd.

Notes to the Condensed Financial Statements June 30, 2014 (Unaudited)

NOTE 1 - GENERAL

- A.** CollPlant Holdings Ltd. is a biotechnology medical device company. The Company operates through CollPlant Ltd., a wholly-owned subsidiary engaging in research, development, manufacture and marketing of collagen-based medical products (CollPlant Holdings Limited and CollPlant Ltd. will be referred to below as "the Company" or "CollPlant") CollPlant products are based on recombinant human collagen produced from genetically-modified tobacco plants to produce human collagen . CollPlant uses collagen in the medical field in general and particularly in orthopedics and wound healing.
- B.** In accordance with Regulation 4 of the Regulations for Periodic and Immediate Reports, the Company has not attached separate financial information to its consolidated financial statements in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. The Company did not include separate financial information due to the negligible effect that the separate financial statements have on the consolidated financial statements and since the separate financial statement does not add material information to the consolidated statements.
- C.** The Company has not yet generated income from its operations and recognized losses of NIS 6.8 million in the six months ended June 30, 2014. The Company also has a negative cash flow of NIS 6.9 million from operating activities. The Company's plan for 2014 focuses on orthopedics including soft tissue healing, and wound healing. The Company's plans include clinical trials for two products in 2014: a syringe for wound treatment and a product for treating inflamed tendons. The Company also continues to streamline manufacturing processes of collagen protein. The Company plans to continue product R&D, production and marketing, supported by financing sources that include the Company's cash balances, government grants, and proceeds from strategic partners for development of products, and from strategic investors. Management believes that these financing sources will allow the Company's operations to continue at least until the end of the second quarter of 2015.

The Company is taking steps to raise additional financing sources to allow the continuation of operations beyond this period. These sources include (1) signing and implementation of additional agreements with product-development companies, agreements that include full financing of development costs, and payments to the Company for a license to sell the Company's products in the future; (2) preparation for the sale of the Company's product, including clinical trials, filing for approval to sell products in Europe, and discussions and meetings with potential international distributors regarding distribution of the Company's products in Europe; and (3) raising finances from the public and/or from private investors and/or institutions in Israel and other countries in accordance with the development of sections (1) and (2) above. It is uncertain whether the Company is able to raise additional finances as aforesaid.

These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The financial statements do not include adjustments for assets and liabilities and their classification which may be required if the Company is unable to continue as a going concern.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

- A.** The Company's condensed consolidated financial information as at June 30, 2014 ("the Interim Financial Information") is prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") and includes additional disclosure in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. The Interim Financial Information does not include all the information and disclosures required for annual financial statements. The Interim Financial Information should be reviewed together with the annual financial statements for 2013 and their accompanying notes, which were prepared in conformity with International Financial Reporting Standards, the standards and interpretations issued by the International Accounting Standards Board ("IFRS"), and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 2010. The financial information for the interim period is reviewed and not audited.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTD.)

B. Estimates

Preparation of interim financial statements requires the Company's management to exercise judgment and requires the use of accounting estimates and assumptions that affect the application of the Company's accounting policies and the amounts of the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

When preparing these interim financial statements, significant judgments used by the management when applying the Company's accounting policies and the uncertainty in the principal assumptions underlying the estimates were similar to those in the Company's annual financial statements for the year ended December 31, 2013.

The significant accounting policies and calculation methods applied when preparing the Interim Financial Information are consistent with those used when preparing the Company's annual financial statements for 2013.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

As described in the Company's annual financial statements for 2013, amendments to some IFRSs came into effect and are mandatory for accounting periods beginning on January 1, 2014, however their initial application does not have a material effect on the Company's Interim Financial Information (including comparative information).

New IFRSs and amendments to existing IFRSs that are not yet effective and which the Company did not choose to adopt ahead of their effective date are described in the Company's annual financial statements for 2013.

NOTE 4 - CHIEF SCIENTIST

On April 24, 2014, the Chief Scientist of the Ministry of Industry, Trade and Labor approved CollPlant's 2014 R&D plan for development of medical products based on collagen produced from transgenic plants, including a product to treat inflamed tendons and a gel to treat chronic ulcers ("the Letter of Approval"). The Letter of Approval is in compliance with the Encouragement of Industrial Research and Development Law, 1984, and is subject to standard conditions, including royalties paid to the state out of CollPlant's total future revenue. R&D expenses amounting to NIS 9.2 million have been approved, of which the approved grant amounts to NIS 4.4 million.

NOTE 5 - CLINICAL TRIALS

On May 15, 2014, the Company received approval from the Ministry of Health in Israel and the Tel Aviv Sourasky Medical Center Institutional Review Board (Helsinki Committee) for a clinical trial for Vergenix[®]FG, a gel being developed by the Company for treatment of wounds ("the Clinical Trial" and "the Gel" or "the Medical Product", as the case may be). The objective of the trial is to prove the safety of the Gel and to assess its performance in patients with chronic foot ulcers. In the clinical trial, which is expected to continue for several months in two prominent wound clinics in Israel, patients with chronic foot ulcers will be treated. In the single-arm trial, patients will receive one treatment of the Medical Product and will be monitored for four weeks. A number of parameters will be assessed to evaluate the effectiveness of the treatment, primarily the percentage of wound closure. The clinical trial will include 20 patients.



**Part C - Update of the Part containing a description of the Entity's business –
To the Annual Report for the year 2013¹ of CollPlant Holdings Ltd².**
("The annual report" and "The Company"), respectively

1. **Update of section 17.4 of Part A to the annual report – Patents**

- 1.1 In June 2014, CollPlant Ltd., a wholly owned subsidiary company of the Company ("CollPlant"), received approval for the registration of a patent in the United States, the number of which is 8,759,487B2, which protects its methods for the manufacture of functional Collagen from plants³. The patent is wholly owned by CollPlant and it has been approved in accordance with an application that was filed on April 22, 2010 and with precedence as from April 30, 2009. The patent will expire on May 19, 2029⁴.
- 1.2 In August 2014, CollPlant received approval for the registration of a patent in Israel, which protects the enzyme-based method for turning Procollagen recombinant using non-living sources.⁵ The patent, which protects the abovementioned technology is wholly owned by Collplant. The registration of the patent, the number of which is 205270, has been registered in the name of CollPlant, in accordance with an application, which was filed on October 26, 2008 and with precedence as from October 26, 2007. The patent will expire on October 26, 2028⁶.

2. **Update of section 10 (New products), 16.2 (Clinical trials) and 28.4 (Targets) in Part A to the annual report- Update of forecasts**

With regards to the timings of the execution and completion of the two products, which are being developed by the Company (the Vetrigenix®STR and the Vergenix®FG), the Company wishes to update the forecasts in respect of the start of the performance and the completion of the clinical trials that it is performing on those products, such that the Company estimates, based inter alia on the development processes for the products, that

¹ The Company's periodic report for the year 2013, as published on Magna on March 24, 2014 (Document Number 2014-01-022545).

² The update is in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports) – 1970, and it includes significant changes or innovations in the Company's business, on any matter that is to be described (and which has not been described) in the Company's periodic report, which has occurred in the course of the interim period and up to the time of the publication of this update.

³ For additional details regarding the patent, see Section 17.4.1 of Part A (Description of the entity's business) in the annual report.

⁴ See the Company's immediate report dated June 16, 2014 [Document Number 2014-01-091425], which is included herein by way of the referral.

⁵ For additional details regarding the patent, see serial 2 in the second table in Section 17.4.1 of Part A (Description of the entity's business) in the annual report.

⁶ See the Company's immediate report dated August 18, 2014 [Document Number 2014-01-135837], which is included herein by way of the referral.

the two clinical trials on the products will start in 2014, and that the timings of the completion of the clinical trials, the filing of the applications, the receipt of CE approvals and the preparations for the start of sales in Europe, will occur in 2015.

Caution regarding forward looking information – The Company's information and estimates as aforesaid, in connection with the Company's research and development activities, including the development of products, their designated usage and the length of time needed for the completion of their development (if relevant, the timing of the start of the clinical trials of any of the products on people and/or the completion thereof including the length of time needed for the development of the products and the proof of their safety and/or efficacy on people, the timing of the receipt of approvals for the marketing of the product and the timing of the start of the sale of the products, as well as the expectation and the timing regarding the filing of applications for the approval of the various products and the receipt of approvals in accordance with them, including the Company's forecasts, timings, assessments and/or plans in connection therewith, are "forward looking information", within the definition of that term in the Securities Law – 1968, which involves a high level of uncertainty, and which is based, inter alia, on third parties and on numerous factors over which the Company does not necessarily have control, and accordingly, it is possible that the completion of the development of the products that are under development the timings and the timetables for the development, will not actually be realized and/or may not be realized in full and/or they may be realized in a significantly different manner from what was originally expected. Among the factors that might cause the company's information and assessments in respect of the said information not to be realized in the desired manner, one can note, inter alia, a delay in and/or prevention of the completion of the clinical trials that are required, a lack of success in the trials or a lack of agreement with the regulatory authorities regarding their results, requirements to perform repeat trials, a change and/or a stiffening of the approval policy (or the non-granting of approval) on the part of the regulatory authorities in relation to the products that are being developed, the non-meeting of the targets for additional trials, as aforesaid and/or the timetables and/or the non-obtaining of the financing that is required by the persons who are involved at the time and to the extent that are required for the continuation of their development (if relevant) and the realization of any of the risk factors that apply to the Company, as stated in Section 30 of the annual report. It is further emphasized that there can be no certainty that the trials will succeed, and a lack of success in the trials could require the updating of the research and development programs, the budgets and the timetables, and that the Company would be exposed to additional risk factors, as detailed in Section 30 of the annual report, which might have a significant impact, jointly and severally, on the Company's assessments, as aforesaid.

Yours sincerely

CollPlant Holdings Ltd.

Date: August 25, 2014

Names of the persons signing on this report and their positions:

Yaron Yaniv, Chairman of the Board of Directors

Yehiel Tal, Chief Executive Officer

CollPlant Holdings Ltd.
Part D – Management's Declarations

Declaration by the Chief Executive Officer

In accordance with Regulation 5D(4)(b)-(c) and Regulation 38C(d)(1) to the Securities Regulations (Periodic and Immediate Reports) – 1970.

Declaration by Management

Declaration by the Chief Executive Officer

I, Yehiel Tal, declare that:

- (1) I have examined the quarterly report of CollPlant Holdings Ltd. (hereinafter: "**The entity**") for the second quarter of 2014 (hereinafter: "**The reports**");
- (2) So far as I am aware, the reports do not contain any incorrect representation of a significant fact and no representation of a significant fact that is required in order for the representations that are included in them, in the light of the circumstances in which those representation are recorded, will not be misleading in relation to the reporting period, is missing;
- (3) So far as I am aware, the financial statements and the other financial information that is included in the reports reflects fairly, from all material aspects, the entity's financial position, the results of its operations and its cash flow for the dates and for the periods to which the reports relate;
- (4) I have revealed to the entity's auditors, to the entity's Board of Directors and to the Audit Committee of the entity's Board of Directors (which also serves as the Financial Statements Examination Committee), any fraud, whether significant and whether not significant, in which the Chief Executive Officer or anyone directly subordinated to him was involved or in which other employees having a significant role in the financial reporting and the disclosures therein and the control thereon was involved.

There is nothing in the aforesaid, which detracts from my responsibility or the responsibility of any other person, under the law.

Date: August 25, 2014

Yehiel Tal, Chief Executive Officer

Declaration by the most senior office holder in the financial field:

In accordance with Regulation 5D(4)(b)-(c) and Regulation 38C(d)(1) to the Securities Regulations (Periodic and Immediate Reports) – 1970.

Declaration by Management
Declaration by the Chief Executive Officer

I, Eran Rotem, declare that:

- (1) I have examined the interim financial statements and the other financial information that is included in the reports for the interim period of CollPlant Holdings Ltd. (hereinafter: "**The entity**") for the second quarter of 2014 (hereinafter: "**The reports**" or "**The reports for the interim period**");
- (2) So far as I am aware, the interim financial statements and the other financial information that is included in the reports for the interim period do not contain any incorrect representation of a significant fact and no representation of a significant fact that is required in order for the representations that are included in them, in the light of the circumstances in which those representation are recorded, will not be misleading in relation to the reporting period, is missing;
- (3) So far as I am aware, the interim financial statements and the other financial information that is included in the reports for the interim period reflects fairly, from all material aspects, the entity's financial position, the results of its operations and its cash flow for the dates and for the periods to which the reports relate;
- (4) I have revealed to the entity's auditors, to the entity's Board of Directors and to the Audit Committee of the entity's Board of Directors (which also serves as the Financial Statements Examination Committee), any fraud, whether significant and whether not significant, in which the Chief Executive Officer or anyone directly subordinated to him was involved or in which other employees having a significant role in the financial reporting and the disclosures therein and the control thereon was involved.

There is nothing in the aforesaid, which detracts from my responsibility or the responsibility of any other person, under the law.

Date: August 25, 2014

Eran Rotem, Chief Financial Officer