BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF SEPTEMBER 30, 2010

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

AS OF SEPTEMBER 30, 2010

TABLE OF CONTENTS

BioLineRx Ltd.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

	December 31, 2009	September 30, 2010	Convenience translation into USD (Note 1b) September 30, 2010
	NIS in thousands		In thousands
Assets			
CURRENT ASSETS			
Cash and cash equivalents	105,890	152,333	41,564
Prepaid expenses	1,094	1,028	280
Trade accounts receivable	37,750	-	-
Other receivables	2,313	11,226	3,063
Total current assets	147,047	164,587	44,907
NON-CURRENT ASSETS			
Restricted deposits	3,704	2,406	656
Long-term prepaid expenses	1,150	1,174	320
Property and equipment, net	4,175	4,276	1,167
Intangible assets, net	3,042	1,425	389
Asset in respect of retirement benefit obligations	49	49	13
Total non-current assets	12,120	9,330	2,545
Total assets	159,167	173,917	47,452
Liabilities and equity			
CURRENT LIABILITIES			
Current maturities of long-term loan	-	307	84
Accounts payable and accruals:			
Trade	6,452	4,110	1,121
OCS	14,005	5,993	1,635
Licensors	10,570	1,515	413
Other	10,203	9,149	2,496
Total current liabilities	41,230	21,074	5,749
LONG-TERM LIABILITIES			
Long-term loan, less current maturities	-	511	139
COMMITMENTS AND CONTINGENT LIABILITIES			
Total liabilities	41,230	21,585	5,888
EQUITY			
Ordinary shares	1,235	1,235	337
Warrants	6,549	6,549	1,787
Share premium	412,513	414,254	113,030
Capital reserve	22,963	26,092	7,119
Accumulated deficit	(325,323)	(295,798)	(80,709)
Total equity	117,937	152,332	41,564
Total liabilities and equity	159,167	173,917	47,452

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 September 30,		Nine months ended September 30,		Convenience translation into USD (Note 1b) Nine months ended September 30,
	2009	2010	2009	2010	2010
	NIS in thousands		NIS in thousands		In thousands
REVENUES	26,138	113,160	26,138	113,160	30,876
COST OF REVENUES	(7,340)	(25,571)	(7,340)	(25,571)	(6,977)
GROSS PROFIT	18,798	87,589	18,798	87,589	23,899
SALES AND MARKETING EXPENSES	(329)	(1,322)	(1,797)	(3,506)	(957)
RESEARCH AND DEVELOPMENT EXPENSES, NET	(32,636)	(6,737)	(82,486)	(43,769)	(11,942)
GENERAL AND ADMINISTRATIVE EXPENSES	(2,932)	(2,690)	(7,248)	(8,914)	(2,432)
OPERATING INCOME (LOSS)	(17,099)	76,840	(72,733)	31,400	8,568
FINANCIAL INCOME	63	178	3,862	3,056	833
FINANCIAL EXPENSES	(181)	(3,869)	(1,920)	(4,931)	(1,345)
COMPREHENSIVE INCOME (LOSS) FOR PERIOD	(17,217)	73,149	(70,791)	29,525	8,056
	NIS		NIS		USD
INCOME (LOSS) PER ORDINARY SHARE - BASIC AND DILUTED	(0.13)	0.59	(0.77)	0.24	0.07

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					
BALANCE AT JANUARY 1, 2009	625	947	307,658	32,961	(263,805)	78,386
CHANGES FOR NINE MONTHS ENDING SEPTEMBER 30, 2009:						
Share based compensation	-	-	-	2,304	-	2,304
Exercise of warrants	*	*	3	-	-	3
Expiration of warrants	-	(947)	947	-	-	-
Employee stock options forfeited	-	-	340	(340)	-	-
Employee stock options exercised	30	-	13,143	(13,057)	-	116
Issuance of share capital	467	-	51,365	-	-	51,832
Comprehensive loss for the period	-	-	-	-	(70,791)	(70,791)
BALANCE AT SEPTEMBER 30, 2009	1,122	-	373,456	21,868	(334,596)	61,850

	Ordinary shares	Warrants	Share premium	Capital Reserve	Accumulated Deficit	Total
	NIS in thousands					
BALANCE AT JANUARY 1, 2010	1,235	6,549	412,513	22,963	(325,323)	117,937
CHANGES FOR NINE MONTHS ENDING SEPTEMBER 30, 2010:						
Share based compensation	-	-	-	4,870	-	4,870
Employee stock options forfeited	-	-	1,631	(1,631)	-	-
Employee stock options exercised	*	-	110	(110)	-	-
Comprehensive income for the period	-	-	-	-	29,525	29,525
BALANCE AT SEPTEMBER 30, 2010	1,235	6,549	412,533	26,126	(368,947)	77,496

	Ordinary shares	Warrants	Share premium	Capital Reserve	Accumulated deficit	Total
	Convenience translation into USD in thousands (Note 1b)					
BALANCE AT JANUARY 1, 2010	337	1,787	112,555	6,265	(88,765)	32,179
CHANGES FOR NINE MONTHS ENDING SEPTEMBER 30, 2010:						
Share based compensation	-	-	-	1,329	-	1,329
Employee stock options forfeited	-	-	445	(445)	-	-
Employee stock options exercised	*	-	30	(30)	-	-
Comprehensive loss for the period	-	-	-	-	8,056	8,056
BALANCE AT SEPTEMBER 30, 2010	337	1,787	113,030	7,119	(80,709)	41,564

* 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)

	Nine months ended September 30,		Convenience translation into USD (Note 1b) Nine months ended September 30,
	2009	2010	2010
	NIS in thousands		In thousands
CASH FLOWS - OPERATING ACTIVITIES			
Income (loss) for the period	(70,791)	29,525	8,056
Adjustments required to reflect net cash used in operating activities (see appendix below)	(13,498)	19,283	5,261
Net cash used in operating activities	(84,289)	48,808	13,317
CASH FLOWS - INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through profit or loss	30,837	-	-
Proceeds from sale of financial assets at fair value through profit or loss - restricted	3,767	-	-
Investment in restricted deposits	(3,219)	(206)	(56)
Withdrawal of restricted deposits	251	1,353	369
Purchase of property and equipment	(86)	(1,310)	(357)
Purchase of intangible assets	(852)	(95)	(26)
Net cash provided by (used in) investing activities	31,109	(258)	(70)
CASH FLOWS - FINANCING ACTIVITIES			
Issuance of share capital and warrants, net of issuance expenses	51,832	-	-
Proceeds from exercise of warrants	3	-	-
Proceeds from exercise of employee stock options	116	-	-
Proceeds from borrowings	-	1,020	278
Repayments of borrowings	-	(202)	(55)
Net cash provided by financing activities	51,951	818	223
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,640)	49,368	13,470
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	60,379	105,890	28,892
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	1,088	(2,925)	(798)
CASH AND CASH EQUIVALENTS - END OF PERIOD	59,827	152,333	41,564

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

BioLineRx Ltd.

APPENDIX TO CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

(UNAUDITED)

	Nine months ended September 30,		Convenience translation into USD (Note 1b) Nine months ended September 30,
	2009	2010	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	1,319	1,371	374
Impairment of intangible assets	148	1,550	423
Long-term prepaid expenses	57	(24)	(7)
Exchange differences on cash and cash equivalents	(1,088)	2,925	798
Gain on fair value adjustments to financial assets at fair value through profit or loss	(98)	-	-
Share-based compensation	2,304	4,870	1,329
Interest and exchange differences on restricted deposits	(129)	151	41
	2,513	10,843	2,958
Changes in operating asset and liability items:			
Decrease (increase) in trade accounts receivable and other receivables	(23,485)	28,903	7,886
Increase (decrease) in accounts payable and accruals	7,474	(20,463)	(5,583)
	(16,011)	8,440	2,303
	(13,498)	19,283	5,261
Supplementary information on interest received in cash	394	593	162

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

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 on a regular basis from its activities and cannot determine with reasonable certainty if and when the Company will become profitable for the long-term.

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

For the convenience of the reader, the reported New Israeli Shekel (“NIS”) amounts as of September 30, 2010 have been translated into dollars, at the representative rate of exchange on September 30, 2010 (USD 1 = NIS 3.665). 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.

c. Approval of condensed consolidated interim financial statements

The condensed consolidated interim financial statements of the Company for the nine and three months ended September 30, 2010 were approved by the Board of Directors of the Company on August 31, 2010, 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.

NOTE 2 – BASIS OF PREPARATION

The Group's condensed consolidated interim financial statements as of September 30, 2010 and for the nine and 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 nine and three months ended September 30, 2010 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, 2009 and for the year then ended.

NOTE 4 – INTANGIBLE ASSETS

The Group wrote off intangible assets in the aggregate amount of NIS 1,550,000 during the nine months ending September 30, 2010, relating to two projects (BL-4060 and BL-5020) that were terminated.

NOTE 5 – EQUITY

a. In January 2010, the Company granted to employees a total of 752,100 options exercisable into Ordinary Shares. The exercise prices of the options range from NIS 4.83 to NIS 5.02. They vest over a four-year period.

b. In February and March 2010, the Company granted to employees and to members of its Scientific Advisory Board a total of 4,020,300 options exercisable into Ordinary Shares. The exercise price of the options is NIS 4.03. They vest over a four-year period and expire five years from the date of grant.

c. In May 2010, the Company granted to employees and to a member of its Scientific Advisory Board a total of 117,800 options exercisable into Ordinary Shares. The exercise prices of the options range from NIS 3.30 to NIS 4.03. They vest over a four-year period and expire five years from the date of grant.

d. In July 2010, the Company granted to employees and to external directors a total of 160,000 options exercisable into Ordinary Shares. The exercise prices of the options range from NIS 3.22 to NIS 3.30. They vest over periods ranging from three to four years, and expire five years from the date of grant.

NOTE 5 – EQUITY (cont.)

e. In September 2010, the Company granted to employees a total of 40,200 options exercisable into Ordinary Shares. The exercise prices of the options are NIS 3.26. They vest over a four-year period and expire five years from the date of grant.

f. During the nine months ended September 30, 2010, a total of 22,141 employee options were exercised.

NOTE 6 – 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 September 30,		Nine months ended September 30,	
	2009	2010	2009	2010
	NIS in thousands		NIS in thousands	
Grants received from interested party, offset against research and development expenses	704	513	2,205	2,149

NOTE 7 – OUT-LICENSING AGREEMENT WITH CYPRESS BIOSCIENCE INC.

In June 2010, the Group entered into an exclusive, royalty-bearing out-licensing agreement with Cypress Bioscience, Inc. for United States, Canada and Mexico (the "territories"), with regard to BL-1020, a therapeutic candidate for the treatment of schizophrenia. Under the agreement, Cypress Bioscience is obligated to use commercially reasonable efforts to develop, obtain regulatory approval for, and to commercialize BL-1020 in the territories, and will bear all subsequent costs involved in the continued development of the product, the conduct and funding of its commercialization, and the prosecution and maintenance of patents in the territories.

The agreement became effective in August 2010, upon receipt of the consent of the Office of the Chief Scientist of Israeli Ministry of Industry, Trade and Labor ("OCS"). Immediately following effectiveness of the agreement, the Group received a non-refundable upfront fee of USD 30,000,000, which had been held in escrow until closing. This amount was recognized as revenue in the financial statements during the three months ended September 30, 2010.

The total additional potential payments from the agreement to the Group, not including royalties, are up to USD 335,000,000, as follows: (1) up to USD 250,000,000 in connection with the achievement of certain performance-based milestones; (2) up to USD 85,000,000 upon the achievement of certain sales-based milestones.

NOTE 7 – OUT-LICENSING AGREEMENT WITH CYPRESS BIOSCIENCE INC. (cont.)

With regard to the first performance-based milestone of USD 10,000,000, Cypress is entitled to pay up to one-half of the amount as an investment in the Company’s Ordinary Shares. In management’s estimation, based on a valuation received from an independent economic consulting firm, the fair value of this derivative instrument is not material and, therefore, it has not been deducted from the revenues recognized in respect of the upfront payment.

In addition to the above payments, the Group is also entitled under the agreement to royalties ranging from 12% to 18% of net sales of BL-1020 in the territories.

The Group retained the rights to BL-1020 for the rest of the world outside of the territories. In addition, pursuant to the agreement, the Group has the right to use all preclinical, clinical and other similar data generated by or on behalf of Cypress Bioscience, including its regulatory filings, subject to future reimbursement of 50% of expenses (as defined) incurred by Cypress Bioscience in generating such data and other information.

The Group is required to pay 22.5% of all consideration received under the agreement to the licensors of BL-1020. As a result, USD 6,750,000 was charged to cost of revenues during the period in respect of the USD 30,000,000 upfront payment.

In addition, the Group is obligated to repay grants received from the OCS regarding the BL-1020 project, in accordance with the Israeli R&D Law and as agreed with the OCS.

During the second quarter of 2010, in light of the Group’s progress in developing BL-1020 to the out-licensing stage with a third party, as well as the advanced stage of negotiations with a specific third party, the Group made the assessment that it was more likely than not that it will be required to repay the grants received from the OCS regarding the BL-1020 project. Accordingly, as of June 30, 2010, the Group recorded a liability to the OCS for the full amount of the grants received in respect of the project, in the total amount of USD 4,500,000. This amount has been reflected in research and development expenses in these financial statements. The Group paid USD 3,000,000 of this liability to the OCS in August 2010, leaving a remaining balance of USD 1,500,000, reflected in current liabilities as of September 30, 2010.