UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

Commission File Number: 000-54785

INTEGRITY APPLICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	98-0668934
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
19 Ha'Yahalomim Street P.O. Box 12163 Ashdod, Israel	L3 7760049
(Address of principal executive offices)	(Zip Code)

972 (8) 675-7878

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None.		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]
Emerging growth company [ ]	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of August 14, 2019, 161,947,019 shares of the Company's common stock, par value $0.001 per share, were outstanding.

INTEGRITY APPLICATIONS, INC.

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INTEGRITY APPLICATIONS, INC.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

	US dollars (except share data)	
	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	2,276,293	97,079
Accounts receivable, net	22,812	22,779
Inventories	129,868	170,999
Other current assets	76,531	23,288
Total current assets	2,505,504	314,145
Operating lease right-of-use assets, net	172,950	-
Property and Equipment, Net	140,870	149,779
Long-Term Restricted Cash	55,290	52,605
Funds in Respect of Employee Rights Upon Retirement	180,418	171,657
Total assets	3,055,032	688,186
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	1,628,384	2,064,259
Operating lease liabilities, current	122,143	-
Other current liabilities	877,214	1,157,350
Total current liabilities	2,627,741	3,221,609
Long-Term Liabilities		
Long-Term Loans from Stockholders	180,715	168,221
Operating lease liabilities, non-current	50,807	-
Liability for Employee Rights Upon Retirement	180,418	171,657
Total long-term liabilities	411,940	339,878
Total liabilities	3,039,681	3,561,487
Stockholders' Deficit		
Common Stock of $ 0.001 par value ("Common Stock"):		
200,000,000 and 200,000,000 shares authorized as of June 30, 2019 and December 31, 2018; 161,947,019 and 141,634,700 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	161,955	141,638
Additional paid in capital	88,823,095	84,007,612
Accumulated other comprehensive income	137,594	164,232
Accumulated deficit	(89,107,293)	(87,186,783)
Total stockholders' (deficit) surplus	15,351	(2,873,301)
Total liabilities and stockholders' deficit	3,055,032	688,186

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

INTEGRITY APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	US dollars (except share data)			
	Six-month period ended June 30,		Three-month period ended June 30,	
	2019	2018	2019	2018
	(unaudited)		(unaudited)	
Revenues	136,080	43,488	110,518	15,279
Research and development expenses	826,239	1,284,591	401,122	691,894
Selling and marketing expenses	276,296	592,104	150,953	283,467
General and administrative expenses	952,904	2,082,858	452,749	1,046,174
Total operating expenses	2,055,439	3,959,553	1,004,824	2,021,535
Operating loss	(1,919,359)	(3,916,065)	(894,306)	(2,006,256)
Financing income (loss), net	(1,151)	105,788	(4,551)	43,773
Loss for the period	(1,920,510)	(3,810,277)	(898,857)	(1,962,483)
Other comprehensive income:				
Foreign currency translation income (loss)	(26,638)	35,630	6,510	28,326
Comprehensive loss for the period	(1,947,148)	(3,774,647)	(892,347)	(1,934,157)
Loss per share (Basic)	(0.01)	(0.67)	(0.01)	(0.33)
Loss per share (Diluted)	(0.01)	(0.67)	(0.01)	(0.33)
Common shares used in computing Basic income (loss) per share	147,256,546	7,290,123	149,776,875	7,555,761
Common shares used in computing Diluted income (loss) per share	147,256,546	7,290,123	149,776,875	7,555,761

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

INTEGRITY APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

	US dollars (except share data) (unaudited)					
	Common Stock					
	Number of shares	Amount	Additional paid in capital	Accumulated other comprehensive income	Accumulated deficit	Total Stockholders' deficit
Balance as of January 1, 2018	6,821,792	6,824	30,676,180	110,675	(47,368,612)	(16,574,933)
Loss for the period					(3,810,277)	(3,810,277)
Other comprehensive income	-	-	-	35,630	-	35,630
Amounts allocated to Series D-1, D-2 and Series D-3 Warrants, net	-	-	1,018,495	-	-	1,018,495
Stock dividend on Series C Preferred Stock	190,712	190	467,243	-	(467,433)	-
Stock dividend on Series B Preferred Stock	238,809	239	585,082	-	(585,321)	-
Cash dividend on Series A Preferred Stock	-	-	-	-	(8,970)	(8,970)
Amounts allocated to issuance of Common Stock from Series D offering	621,556	622	1,220,141	-	-	1,220,763
Stock-based compensation	13,338	134	1,134,397	-	-	1,134,531
Balance as of June 30, 2018	7,886,207	8,009	35,101,538	146,305	(52,240,613)	(16,984,761)
Balance as of April 1, 2018	7,469,604	7,532	33,312,949	117,979	(49,724,998)	(16,286,538)
Loss for the period					(1,962,483)	(1,962,483)
Other comprehensive income	-	-	-	28,326	-	28,326
Amounts allocated to Series D-1, D-2 and Series D-3 Warrants, net	-	-	302,402	-	-	302,402
Stock dividend on Series C Preferred Stock	99,429	99	243,601	-	(243,700)	-
Stock dividend on Series B Preferred Stock	124,505	125	305,037	-	(305,162)	-
Cash dividend on Series A Preferred Stock	-	-	-	-	(4,270)	(4,270)
Amounts allocated to issuance of Common Stock from Series D offering	186,000	186	364,567	-	-	364,753
Stock-based compensation	6,669	67	572,982	-	-	573,049
Balance as of June 30, 2018	7,886,207	8,009	35,101,538	146,305	(52,240,613)	(16,984,761)

	US dollars (except share data) (unaudited)					
	Common Stock					
	Number of shares	Amount	Additional paid in capital	Accumulated other comprehensive loss	Accumulated deficit	Total Stockholders' (deficit) surplus
Balance as of January 1, 2019	141,634,700	141,638	84,007,612	164,232	(87,186,783)	(2,873,301)
Loss for the period					(1,920,510)	(1,920,510)
Other comprehensive (loss)	-	-	-	(26,638)	-	(26,638)
Amounts allocated to Series D-1, D-2 and Series D-3 Warrants, net	-	-	31,915	-	-	31,915
Amounts allocated to issuance of Common Stock from Series D offering	18,889,618	18,892	3,898,155	-	-	3,917,047
Issuance of shares as settlement of financial liabilities	1,190,141	1,190	305,866	-	-	307,056
Warrants issued as consideration for placement services	-	-	249,612	-	-	249,612
Stock-based compensation	232,560	235	329,935	-	-	330,170
Balance as of June 30, 2019	161,947,019	161,955	88,823,095	137,594	(89,107,293)	15,351
Balance as of April 1, 2019	146,440,814	146,447	85,244,557	131,084	(88,208,436)	(2,686,348)
Loss for the period					(898,857)	(898,857)
Other comprehensive income	-	-	-	6,510	-	6,510
Amounts allocated to Series D-1, D-2 and Series D-3 Warrants, net	-	-	26,287	-	-	26,287
Amounts allocated to issuance of Common Stock from Series D offering	15,389,925	15,392	3,197,418	-	-	3,212,810
Warrants issued as consideration for placement services	-	-	203,366	-	-	203,366
Stock-based compensation	116,280	116	151,467	-	-	151,583
Balance as of June 30, 2019	161,947,019	161,955	88,823,095	137,594	(89,107,293)	15,351

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

INTEGRITY APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	US dollars	
	Six-month period ended June 30,	
	2019	2018
	(unaudited)	
Cash flows from operating activities:		
Loss for the period	(1,920,510)	(3,810,277)
Adjustments to reconcile (loss) for the period to net cash used in operating activities:		
Depreciation	26,252	58,789
Stock-based compensation	330,170	1,134,531
Change in the fair value of warrants with down-round protection	-	(160,028)
Linkage difference on principal of loans from stockholders	3,865	(1,963)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,184	(4,175)
Decrease in inventory	49,228	22,113
(Increase) decrease in other current assets	(52,194)	(24,113)
Operating lease right-of-use assets	51,787	-
(Decrease) increase in accounts payable	(481,558)	(7,404)
Increase in other current liabilities	2,520	350,318
Operating lease liabilities	(51,787)	-
Net cash used in operating activities	(2,041,043)	(2,442,209)
Cash flows from investing activities:		
Purchase of property and equipment	(9,913)	(1,912)
Net cash used in investing activities	(9,913)	(1,912)
Cash flows from financing activities		
Proceeds allocated to Common Stock from Series D offering, net of cash issuance expenses	4,165,079	1,318,350
Proceeds allocated to Series D Warrants, net of cash issuance expenses	33,495	1,100,140
Net cash provided by (used in) financing activities	4,198,574	2,418,490
Effect of exchange rate changes on cash and cash equivalents	34,281	(12,789)
Increase (decrease) in Cash, Cash equivalents, and restricted cash	2,181,899	(38,420)
Cash, Cash equivalents, and restricted cash at beginning of the period	149,684	93,344
Cash, cash equivalents, and restricted cash at end of the period	2,331,583	54,924

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

INTEGRITY APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

Supplementary information on financing activities not involving cash flows (unaudited):

During the six months ending June 30, 2019, the company settled a portion of the outstanding board fees and management payroll obligations in the amount of $307,056 through the issuance of 1,190,141 shares of common stock in total to five board members and three members of the senior management team

During the six months ending June 30, 2019, $249,612 representing the fair value of warrants issued as consideration for placement agent services. This amount was accounted for as Warrants with down-round protection. Upon issuance, the fair value was recognized as an increase in additional paid in capital.

The company calculate the Placement Agent Warrants fair value by using the Black and Scholes model, the key inputs used in the fair value calculations were as follows:

	June 30, 2019
Dividend yield (%)	-
Expected volatility (%) (*)	56.21
Risk free interest rate (%)	2.5
Expected term of options (years)	5
Exercise price (US dollars)	0.258 – 5.400
Share price (US dollars) (**)	0.258
Fair value (US dollars)	0.004 – 0.130

(*) Due to the low trading volume of the Company’s Common Stock, the expected volatility was based on a sample of 248 companies operating in the Healthcare Products industry.

(**) The Common Stock price, per share reflects the Company’s management’s estimation of the fair value per share of Common Stock as of June 30, 2019. In reaching its estimation for such periods, management considered, among other things, a valuation prepared by a third-party valuation firm following the issuance of the Series D Units at December 31, 2018.

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

NOTE 1 – GENERAL

A. Integrity Applications, Inc. (the "Company") was incorporated on May 18, 2010 under the laws of the State of Delaware. On July 15, 2010, Integrity Acquisition Corp. Ltd. (hereinafter: "Integrity Acquisition"), a wholly owned Israeli subsidiary of the Company, which was established on May 23, 2010, completed a merger with A.D. Integrity Applications Ltd. (hereinafter: "Integrity Israel"), an Israeli corporation that was previously held by the stockholders of the Company. Pursuant to the merger, all equity holders of Integrity Israel received the same proportional ownership in the Company as they had in Integrity Israel prior to the merger. Following the merger, Integrity Israel became a wholly-owned subsidiary of the Company. As the merger transaction constituted a structural reorganization, the merger has been accounted for at historical cost in a manner similar to a pooling of interests. Integrity Israel was incorporated in 2001 and commenced its operations in 2002. Integrity Israel, a medical device company, focuses on the design, development and commercialization of non-invasive glucose monitoring devices for use by people with diabetes.

B. **Going concern uncertainty**

Since its incorporation, the Company has not conducted any material operations other than those carried out by Integrity Israel. The development and commercialization of Integrity Israel's product is expected to require substantial expenditures. Integrity Israel and the Company (collectively, the "Group") have not yet generated significant revenues from operations, and therefore they are dependent upon external sources for financing their operations. As of June 30, 2019, the Group has incurred accumulated deficit of $89,107,293, immaterial amount of stockholder's surplus of $15,351, negative operating cash flows and negative working capital. Management considered the significance of such conditions in relation to the Group's ability to meet its current and future obligations and determined that these conditions raise substantial doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

During the six months ended June 30, 2019, the Company raised funds in an aggregate amount of approximately $4,198,574 (net of related cash expenses) through the issuance of 1,083,004 units (the "Series D Units") consisting of (a) 18,889,618 shares (collectively, the "Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), (b) a five year warrant to purchase up to 1,083,004 shares of Common Stock, at an exercise price of $1.80 per share (c) a five year warrant to purchase up to 1,083,004 shares of Common Stock, at an exercise price of $3.60 per share, and (d) a five year warrant to purchase up to 1,083,004 shares of Common Stock, at an exercise price of $5.40 per share.

NOTE 1 – GENERAL (cont.)

C. Use of estimates in the preparation of financial statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to (i) the going concern assumptions, (ii) measurement of stock based compensation, and (iii) determination of net realizable value of inventory.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

Accounting Principles

The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with our consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the Securities and Exchange Commission ("SEC") on April 15, 2019. The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the SEC related to interim financial statements. As permitted under those rules, certain information and footnote disclosures normally required or included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The financial information contained herein is unaudited; however, management believes all adjustments have been made that are considered necessary to present fairly the results of the Company's financial position and operating results for the interim periods. All such adjustments are of a normal recurring nature

The results for the six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or for any other interim period or for any future period.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. Significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Recently issued accounting pronouncements

1. Accounting Standard Update 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting

In June 2018, the FASB issued Accounting Standard Update 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (ASU 2018-07). ASU 2018-07 aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions.

Consistent with the accounting requirement for employee share-based payment awards, awards within the scope of Topic 718 will be measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. Equity-classified nonemployee share-based payment awards will be measured at the grant date.

With respect to awards with performance conditions ASU 2018-07 concludes that, consistent with the accounting for employee share-based payment awards, an entity will consider the probability of satisfying performance conditions when nonemployee share-based payment awards contain such conditions.

ASU 2018-07 also requires that the classification of equity classified nonemployee share-based payment awards will continue to be subject to the requirements of Topic 718 unless the award was modified after the good has been delivered, the service has been rendered, any other conditions necessary to earn the right to benefit from the instruments have been satisfied, and the nonemployee is no longer providing goods or services. This eliminates the requirement to reassess classification of such awards upon vesting.

In addition, ASU 2018-07 includes certain Non-public Entity-Specific Amendments

ASU 2018-07 is effective for Public entities in annual periods beginning after December 15, 2018, and interim periods within those years (first quarter of 2019 for the company). Early adoption is permitted, including in an interim period, but not before an entity adopts the new revenue guidance (which was adopted by the Company in its interim financial statements for 2018).

An entity should only remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. Upon transition, the entity is required to measure these nonemployee awards at fair value as of the adoption date.

The adoption of ASU 2018-07 did not have a significant impact on its consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Recently issued accounting pronouncements

2. Accounting Standards Update 2016-02, "Leases"

In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842).

Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1. A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and, 2. A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year Company). Early application is permitted for all public business entities upon issuance.

The company applied the modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach do not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

The new standard also provides practical expedients for an entity's ongoing accounting. The company elected the short-term lease recognition exemption for all leases with a term shorter than 12 months. This means, for those leases, the company does not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. In addition, the company also elected the transition expedient for short-term leases. Accordingly, the new guidance was not applied for leases that has a term of 12 or fewer months at commencement and does not have a purchase option that the lessee is reasonably certain to exercise.

Upon adoption, the company recognized total right of use ("ROU") assets of $225 thousand, with corresponding liabilities of $225 thousand on the condensed consolidated balance sheets. The adoption did not impact our beginning retained earnings, or our prior year condensed consolidated statements of income and statements of cash flows.

Under Topic 842, we determine if an arrangement is a lease at inception. ROU assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only payments that are fixed and determinable at the time of commencement. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremented borrowing rate is the expected interest rate that the company would have to pay to borrow on a collateralized basis on similar terms and amounts equal to the lease payment and under similar economic environment. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Operating leases are included in operating lease right-of-use assets, operating lease liabilities, current and operating lease liabilities, non-current on our condensed consolidated balance sheets.
See also Note 5.

NOTE 3 – RECENT EVENTS

During the first six months of 2019, we received aggregate net proceeds of approximately $4.2 million (net of related cash expenses), from the issuance and sale in a private placement transaction of 1,083,004 Series D Units consisting of (a) 18,889,618 shares (collectively, the "Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), (b) a five year warrant to purchase up to 1,083,004 shares of Common Stock, at an exercise price of $1.80 per share, (c) a five year warrant to purchase up to 1,083,004 shares of Common Stock, at an exercise price of $3.60 per share, and (d) a five year warrant to purchase up to 1,083,004 shares of Common Stock, at an exercise price of $5.40 per share. As of June 30, 2019, the Series D Warrants (issued on December 1, 2017, during 2018 and during the first six months of 2019) are exercisable for an aggregate of 7,351,680 shares of Common Stock, in each case subject to adjustment in certain circumstances.

Pursuant to a placement agent agreement (the "Placement Agent Agreement") with the placement agent, the Company paid the placement agent, as a commission, an amount equal to 10% of the aggregate sales price of the Series D Units sold in each closing, plus a non-accountable expense allowance equal to 3% of the aggregate sales price of the Series D Units sold in such closing. In addition, pursuant to the Placement Agent Agreement, in connection with the closings in the first half of 2019, the Company is required to issue to the placement agent: (a) 5-year warrants to purchase up to 1,888,966 shares of Common Stock at an exercise price of $0.258 per share, (b) 5-year warrants to purchase up to 108,305 shares of Common Stock at an exercise price of $1.80 per share.(c) 5-year warrants to purchase up to 108,305 shares of Common Stock at an exercise price of $3.60 per share, and d) 5-year warrants to purchase up to 108,305 shares of Common Stock at an exercise price of $5.40 per share The terms of such warrants are substantially similar to the Series D Warrants except that the warrants issued to the placement agent are exercisable on a cashless basis and include full ratchet anti-dilution protection.

On January 1, 2019, we issued a ten-year non-qualified stock option to our President, for the purchase of 75,000 shares of Common Stock at an exercise price of $4.50 per share, with three-year quarterly vesting commencing on the first quarter after the effective date.

NOTE 4 – INVENTORIES

	US dollars	
	June 30, 2019	December 31, 2018
	(unaudited)	
Raw materials	14,564	13,522
Work in process	1,503,440	1,546,764
Finished products	68,461	67,310
	1,586,465	1,627,596
Less – provision for slow moving inventory (*)	(1,456,597)	(1,456,597)
	129,868	170,999

(*) Management evaluates whether inventory reserve for slow-moving or obsolete items is required. To date, as a result of low volume of revenues generated from the sales of the GlucoTrack® model DF-F glucose monitoring device the Group has recorded reserves with respect to its inventory in the amount of approximately US$ 1,457 thousand during 2017 and 2018.

NOTE 5 – LEASES

We have entered into several non-cancelable operating lease agreements for our offices and one vehicle. Our leases have original lease periods expiring between 2019 and 2021. Payments due under such lease contracts include primarily fix payments. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease costs, lease term and discount rate are as follows:

	US dollars
	Six Months Ended June 30, 2019
	(unaudited)
Operating lease cost:	
Office space	60,000
vehicle	3,826
	63,826
Remaining Lease Term	
Office space	1.42 years
vehicle	1.92 years
Weighted Average Discount Rate	
Office space	10%
vehicle	10%

The following is a schedule, by years, of maturities of operating lease liabilities as of June 30, 2019:

	US dollars
	June 30, 2019
	(unaudited)
Period:	
The remainder of 2019	63,878
2020	117,758
2021	3,878
Total operating lease payments	185,514
Less: imputed interest	12,564
Present value of lease liabilities	172,950

NOTE 6 – OTHER CURRENT LIABILITIES

	US dollars	
	June 30, 2019	December 31, 2018
	(unaudited)	
Employees and related institutions	264,778	239,964
Accrued expenses and other	612,436	917,386
	877,214	1,157,350

NOTE 7 – FINANCING INCOME (EXPENSE), NET

	US dollars Six-month period ended June 30,		US dollars Three-month period ended June 30,	
	2019	2018	2019	2018
	(unaudited)		(unaudited)	
Israeli CPI linkage difference on principal of loans from stockholders	(3,865)	1,963	(3,342)	1,052
Exchange rate differences	10,569	(5,621)	2,506	8,006
Change in fair value of warrants with down round protection	-	160,028	-	82,081
Interest expenses on credit from banks and other	(7,855)	(6,302)	(3,715)	(3,086)
Late fee penalty of dividend payments	-	(44,280)	-	(44,280)
	(1,151)	105,788	(4,551)	43,773

NOTE 8 – LOSS PER SHARE

In periods of net loss, basic loss per share is computed by dividing net loss for the period after consideration of the effect of dividends on preferred stock by the weighted average number of shares outstanding during the period.

The loss and the weighted average number of shares used in computing basic and diluted loss per share for the six and three month periods ended June 30, 2018 and 2017 are as follows:

	US dollars		US dollars	
	Six-month period ended June 30,		Three-month period ended June 30,	
	2019	2018	2019	2018
	(unaudited)		(unaudited)	
Loss for the period	(1,920,510)	(3,810,277)	(898,857)	(1,962,483)
Cash dividend on Series A Preferred Stock	-	(8,970)	-	(4,270)
Stock dividend on Series B Preferred Stock	-	(585,321)	-	(305,162)
Stock dividend on Series C Preferred Stock	-	(467,433)	-	(243,700)
Loss for the period attributable to common stockholders	(1,920,510)	(4,872,001)	(898,857)	(2,515,615)

	Number of shares		Number of shares	
	Six-month period ended June 30,		Three-month period ended June 30,	
	2019	2018	2019	2018
Number of shares:				
Weighted average number of shares used in the computation of basic and diluted earnings per share	147,256,546	7,290,123	149,776,875	7,555,761
Total weighted average number of common shares related to outstanding options and warrants excluded from the calculations of diluted loss per share (*)	77,558,958	27,017,190	78,029,732	26,274,884

(*) All outstanding stock options and warrants have been excluded from the calculation of the diluted net loss per share for all the reported periods, because the effect of the common shares issuable as a result of the exercise or conversion of these instruments was determined to be anti-dilutive

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements include statements about our expectations, beliefs or intentions regarding our product development efforts, business, financial condition, results of operations, strategies and prospects. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements regarding our future activities, events or developments, including such things as future revenues, capital raising and financing, product development, clinical trials, regulatory approval, market acceptance, responses from competitors, capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of our business and operations, plans, references to future success, projected performance and trends, and other such matters, are forward-looking statements. The words "believe," "expect," "anticipate," "intend," "estimate," "plan," "may," "will," "could," "would," "should" and other similar words and phrases, are intended to identify forward-looking statements. The forward-looking statements made in this Quarterly Report on Form 10-Q are based on certain historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. These statements relate only to events as of the date on which the statements are made and we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. All of the forward-looking statements made in this Quarterly Report on Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or our business or operations. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties that may cause actual results to differ materially. Risks and uncertainties, the occurrence of which could adversely affect our business, include the risks identified under the caption "Risk Factors" included in our annual report on Form 10-K for the year ended December 31, 2018. The following discussion should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q.

Overview

We are a medical device company focused on the design, development and commercialization of non-invasive glucose monitoring devices for use by people with diabetes. Integrity Israel was founded in 2001 with a mission to develop, produce and market non-invasive glucose monitors for home use by diabetics. We have developed a non-invasive blood glucose monitor, the GlucoTrack® model DF-F glucose monitoring device, which is designed to help people with diabetes obtain blood glucose level readings without the pain, inconvenience, cost and difficulty of conventional (invasive) spot finger stick devices. The GlucoTrack® model DF-F utilizes a patented combination of ultrasound, electromagnetic and thermal technologies to obtain blood glucose measurements in less than one minute via a small sensor that is clipped onto one's earlobe and connected to a small, handheld control and display unit, all without drawing blood.

On June 4, 2013, we received initial CE Mark approval for the GlucoTrack® model DF-F non-invasive glucose monitoring device from DEKRA Certification B.V., our European notified body (the "Notified Body"). In March 2014, we received CE Mark approval for six months' calibration validity of the same device. Receipt of the CE Mark allows us to market and sell the GlucoTrack® model DF-F glucose monitoring device in European Union ("EU") member countries that have adopted the European Medical Device Directive (the "MDD") without being subject to additional national regulations with regard to demonstration of performance and safety. However, although the MDD is applicable throughout the EU, in practice it does not ensure uniform regulation throughout the EU. Accordingly, member countries may apply and enforce the MDD's terms differently, and certain EU member countries may request or require performance and/or safety data additional to the MDD's requirements from time to time, on a case-by-case basis. The CE Mark also permits the sale in countries that have an MDD Mutual Recognition Agreement with the EU.

On August 31, 2015, we received approval from the Notified Body for improvements to the GlucoTrack® model DF-F which simplify and shorten (from approximately 2.5 hours to approximately half an hour) the initial calibration process for the device. These improvements are intended to reduce the backlog created as purchasers of the device await calibration. In addition, we received approval from the Notified Body on the updated intended use for the device, which expands the intended user population to include not only Type 2 diabetics, but persons suffering from pre-diabetes conditions as well, which we believe represents a material expansion of the potential market for the device. In December 2015, we received approval from the Notified Body for further improvements to the GlucoTrack® model DF-F that increase the accuracy and efficacy of the device. On February 19, 2016, we received an extension of our ISO 13485:2003 certificate and Annex II certification from the EU. The ISO 13485:2003 certification signifies that we have met the standards required for company-wide implementation of device quality management system(s). The scope of the certification is design, development, manufacture and service of non-invasive glucose monitoring systems for home use. Annex II also addresses quality control systems. The certification allows us to self-certify certain modifications and changes and simplifies some of the reporting to and review by the relevant Notified Body. This can shorten CE-mark review process of future GlucoTrack® model DF-F enhancements or revisions. Without an Annex II certification, each new device enhancement or modified version would be subject to the full EU CE-mark review process. The ISO 13485:2003 and Annex II certifications enable us to potentially improve the time to market for product sales on new, enhanced or modified GlucoTrack® model DF-F devices.

In addition to the improvements to the GlucoTrack® model DF-F described above, we have also continued to work on additional improvements to the device and the development of new devices and, subject to our raising sufficient funds to do so, intend to continue these efforts in 2019. Specifically, we developed wireless communication module (WLM) with embedded Bluetooth Low-Energy (BLE) and Wi-Fi technologies, which we expect will enable transmission of measurement data captured by the GlucoTrack® model DF-F to a cloud-based server. We also started to design the next generation of GlucoTrack®.

Recent Developments

During the first six months of 2019, we received aggregate net proceeds of approximately $4.2 million (net of related cash expenses), from the issuance and sale in a private placement transaction of 1,083,004 Series D Units. As of June 30, 2019, the Series D Warrants (issued on December 1, 2017, during 2018 and during the first six months of 2019) are exercisable for an aggregate of 7,351,680 shares of Common Stock, in each case subject to adjustment in certain circumstances.

Pursuant to a placement agent agreement (the “Placement Agent Agreement”) with the placement agent, the Company paid the placement agent, as a commission, an amount equal to 10% of the aggregate sales price of the Series D Units sold in each closing, plus a non-accountable expense allowance equal to 3% of the aggregate sales price of the Series D Units sold in such closing. In addition, pursuant to the Placement Agent Agreement, in connection with the closings in the first half of 2019, the Company is required to issue to the placement agent: (a) 5-year warrants to purchase up to 1,888,966 shares of Common Stock at an exercise price of $0.258 per share, (b) 5-year warrants to purchase up to 108,305 shares of Common Stock at an exercise price of $1.80 per share.(c) 5-year warrants to purchase up to 108,305 shares of Common Stock at an exercise price of $3.60 per share, and d) 5-year warrants to purchase up to 108,305 shares of Common Stock at an exercise price of $5.40 per share The terms of such warrants are substantially similar to the Series D Warrants except that the warrants issued to the placement agent are exercisable on a cashless basis and include full ratchet anti-dilution protection.

On January 1, 2019, we issued a ten-year non-qualified stock option to our President, for the purchase of 75,000 shares of Common Stock at an exercise price of $4.50 per share, with three-year quarterly vesting commencing on the first quarter after the effective date.

Our strategic priorities include the research and development of product enhancements that will improve the ease and usability of GlucoTrack for patients with a future generation of products. We are focusing our research and development activities around 4 main strategic pillars:

1. Wireless Connectivity

We have developed a wireless module ("GlucoTrack Link") with embedded Bluetooth Low-Energy (BLE), which enables the transmission of measurement data captured by the GlucoTrack® model DF-F to a cloud-based server or a smart device. This module and the related applications facilitate the viewing of glucose related data and correlate it closely with lifestyle choices made by the users, be that dietary choices or activity-based choices, among other things. The wireless module will facilitate sharing, viewing and analysis of GlucoTrack® measurements and glucose profiles by clinicians and other caregivers.

2. Digital Health Applications

We intend to develop smart device applications ("Apps") to facilitate the interaction of users with Glucotrack® DF-F and the glucose data collected. The Apps will be compatible with both IOS and Android operating systems. We intend to develop Apps that support the management of Type 2 diabetes and pre-diabetic patients by providing immediate feedback and insights that can be derived from glucose measurements. Enhanced capabilities within the Apps may include goal setting, alarms and reminders, and diabetes management tips and tools. It will also be designed to provide analyses of trends over multiple time periods. The goal is to provide relevant information to guide patients in their journey to change behaviors and improve the management of their condition. The Apps are expected to have a user-directed capability to connect with third party healthcare providers (physicians, dieticians, and nurse practitioners) in order to receive professional guidance based on the accumulated information leading to improved management of the condition and better disease outcomes.

3. Self-Personalization

The current version of Glucotrack® DF-F requires each patient to be calibrated in a face-to-face session with a certified trained calibrator. The calibration requires patients to participate in a one-hour session when first using their new device and again every six months when the personal ear clip is replaced. We are developing a self-calibration module for Glucotrack® DF-F, which will allow all patients to set up the device on their own without the need for a trained calibrator. This enhancement will allow patients to set up Glucotrack® DF-F themselves easier and faster without support from a calibrator. For our distributors, this will lower patient initiation and support costs allowing them to re-deploy these funds into their marketing and sales efforts. It will also provide them with a substantial opportunity to open up additional distribution channels including pharmacies, clinics and online.

4. Miniaturization

The objective of this project is to transform the existing device into a simple, easy to use wireless ear-clip, which would measure glucose and communicate the results seamlessly to any other platform through a wireless connection or a Bluetooth connection to a smart device such as a smartphone, tablet or computer, eliminating the current handheld display. The result would be a user-friendly, inconspicuous measuring device for the management of diabetes and pre-diabetes. We expect this new device to have much greater patient desire to purchase and user acceptance. We also expect this new device will have a significantly lower cost to manufacture than our current device.

Significant Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are described in Note 2, Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements appearing in our annual report on Form 10-K for the year ended December 31, 2018. Our management believes that, as for the financial statements for the periods included in this report, the going concern assessment and assumptions relate to (i) measurement of stock based compensation is a critical accounting policy and, (ii) determination of net realizable value of inventory. However, due to the early stage of operations of the Company, there are no other accounting policies that are considered to be critical accounting policies by management.

Going Concern Uncertainty

The development and commercialization of our product will require substantial expenditures. We have not yet generated any material revenues and have incurred a substantial accumulated deficit and negative operating cash flows. We currently have no sources of recurring revenue and are therefore dependent upon external sources for financing our operations. There can be no assurance that we will succeed in obtaining the necessary financing to continue our operations. Management's plans concerning these matters are described in Note 1B to our annual report on Form 10-K for the year ended December 31, 2018. (see also Note 1B to our interim financial statements for the period ended June 30, 2019). As a result, our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern in their audit report included in our annual report for year ended December 31, 2018. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Recently Issued Accounting Pronouncements

1. **Accounting Standard Update 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting**

   In June 2018, the FASB issued Accounting Standard Update 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (ASU 2018-07). ASU 2018-07 aligns the measurement and classification guidance for share-based payments to nonemployees with the guidance for share-based payments to employees, with certain exceptions.

   Consistent with the accounting requirement for employee share-based payment awards, awards within the scope of Topic 718 will be measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied. Equity-classified nonemployee share-based payment awards will be measured at the grant date.

   With respect to awards with performance conditions ASU 2018-07 concludes that, consistent with the accounting for employee share-based payment awards, an entity will consider the probability of satisfying performance conditions when nonemployee share-based payment awards contain such conditions.

   ASU 2018-07 also requires that the classification of equity classified nonemployee share-based payment awards will continue to be subject to the requirements of Topic 718 unless the award was modified after the good has been delivered, the service has been rendered, any other conditions necessary to earn the right to benefit from the instruments have been satisfied, and the nonemployee is no longer providing goods or services. This eliminates the requirement to reassess classification of such awards upon vesting.

   In addition, ASU 2018-07 includes certain Non-public Entity-Specific Amendments

ASU 2018-07 is effective for Public entities in annual periods beginning after December 15, 2018, and interim periods within those years (first quarter of 2019 for the company). Early adoption is permitted, including in an interim period, but not before an entity adopts the new revenue guidance (which was adopted by the Company in its interim financial statements for 2018).

An entity should only remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. Upon transition, the entity is required to measure these nonemployee awards at fair value as of the adoption date.

The adoption of ASU 2018-07 did not have a significant impact on its consolidated financial statements.

2. Accounting Standards Update 2016-02, "Leases"

In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842).

Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1. A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and, 2. A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year Company). Early application is permitted for all public business entities upon issuance.

The company applied the modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach do not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

The new standard also provides practical expedients for an entity's ongoing accounting. The company elected the short-term lease recognition exemption for all leases with a term shorter than 12 months. This means, for those leases, the company does not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. In addition, the company also elected the transition expedient for short-term leases. Accordingly, the new guidance was not applied for leases that has a term of 12 or fewer months at commencement and does not have a purchase option that the lessee is reasonably certain to exercise.

Upon adoption, the company recognized total right of use ("ROU") assets of $225 thousand, with corresponding liabilities of $225 thousand on the condensed consolidated balance sheets. The adoption did not impact our beginning retained earnings, or our prior year condensed consolidated statements of income and statements of cash flows.

Under Topic 842, we determine if an arrangement is a lease at inception. ROU assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only payments that are fixed and determinable at the time of commencement. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremented borrowing rate is the expected interest rate that the company would have to pay to borrow on a collateralized basis on a similar term and amounts equal to the lease payment and under similar economic environment. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Operating leases are included in operating lease right-of-use assets, operating lease liabilities, current and operating lease liabilities, non-current on our condensed consolidated balance sheets.

Results of Operations

The following discussion of our operating results explains material changes in our results of operations for the six-month period ended June 30, 2019 compared with the same period ended June 30, 2018. The discussion should be read in conjunction with the financial statements and related notes included elsewhere in this report.

Six Months ended June 30, 2019 compared to Six Months ended June 30, 2018

Revenues

During the six-month period ended June 30, 2019, we had revenues of $136,080 from orders for our GlucoTrack® model DF-F glucose monitoring device and personal ear-clip ("PEC") that are replaced every six months, as compared with $43,488 for the prior-year period. The increase in revenues is a result of orders shipped to two new markets during the second quarter of 2019.

We recognize revenues from sales of the GlucoTrack® model DF-F and PECs when control is transferred to the customer and collectability is probable.

Research and development expenses

Research and development expenses were $826,239 for the six-month period ended June 30, 2019, as compared to $1,284,591 for the prior-year period. The decrease is mainly attributable to the completion of our clinical trials for the current version of the DF-F during 2018 and the decrease in salary and other personnel-related expenses, including stock-based compensation expenses during 2019.

Research and development expenses consist primarily of salaries and other personnel-related expenses, including materials, travel expenses, clinical trials and other expenses. Subject to the receipt of additional funds to finance our operations (of which there can be no assurance), we expect research and development expenses to increase during the remainder of 2019 and beyond, primarily due to hiring additional personnel and developing our product line, as well as improvement of the GlucoTrack® model DF-F; however, we may adjust or allocate the level of our research and development expenses based on available financial resources and based on our commercial needs including the FDA registration process, specific requirements from customers, development of new GlucoTrack® models and others.

Selling and marketing expenses

Selling and marketing expenses were $276,296 for the six-month period ended June 30, 2019, as compared to $592,104 for the prior-year period. The decrease is primarily attributable to the Company's decision to reduce its business development personnel in the European market until such a time when the proof of concept of obtaining reimbursement for the product in test markets is realized. In addition during the fourth quarter of 2018, our Chief Commercialization Officer was appointed as our President and Chief Operating Officer and as a result his salary and related benefits expenses were allocated to our General and administrative expenses.

Selling and marketing expenses consist primarily of salaries, travel expenses and other related expenses. Subject to the receipt of additional funds to finance our operations (of which there can be no assurance), we expect selling and marketing expenses to increase during the remainder of 2019 and beyond as we continue our focus on marketing and sales of the GlucoTrack® model DF-F; however, we may adjust or allocate the level of our marketing based on available financial resources and based on our commercial needs including specific requirements from customers, development of new GlucoTrack® models and others.

General and administrative expenses

General and administrative expenses were $952,904 for the six-month period ended June 30, 2019, as compared to $2,082,858 for the prior-year period. The decrease is primarily attributable to the departure of our former CEO, a reduction in professional fees and the reduction of stock based compensation during 2019.

General and administrative expenses consist primarily of professional services, salaries, travel expenses and other related expenses for executive, finance and administrative personnel, including stock-based compensation expenses. Other general and administrative costs and expenses include facility-related costs not otherwise included in research and development costs and expenses, and professional fees for legal and accounting services. Subject to the receipt of additional funds to finance our operations (of which there can be no assurance), we expect selling, general and administrative expenses to increase during the remainder of 2019 and beyond.

Financing income (expense), net

Financing expenses, net were $1,151 for the six-month period ended June 30, 2019, as compared to $105,788 of financing income for the prior-year period. The change is primarily attributable to the early adoption of ASU 2017-11. Until the early adoption of ASU 2017-11 we marked the warrants with down round protection to market on a quarterly basis based on the fair value estimate derived by using Black and Scholes model, with the changes in fair value recognized as finance expense or income, as applicable, in our consolidated statement of operations. As a result of the early adoption of ASU 2017-11 we reclassified the warrants with down round protection from long term liabilities to stockholders deficit and stopped marking them to market on a quarterly basis. The decrease in the estimated fair value of our Warrants with down-round protection during the Six-month period ended June 30, 2018 amounted to $160,028, resulting primarily from the decrease in the expected term of Warrants and the changes in the estimated expected volatility offset by expenses in the amount of $44,280 related to the late fee penalty resulting from the non-issuance of dividend payments at the required time during the first six month of 2018.

Net Loss

Net loss was $1,920,510 for the six-month period ended June 30, 2019, as compared to $3,810,277 for the prior-year period. The decrease in net loss is attributable primarily to the increase in revenues, decrease in our operating expenses and offset by the increase in financing expenses, as described above,

Three Months ended June 30, 2019 compared to three Months ended June 30, 2018

Revenues

During the three-month period ended June 30, 2019, we had revenues of $110,518 from orders for our GlucoTrack® model DF-F glucose monitoring device and PEC that are replaced every six months, as compared with $15,279 for the prior-year period. The increase in revenues is a result of orders shipped to two new markets during the second quarter of 2019.

We recognize revenues from sales of the GlucoTrack® model DF-F and PECs when control is transferred to the customer and collectability is probable

Research and development expenses

Research and development expenses were $401,122 for the three-month period ended June 30, 2019, as compared to $691,894 for the prior-year period. The decrease is attributable to a decrease in salary and other personnel-related expenses, including stock-based compensation expenses during 2019.

Research and development expenses consist primarily of salaries and other personnel-related expenses, including materials, travel expenses, clinical trials and other expenses. Subject to the receipt of additional funds to finance our operations (of which there can be no assurance), we expect research and development expenses to increase during the remainder of 2019 and beyond, primarily due to hiring additional personnel and developing our product line, as well as improvement of the GlucoTrack® model DF-F; however, we may adjust or allocate the level of our research and development expenses based on available financial resources and based on our commercial needs including the development of new GlucoTrack® models and others.

Selling and marketing expenses

Selling and marketing expenses were $150,953 for the three-month period ended June 30, 2019, as compared to $283,467 for the prior-year period. The decrease is primarily attributable to the Company's decision to reduce its business development personnel in the European market until such a time when the proof of concept of obtaining reimbursement for the product in test markets is realized. In addition, during the fourth quarter of 2018, our Chief Commercialization Officer was appointed as our President and Chief Operating Officer and as a result his salary and related benefits expenses were allocated to our General and administrative expenses.

Selling and marketing expenses consist primarily of salaries, travel expenses and other related expenses. Subject to the receipt of additional funds to finance our operations (of which there can be no assurance), we expect selling and marketing expenses to increase during the remainder of 2019 and beyond as we continue our focus on marketing and sales of the GlucoTrack® model DF-F; however, we may adjust or allocate the level of our marketing based on available financial resources and based on our commercial needs including specific requirements from customers and the development of new GlucoTrack® models and others.

General and administrative expenses

General and administrative expenses were $452,749 for the three-month period ended June 30, 2019, as compared to $1,046,174 for the prior-year period. The decrease is primarily attributable to the departure of our former CEO, a reduction in professional fees and the reduction of stock based compensation during 2019.

General and administrative expenses consist primarily of professional services, salaries, travel expenses and other related expenses for executive, finance and administrative personnel, including stock-based compensation expenses. Other general and administrative costs and expenses include facility-related costs not otherwise included in research and development costs and expenses, and professional fees for legal and accounting services. Subject to the receipt of additional funds to finance our operations (of which there can be no assurance), we expect selling, general and administrative expenses to increase during the remainder of 2019 and beyond.

Financing income (expense), net

Financing expenses, net were $4,551 for the three-month period ended June 30, 2019, as compared to financing income of $43,773 for the prior-year period. The change is primarily attributable to the early adoption of ASU 2017-11. Until the early adoption of ASU 2017-11 we marked the warrants with down round protection to market on a quarterly basis based on the fair value estimate derived by using Black and Scholes model, with the changes in fair value recognized as finance expense or income, as applicable, in our consolidated statement of operations. As a result of the early adoption of ASU 2017-11 we reclassified the warrants with down round protection from long term liabilities to stockholders deficit and stopped marking them to market on a quarterly basis. The decrease in the estimated fair value of our Warrants with down-round protection during the Three-month period ended June 30, 2018 amounted to $82,081, resulting primarily from the decrease in the expected term of Warrants and the changes in the estimated expected volatility. offset by expenses in the amount of $44,280 related to the late fee penalty resulting from the non-issuance of dividend payments at the required time during the first six month of 2018.

Net Loss

Net loss was $898,857 for the three-month period ended June 30, 2019, as compared to $1,962,483 for the prior-year period. The decrease in net loss is attributable primarily to the increase in revenues and decrease in our operating expenses, as described above.

Liquidity and Capital Resources

As of July 23, 2019, cash on hand was approximately $1,982,000. During 2019, we received aggregate net proceeds of approximately $4.2 million (net of related cash expenses) from the issuance and sale of Series D Units. During the first six months of 2019, we did not collect a material amount in cash proceeds from the fulfillment of orders for our improved GlucoTrack® model DF-F. While we expect to generate additional cash from sales, we do not anticipate that our income from operations will be sufficient to sustain our operations in the next 12 months. Based on our current cash burn rate, strategy and operating plan, we believe that our cash and cash equivalents will enable us to operate for a period of five months from the date of this report. In order to fund our anticipated liquidity needs beyond such period (or possibly earlier if our current cash burn rate, strategy or operating plan change in a way that accelerates or increases our liquidity needs), we will need to raise additional capital.

Messrs. Avner Gal and Zvi Cohen collectively loaned Integrity Israel NIS 176,000 ($49,355 based on the exchange rate of 3.566 NIS/dollar as of June 30, 2019) on May 15, 2002 pursuant to a board approval. Messrs. Nir Tarlovsky, Yitzhak Fisher and Asher Kugler loaned Integrity Israel NIS 336,300 ($94,307 based on the same exchange rate) on March 16, 2004. These loans are not required to be repaid until the first year in which we realize profits in our annual statement of operations (accounting profit). At such time, the loans are to be repaid on a quarterly basis in an amount equal to 10% of our total sales in the relevant quarter, beginning on the quarter following the first year in which we realize profits in our annual statement of operations. The total amount to be repaid by us to each lender shall be an amount equal to the aggregate principal amount loaned by such lender to us, plus an amount equal to the product of the amount of each payment made by us in respect of such loan multiplied by the percentage difference between the Israeli Consumer Price Index on the date on which the loan was made and the Israeli Consumer Price Index on the date of such payment. However, notwithstanding the above-mentioned mechanism, we will not be required to repay the loans during any time when such repayment would cause a deficit in our working capital. Our Board of Directors is entitled to modify the repayment terms of these loans, so long as such modification does not discriminate against any particular lender, and provided that all payments must be allocated among the lenders on a pro-rata basis.

Integrity Israel is required to pay royalties to the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor of the State of Israel at a rate ranging between 3-5% of the proceeds from the sale of the Company’s products arising from the development plan up to an amount equal to $93,300, plus interest at LIBOR from the date of grant. As of June 30, 2019, the contingent liability with respect to royalty payment on future sales equaled approximately $45,450, excluding interest.

Net Cash Used in Operating Activities for the Six-Month Periods Ended June 30, 2019 and June 30, 2018

Net cash used in operating activities was $2,041,043 and $2,442,209 for the six-month periods ended June 30, 2019 and 2018, respectively. Net cash used in operating activities primarily reflects the net loss for those periods of $1,920,510 and $3,810,277, respectively, increased by non-cash changes in fair value of warrants with down-round protection of $0 and $160,028, respectively. Net cash used in operating activities was also partially offset by changes in operating assets and liabilities in the aggregate amounts of $480,820 and $336,739, respectively.

Net Cash Used in Investing Activities for the Six-Month Periods Ended June 30, 2019 and June 30, 2018

Net cash used in investing activities was $9,913 and $1,912 for the six-month periods ended June 30, 2019 and 2018, respectively, and was used to purchase equipment (such as computers, research and development, and office equipment).

Net Cash Provided by Financing Activities for the Six-Month Periods Ended June 30, 2019 and June 30, 2018

Net cash provided by financing activities was $4,198,574 and $2,418,490 for the six-month periods ended, June 30 2019 and 2018, respectively. Cash provided by financing activities for the six-month period ended June 30, 2019 and June 30, 2018 reflected net capital raised from the issuance of Series D Units.

Off-Balance Sheet Arrangements

As of June 30, 2019, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Operating Officer and our Interim Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2019, our President and Interim Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Offering of Series D Units

During the six-month period ending on June 30, 2019, the Company received aggregate gross proceeds of $4,873,520 from the private placement of its securities to accredited investors in a transaction exempt from registration under Section 4(a)(2) the Securities Act of 1933, as amended.

On June 14, 2019, Integrity Applications, Inc. (the "Company") conducted a final closing of the private placement of its securities pursuant to a Securities Purchase Agreement (the "Purchase Agreement") with certain accredited investors (the "Purchasers"). Pursuant to the Purchase Agreements, on each of such closing dates, the Company issued to the respective Purchasers an aggregate of 13,972,100 units at a purchase price of $0.258 per unit of the Company (each a "Unit" and, collectively, the "Units"), each consisting of (a) one share (collectively, the "Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock"), (b) .05734 of a five year warrant to purchase, at an exercise price of $1.80 per share, one share of Common Stock (collectively, the "Series D-1 Warrants"), (c) .05734 of a five year warrant to purchase, at an exercise price of $3.60 per share, one share of Common Stock (collectively, the "Series D-2 Warrants"), and (d) .05734 of a five year warrant to purchase, at an exercise price of $5.40 per share, one share of Common Stock (collectively, the "Series D-3 Warrants", and together with the Series D-1 Warrants and Series D-2 Warrants, the "Warrants").

In the final closing, the Company received aggregate gross proceeds of $3,604,800 from the sale of the Units pursuant to the Purchase Agreements.

The terms of the instruments are otherwise the same as in the previous closings of the Company's "D Round" as described and pursuant to the terms of the agreements attached to the Company's Current Report on 8-K filed with the Commission on March 7, 2018.

Placement Agent Compensation

Pursuant to a placement agent agreement (the "Placement Agent Agreement") with the placement agent for the Offering (the "Placement Agent"), at the closing of the sale of the Units the Company paid the Placement Agent, as a commission, a cash amount equal to 10% of the aggregate sales price of the Series D Units sold in each closing, plus a non-accountable expense allowance equal to 3% of the aggregate sales price of the Series D Units sold in such closing. In addition, pursuant to the placement agent agreement, we are required to issue to the Placement Agent warrants to purchase up to such number of shares of Common Stock equal to 10% of the aggregate Shares sold in the Offering plus warrants equal to 10% of the total number of the Warrants issued to the Purchasers in the Offering (collectively, the "Placement Agent Warrants"). The terms of the Placement Agent Warrants will be substantially similar to the Warrants except that the Placement Agent Warrants will also be exercisable on a cashless basis and will include full ratchet anti-dilution protection.

Issuance of Non-Qualified Stock Options to Employees

On January 1, 2019, we issued a ten-year non-qualified stock option to our President and Chief Operating Officer, for the purchase of 75,000 shares of Common Stock at an exercise price of $4.50 per share, with three-year quarterly vesting commencing on the first quarter after the effective date

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 6. Exhibits.

Exhibit No.	Description
2.1	Merger Agreement and Plan of Reorganization, dated as of May 25, 2010, by and among Integrity Applications, Inc., Integrity Acquisition Ltd. and A.D. Integrity Applications Ltd. (1)
3.1	Certificate of Incorporation of Integrity Applications, Inc. (1)
3.2	Certificate of Amendment to Certificate of Incorporation of Integrity Applications, Inc. (1)
3.3	Bylaws of Integrity Applications, Inc. (1)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document (2)
101.SCH	XBRL Schema Document (2)
101.CAL	XBRL Calculation Linkbase Document (2)
101.LAB	XBRL Label Linkbase Document (2)
101.PRE	XBRL Presentation Linkbase Document (2)
101.DEF	XBRL Definition Linkbase Document (2)

(1) Previously filed as an exhibit to the Company's Registration Statement on Form S-1, as filed with the SEC on August 22, 2011, which exhibit is incorporated herein by reference.

(2) Pursuant to Rule 402 of Regulation S-T, the interactive files on Exhibit 101 hereto are deemed not filed for purposes of Section 11 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections, and are not part of any registration statement to which they relate.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 14, 2019

INTEGRITY APPLICATIONS, INC.

By: */s/ David Podwalski*
Name: David Podwalski
Title Director, President and Chief Operating Officer
(Principal Executive Officer)

By: */s/ Jolie Kahn*
Name: Jolie Kahn
Title Interim Chief Financial Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, David Podwalski, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2019 of Integrity Applications, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2019

By: */s/ David Podwalski*
David Podwalski
Director, President and Chief Operating Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jolie Kahn, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2019 of Integrity Applications, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2019

By: */s/ Jolie Kahn*

Jolie Kahn

Interim Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Integrity Applications, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Podwalski, Director, President and Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: */s/ David Podwalski*
David Podwalski
Director, President and Chief Operating Officer

Dated: August 14, 2019

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Integrity Applications, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jolie Kahn, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: */s/ Jolie Kahn*
Jolie Kahn
Interim Chief Financial Officer

Dated: August 14, 2019