**HBL-Hadasit Bio-Holdings Ltd.**

**("The Company")**

The Securities Authority

www.isa.gov.il

The Tel Aviv Stock Exchange Ltd.

www.tase.co.il

**Subject**: **Supplementary Report to the Company's Periodic Report for 2014**

The Company respectfully submits a supplementary report to the Periodic Report of the Company for 2014, as published on March 23, 2015 (Document No.: 2015-01-058975) (hereafter: **the Periodic Report**"), including clarifications, amendments and additions to the Periodic Report, The following updates are brought according to the arrangement of the sections and their numbers, as they appear in the Periodic Report, and the following terms will have the meanings as known in the Periodic Report.

## A. Chapter A-Description of the Entity's Affairs

**1.** Section 2.1 to the Periodic Report-Description of the general development of the Company's business

1.1 **The following description should be added to the description of the Hadasit Company:**

"To the best of the knowledge of the Company and as we were informed by Hadasit, the Hadasit Company is wholly owned and controlled by the Hadassah Medical Organization, PBC 198 (PC 51-115685-3), which is 100% held by the Hadassah Women's Zionist Organization of America, Inc, a foreign company, No. 56-000129 (hereafter: "**Hadassah**"). Hadassah is an organization without shares and, therefore, it has no shareholders. Hadassah is managed and controlled by its members' assembly, with the members of the assembly holding positions in the Hadassah organization as well as an organization parallel to Hadassah, Hadassah Medical Relief Organization. The membership in the assembly expires when those holding positions cease to fill positions at Hadassah. Hadassah does not distribute earnings and all of the earnings, to the extent there will be any, serve for the public purposes for which Hadassah exists.

During the month of June 2014, a recovery agreement was signed between Hadassah and the State of Israel according to a recovery plan presented on behalf of the trustees and Hadassah to the Jerusalem District Court on May 18, 2014 in File PR"K 14554-02-14 (hereafter: "**the recovery arrangement**").

As the Company was informed by Hadasit, in the framework of the recovery arrangement, it was clarified that Hadassah Women's Organization is the owner and the controlling owner of Hadassah and it will be such during the period of the recovery arrangement. Also, it was determined that during the period of the recovery arrangement, the board of directors of Hadassah will number 9 members, with eight members of the board of directors being appointed in an equal division by the Hadassah Women's Organization and the Public Committee of the State of Israel. The Public Committee is headed by a Supreme Court or district court justice (Ret.) (appointed by the President of the Supreme Court), an appointee of the Governor of the Bank of Israel and an appointee of the Chairman of the Committee of Universities (without connection and/or involvement of the Hebrew University).

In relation to the chairman of the board, it was determined that the Hadassah Women's Organization will recommend three names to factors of the State of Israel (the Director Generals of the Ministries of Health and Finance) and make a joint decision in relation to a candidate who will brought for approval of the board of directors.

The chairman of the board must be a permanent citizen of Israel, possess significant experience[1] and be someone who is not a holder of a position in the Hadassah Women's Organization.

It was also determined that the Director Generals of the Ministries of Health and Finance are permitted to demand an urgent convening of the board of directors of Hadassah in the event that there is a deviation from the recovery arrangement, a significant negative change in the financial condition or medical condition of the hospitals[2] or for purposes or a discussion of termination of the tenure of the CEO.

In relation to the appointment of the CEO of Hadassah, it was stipulated that, during the recovery period, as defined in the recovery arrangement, the appointment of the CEO of Hadassah will be made by a discovery committee composed of three directors serving on the board of directors (including the chairman of the board and a director on behalf of the Hadassah Women's Organization), and the discovery committee will bring at least two candidates for the position of CEO, who will be brought on a timely basis for the approval of factors from the State of Israel".

1.2 **In relation to a lien on the shares of the Company in favor of the State, as was agreed in the framework of the recovery arrangement, the following description will be added:**

[1] 10 years of experience of executive management, 3 years in the position of CEO, equivalent to CEO or chairman of the board.

[2] The medical condition of the hospitals..this was written in the original.

"To the best of the Company's knowledge, and as we were informed by Hadassah, in the framework of the recovery arrangement, it was agreed that as security for the full and exact payment of all of the amounts that are owed or that will be owed to the Accountant General of the Ministry of Finance and to secure the transfer of the pledged assets to the property of the State free of any lien, Hadassah will place as collateral, inter alia, its holdings in Hadassah's subsidiary as well as the shares of the Company held by Hadassah at that time. Accordingly, on August 13, 2014, 52,012,821 ordinary shares of NIS 0.01 par value of the Company owned by Hadasit were pledged in a first ranked specific lien in favor of the State of Israel (hereafter: "the lien"). The lien document stipulated that the lien will be in effect until the full repayment of the loan received by Hadassah from the State of Israel (according to its terms). It was also stipulated that on the date of removing the lien, the State will remove the lien registered on the collateral from any registry. Hadasit does not guarantee Hadassah's liabilities and the State of Israel has no recourse against Hadasit (the lien is non-recourse). The lien agreement does not itemize the rights of the State to the shares of the Company and also does not include reference in relation to such a right or another one for the State to vote in general assemblies of the Company or to receive dividends.

In this connection, it should be stated that commencing from the effective date of the recovery arrangement and as of this date, the ownership confirmations which are transmitted to the Company in relation to the Hadasit shares are in the name of Hadasit which actually votes in the assemblies of the Company".

2. Section 10.6 to the Periodic Report- The Law for the Encouragement of industrial Research and Development-1984 (hereafter: "**the R&D Law**")

The wording should be replaced with the following version:

"The R&D Law stipulates a string of demands which the applicant for benefits to finance research and development must fulfill. One who becomes entitled to benefits according to the R&D Law will pay royalties to the State treasury on all of the revenue that is derived from the product that was developed in the context of the program or which results from it, including services related to a product or connected with it. The provisions of the law prescribe that the product that will be developed as a result of the research by the Ministry of Industry and Commerce will be produced only in Israel, except if the research committee that financed it will approve the transfer of the production rights of the product outside of Israel pursuant to the R&D Law, subject to the payment of royalties, as stated in the law. In addition, the law stipulates that the technology whose development was supported by grants from the Office of the Chief Scientist may be removed or sold to third parties outside of Israel, subject only to approval of the research committee, and in special circumstances, in consideration of a certain part derived, according to a defined formula, from the relationship between the grants received by the Company from the Office of the Chief Scientist and the amount of the monetary investments invested in executing the approved program, with the result multiplied by the consideration with respect to the sale of the technology (hereafter: "**the basic amount**"). This amount will not be less than the amount of grants received

by the Company from the Office of the Chief Scientist, plus annual interest. Royalties paid until the point of transfer of the technology are deducted from the basic amount, and also a component of "technological depreciation" is also deducted. The period during which the basic amount will be deducted will begin at the end of the third year from the termination of executing the approved program and continue for 7 years (one seventh of the amount of the deduction each year).

As of the date of the report, the following investee companies have received Chief Scientist grants according and subject to the R&D Law: (1) ProTab; (2) CellCure; (3) Enlivex: (4) D-Pharm; (5) BioMarker; (6) KAHR (hereafter in this subsection: "**Chief Scientist companies**")".

**General conditions for obtaining support for research and development from the Chief Scientist**

The various approval documents given to the Chief Scientist companies by the Chief Scientist have determined different conditions with which the Chief Scientist companies must comply, in accordance with the provisions of the R&D Law and the regulations adopted by force of them, including the following conditions:

- The Chief Scientist companies have committed to notify the Chief Scientist of any change in the means of control of the company: a) The voting right in the assemblies of the company b) The right to appoint managers of the company c) The right to participate in earnings of the company. The transfer of these means of control to a foreign resident or a foreign company which convert the foreign resident or foreign company to an interested party, as defined in the Securities Law, requires notification to the Office of the Chief Scientist and a written commitment by the foreign resident or the foreign company pursuant to the provisions of the Law for the Encouragement of Research and Development.

- The Chief Scientist companies are obligated to pay royalties at different rates (as specified for each company) of all of the revenues with respect to all products of the company and to present all of the reports, according to the provisions of the Regulations for the Encouragement of Industrial Research and Development (Royalty Rates and Rules for their Payment)-1996, and the procedures of the Administrator of Industrial Research and Development.

- The Chief Scientist companies have committed not to transfer to another the technology, the rights to it and the production rights that will be generated from the research and development according to the programs approved, without obtaining approval of the research committee.

- The approval documents stipulated that if a Chief Scientist company will be convicted of an offense under the intellectual property laws of the State of Israel in a final and decisive court ruling, the administration will be permitted to revoke the benefits given to it under the Law for Encouragement of Research and Development and to demand refund of the grants with the addition of interest and linkage.

3. Section 14.2 to the Periodic Report: fixed assets and installations

It should be made clear that the "other company" is Unihad Biopark Ltd.

4. Section 15.3.3 to the Periodic Report-Products under development tabular detail should be added regarding products under development in relation to the Company's material investee companies:

| **The medical product being developed** | **The delineation to which the developed product is designated** | **Development stage of the developed product as of the report date** | **Anticipated milestones over the next 12 months (as of 31.12.2014)** | **Closest milestone and the expected date to reach it** | **Estimate of cost of completing the closest milestone** | **Size of the potential target market (No. of patients treated or procedures) and the annual financial volume of the potential target market of the developed medical product as of this date** | **Estimate of the entity regarding the date of the start of marketing of the developed medical product** |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| OpRegen® | Dry AMD | Phase 1/ 2 clinical trials | Interim report on end of first half year of the group treated with the low dosage. | Mobilization of 3 patients of the first group by the third quarter of 2015. | From the beginning of 2015 and until the nearest milestone, approximately $ 3 million. | In 2023, approximately 2 million patients in the severe illness stage in the major world markets; approximately $ 2 billion annual sales | 2022, in countries with conditional approval (such as Japan) |
| | | | | | | | |
| Episol | GVHD | Phase 1/2a clinical trial | Meeting with the European Authority + one or two nations of the Union, filing of request for Phase ll/lll clinical trial. Preparations for Phase ll/lll multicenter clinical trial. | Start of trial end of 2015 and end in mid-2018 | Approximately $ 20-30 million. | 15,000 patients undergo bone marrow transplants each year in the US: market size approximately $ 300 million. | 2020 |
| Episol | Autoimmune diseases | Pre-clinical trials | Presentation of pre-IND to FDA | Beginning of Phase 1/2a trial in mid-2016 | Approx $ 5 million | Size of market in excess of $ 1 billion | Unknown |
| | | | | | | | |
| Kahr-102 | Lymphoma cancer as a first delineation | Pre-clinical | End of toxicological trial in rats and monkeys, filing request with Ministry of Health and start of first clinical trial | End of toxicological trial and presentation of file to the Ministry of Health in the second quarter of 2015. | $ 1.5 million to complete toxicology and to present file to the Ministry of Health | 30 thousand lymphoma patients who match this treatment each year. The market for the treatment of these patients is $ 1.5 billion | 2020 |
| | | | | | | | |
| Prozumab | IBD | Advanced Pre clinical stage; after the Pre-IND with the FDA | 1.End of Pre-clinical trials of new indications and choice of clinical indication for continuation of development<br>2. Completions towards and GMP production.<br>3. Beginning of | 1.End of Pre-clinical trials for new indications and choice of clinical indication to continue development-Q2/2015<br>2. GMP production-Q4/2015 | 1. For achieving a milestone-$ 80 thousand.<br>2. Approx. $ 1.5 million | Incidence of IBD in the seven major markets-0.12%: annual financial volume-$ 6.9 billion | 2024 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Pre-clinical of toxicological trial on monkeys<br>* Achieving the goals and continuing development is subject to obtaining additional financing | | | | |

5. Section 26.7 of the Periodic Report-Cell Cure, relevant potential market

   Footnote no. 7 should be replaced with the following:

   Friedman DS, O'Colmain BJ, Munoz B, et al. Eye Diseases Prevalence Research Group. Prevalence of age-related macular degeneration in the United States. Arch Ophthalmol 2004;122:564-572

6. Section 26.11.2 of the Periodic Report- CellCure, OCS grants

   The table should be replaced by the following table:

| Name of medical products for which the grant was received | Amount of grant during reporting period (NIS 000) | Amount of grant in 2013 | Amount of grant in 2012 | Total grants as of date of report | Terms for retuning the grants, including time table | Special stipulations determined in connection with the grants of the terms for returning them |
|---|---|---|---|---|---|---|
| Development of hSEC derived neural and RPE cells | 6,295 | 5,242 | 4,138 | 23,329 | As detailed in Section 10.6 above. Royalties rate: 3% in first three years, 3.5% beginning from fourth year and thereafter | As detailed in Section 10.6 above |

7. Section 26.12.4 of the Periodic Report- CellCure, Intangible assets

| Patent No. | Patent description* | Rights to patent | Anticipated patent expiration date | Countries in which approved |
|---|---|---|---|---|
| 7,604,992 | GENERATION OF NEURAL STEM CELLS FROM UNDIFFERENTIATED HUMAN EMBRYONIC STEM CELLS | | 2023 | US |
| 8,133,730 | | | | |
| 2003229132 | | | | Australia |
| 2009213101 | | | | |
| 108144 | | | | Singapore |
| 2407821 | | | | Britain |
| 2427616 | | | | Britain |
| 2,488,429 | | | | Canada |
| 142748 | EMBRYONIC STEM CELLS | | 2019 | Israel |
| 2001265704 | | | 2021 | Australia |

| | | | | |
|---|---|---|---|---|
| 93380 | **METHOD OF CONTROLLING DIFFERENTIATION OF EMBRYONIC STEM (ES) CELLS BY CULTURING ES CELLS IN THE PRESENCE OF BMP-2 PATHWAY ANTAGONISTS** | | | Singapore |
| 4,795,616 | | | | Japan |
| 153095 | | | | Israel |
| 2,411,914 | | | | Canada |
| 7,112,437 | **METHODS OF CULTURING OF EMBRYONIC STEM (ES) CELLS AND CONTROLLING DIFFERENTIATION** | | 2021 | US |
| 779694 | **EMBRYONIC STEM CELLS AND NEURAL PROGENITOR CELLS DERIVED THEREFROM** | | 2021 | Australia |
| 2005200148 | | | | Australia |
| 2002301347 | | | | Australia |
| 151170 | | | | Israel |
| 204766 | | | | |
| 90819 | | | | Singapore |
| 7,504,257 | | | | US |
| 7,947,498 | | | | US |
| 4,889,902 | | | | Japan |
| 7,011,828 | **MPLANTING NEURAL PROGENITOR CELLS DERIVED FOR HUMAN EMBRYONIC STEM CELLS** | | 2021 | US |
| 8,137,969 | **NEURAL PROGENITOR CELLS DERIVED FROM EMBRYONIC STEM CELLS** | | 2021 | US |
| 8,460,931 | **NEURAL PROGENITOR CELLS DERIVED FROM EMBRYONIC STEM CELLS** | | 2021 | US |
| 144689<br>200206039-0 | **EMBRYONIC STEM CELLS AND NEURAL PROGENITOR CELLS DERIVED THEREFROM** | | 2022 | Singapore |
| 5,395,058 | **STEM CELL-DERIVED RETINAL PIGMENT EPITHELIAL CELLS** | | 2028 | Japan |
| 2008242106 | | | | Australia |
| 200880020748.0 | | | | China |
| 201600 | | | | Israel |
| 2554661 | | | | European Union |
| 2147094 | | | | |

The table describing the applications for material patents will be replaced by the following table:

| Name of patent application | Description of patent requested | Rights anticipated from patent (to the extent requested) | Date of precedence | Date of filing application | Countries in which application was filed |
|---|---|---|---|---|---|
| 61/592,635 | **Methods of isolating RPE cells** | Co-license with Hadasit | 31/1/2012 | 31/1/2012 PRO | US |
| 12/134,521 | **GENERATION OF NEURAL STEM CELLS FROM UNDIFFERENTIATED HUMAN EMBRYONIC STEM CELLS** | Exclusive license | 5/6/2002 | 6/6/2008 | US |
| 13/360,826 | | | | 5/6/2003 | |
| | | | | | |
| | | | | | |
| 03724662.6 | | | | 23/12/2004 | European Union |
| 11112871.6 | | | | 28/11/2011 | Hong Kong |
| 01942909.1 | **METHOD OF CONTROLLING DIFFERENTIATION OF EMBRYONIC STEM (ES) CELLS BY CULTURING ES CELLS IN THE PRESENCE OF BMP-2 PATHWAY ANTAGONISTS** | | 20/6/2000 | 17/1/2003 | European Union |
| 11109691.0 | **METHODS OF CULTURING OF EMBRYONIC STEM (ES) CELLS AND CONTROLLING DIFFERENTIATION** | | | 14/9/2011 | Hong Kong |
| 12/363,194 | | | | 30/1/2009 | US |
| 12/450,943 | **STEM CELL-DERIVED RETINAL PIGMENT EPITHELIAL CELLS** | | | 27/4/2008 | US |
| 14/583,838 | | | | | |
| 14/583,848 | | | | | |
| 14193621.1 | **EMBRYONIC STEM CELLS AND NEURAL PROGENITOR CELLS DERIVED THEREFROM** | | 18/4/2007 | 27/4/2008 | EP |
| 10107017.2 | | | | 27/4/2008 | Hong Kong |
| 14104657.0 | | | | 27/4/2008 | |
| 13106571.9 | | | | 27/4/2008 | |
| 2,684,460 | | | | 27/4/2008 | Canada |
| 225163 | | | | 27/4/2008 | Israel |
| 201310484803.4 | | | | 18/12/2009 | China |
| 6790/CHENP/2009 | | | | 27/4/2008 | India |
| 01911277.0 | | | | 13/12/2001 | European Union |

| | | | | | |
|---|---|---|---|---|---|
| 204766 | **EMBRYONIC STEM CELLS AND NEURAL PROGENITOR CELLS DERIVED THEREFROM** | | 14/3/2000<br>4/10/2001 | 25/3/2010 | Israel |
| 2,403,000 | | | | 14/3/2001 | Canada |
| 2001-567299 | | | | Allowed | Japan |
| 13/095,961 | | | | 28/4/2011 | US |
| 2,406,610 | | | | 3/10/2002 | |
| 2013216382 | **STEM CELL-DERIVED RETINAL PIGMENT EPITHELIAL CELLS** | | 31/1/2012 | 29/1/2013 | Australia |
| 2,863,172 | | | | | Canada |
| 14/375,195 | | | | | US |
| 12101675.6 | **Stem cells** | | 6/5/2002 | 5/6/2003 | Hong Kong |
| 10011875.1 | | | | | European Union |

8. Section 26.13.5.1 of the Periodic Report- CellCure, Research agreement

   It is clarified that in relation to the detail of the consideration to which Hadasit is entitled, CellCure has committed to pay to Hadasit an agreed upon amount to the extent of the cost of the services, as will be determined from time to time, and according to a budget agreed to in advance, with the addition of 25% for overhead.

9. Section 26.13.5.3 to the Periodic Report- CellCure, Agreement to provide research services

   In relation to the detail of the services that Hadasit has committed to provide, the following detail will be added: in consideration of executing research and development works as detailed in Section 26.13.5.2 (hereafter: "**the primary research**"), as well as consideration for executing additional research and development works in relation to new research in addition to the primary research.

10. After Section 26.13.6, the following will be added:

    The following is tabular detail of the amount of expenses of CellCure with respect to the commitments with Hadasit (in NIS 000) for the three years that preceded the reporting date (in terms of cost to CellCure).

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| The research agreement (Section 26.13.5.1) | 1,788 | 1,645 | 1,248 |
| The consulting agreement (Section 26.13.5.5) | 683 | 291 | 618 |
| The additional research agreement (Section 26.13.5.3) | 1,143 | 1,057 | 1,260 |
| Additional commitments (Section 26.13.6) | 169 | 345 | 976 |

11. Section 26.14 to the Periodic Report-CellCure, Raw materials and suppliers

    It is clarified that there is no dependence on Hadasit since there are other suppliers of stem cells. Nevertheless, it should be stated that except for one supplier, what is involved are expenses for purposes of approving compliance of the stem cells with the regulatory requirements. The supply of stem cells is part of the license agreement signed between Hadasit and CellCure, detailed in Section 26.12.2 and therefore CellCure does not make a separate payment for stem cells.

12. Section 26.14 to the Periodic Report-CellCure, Risk factors

    The following should be added: "In addition to the aforementioned in Section 25 above, CellCure has an additional specific risk factor for the sector of operations of CellCure which is the policies of various nations relating to the use of stem cells- policies of nations in relation to stem cells could be affected by political changes, possibly limitations will be imposed on use of products whose source is stem cells.

13. Section 27.2.1 to the Periodic Report- Enlivex, Convetible loan agreement of February 2014

    13.1 **The following will be added to Section 27.2.1.1a**: "in the price of a share reflecting 80% of the price of Enlivex on the date of its conversion to public".

    13.2 **Section 27.2.1.1b will be replaced as follows:**

    "In the event that Enlivex will not become a public company by February 28, 2016, the investors' loans will be converted to a fixed quantity of Preferred A shares which Enlivex will allot based on a company value of $ 10 million. The preferred shares will entitle their owners to preference in distributions upon liquidation, in protection against dilution and additional rights.

    The ratio of the consideration at the time of the conversion of the investors' loans will be in the ratio 0.2%: $ 1,000, that is, for every $ 1,000 of the amount of the amount of the loan at the time of the conversion, the investors will receive a number of shares reflecting 0.02% of the shares of Enlivex on an issued and paid up basis.

    In any case, at every point in time, the investors may convert the loans together with the accrued interest into a fixed amount of shares based on a company value of $ 10 million.

14. Section 27.7 to the Periodic Report-Enlivex, Relevant market potential

    14.1 **The wording will be replaced by the following:**

    "The world market for the GVHD disease as of 2013 is estimated at approximately $ 300 million per year" with the market potential for 2018 expected to reach approximately $ 400 million[9], and Envilex considers it a gateway to a much wider market of autoimmune diseases".

    14.2 **Footnote 9 should be replaced by the following link:**

    http://www.prnewswire.com/news-releases/graft-versus-host-disease---opportunity-analysis-and-forecasts-to-2018-277482481.html

15. Section 27.10.2 to the Periodic Report-Enlivex, Grants received by Enlkivex until the date of the Periodic Report

The table will be replaced by the following table:\

| Name of medical products for which the grant was received | Amount of grant during reporting period (NIS 000) | Amount of grant in 2013 | Amount of grant in 2012 | Total grants as of date of report | Terms for retuning the grants, including time table | Special stipulations determined in connection with the grants of the terms for returning them |
|---|---|---|---|---|---|---|
| Development of ApoCell for GVHD | 1,250 | 627 | 1,542 | 10,357 | As specified in Section 10.6 above. Royalties rate 3% in first three years, 3.5%, starting from the fourth year and thereafter | As specified in Section 10.6 above. |

16. Section 27.10.3.2 to the Periodic Report-Enlivex, The present and planned clinical trials by Enlivex during the years 2015-2016

In relation to the time schedule for the trial, it should be stated that the end is anticipated for the middle of 2018, assuming there are no financing limitations.

17. Section 27.11.2.1 to the Periodic Report-Enlivex, Material approved patents

The table will be replaced by the following table:

| Patent No | Description of patent applied for | Expected patent rights If registered) | Date of precedence | Date of filing application | Expected expiration date of patent | Countries in which application was filed |
|---|---|---|---|---|---|---|
| IL 187122 | **DISEASE THERAPY USING DYING OR DEAD CELLS** | Ownership | 1.1.2001 | Between 9/2007-12/2007 | May 2026 | Israel |
| US 2010-0255003, A1 | **IMMUNE DISEASE MEDICAMENT COMPRISING A MODULATOR OF THE BINDING BETWEEN A HEPARIN BINDING DOMAIN OF THROMBOSPONDIN-1 AND A BETA1 INTEGRIN** | Exclusive use right unlimited in time<br><br>Patent owned by Hadasit and Yissum | 20.6.2005 | 17.8.2009<br><br>18.1.2008 | June 20125 | US Europe |

18. Section 27.11.2.2 to the Periodic Report-Envilex, Applications to register material patents

The table will be replaced by the following table:

| Patent application name | Description of patent applied for | Expected patent rights If registered) | Date of precedence | Date of filing application | Countries in which application was filed |
|---|---|---|---|---|---|
| **DISEASE THERAPY USING DYING OR DEAD CELLS** | Method of disease therapy by means of proper dosage of dead or dying cells (apoptosis) which repress inflammatory processes | Ownership | 1.1.2001 | Between 9/2007 to 12/2007 | US<br>Europe |
| **THERAPEUTIC APOPTOTIC CELL PREPARATIONS, METHOD FOR PRODUCING SAME AND USES THEREOF** | Production methods of ApoCell | Ownership | 5.12.2002 | 5.12.2003 | WO, PCT 2014/087408<br><br>US 14/401,524 |

19. Section 27.11.2.3 to the Periodic Report-Orphan drug

    It is clarified that the recognition as an orphan drug by the Federal Drug Administration provides marketing exclusivity for 7 years for the specific product and the defined indication from the date of receiving the approval for marketing the drug and until competitors in the market are able to market the same drug. Additionally, the recognition of the drug as an orphan drug could provide concessions from the regulatory requirements during the development, and assistance in developing and registering the drug.

20. Section 27.12.2 to the Periodic Report

    The following paragraph will be added to the end of the section:

    "According to what was stated, in January 2007 Enlivex entered into a consulting agreement with Hadasit and Professor M'vorah according to which Professor M'vorah will grant consulting and research services to the company in consideration of a monthly amount of $ 12,500. In actuality, in 2012, a monthly amount of approximately NIS 28,000 was paid to Professor M'vorah, and starting from 2013 until the loss of control (May 2014), a monthly amount of NIS 10,000 was paid to Professor M'vorah.

21. Section 27.12.4 to the Periodic Report-Enlivex, Right to appoint directors

    It is amended that, as of the date of the Periodic Report, 7 directors are serving in Enlivex, of which 2 are on behalf of the Company.

22. Section 29.2 to the Periodic Report-Loans and investments in the share capital of KAHR

    It is clarified that the transaction described in Section 29.2.2 and the transaction described in Section 29.2.3 are the same transaction and not two separate transactions.

23. Section 29.10 to the Periodic Report-KAHR, Fixed assets

At the end of the paragraph, details regarding a rental agreement between Hadasit and KAHR will be added as follows:

"On April 18, 2013, KAHR entered into a rental agreement with Hadassah for purposes of establishing a biotechnology laboratory by KAHR in conjunction with the nephrology unit of Hadassah (hereafter in this subsection: "**the rental agreement**"). The rental period is 5 years, with an option to terminate the rental agreement at any time by advance notice of 60 days. KAHR committed to pay Hadassah monthly rental fees in the amount of NIS 1,380 plus VAT, while at the beginning of each year of rental, the monthly rental fees will be linked to the CPI and will remain fixed during the year after they are linked. In the context of the rental agreement, Hadassah has become obligated to execute modifications to the leasehold for the needs of KAHR on its account. KAHR will participate in the cost of executing the works up to an amount of NIS 204,416. Nevertheless, in a case that Hadassah will decide to terminate the agreement other than due to breach, KAHR will be entitled to a refund of a relative share of its participation in the cost of executing the modification works, less depreciation of 10% for each year of use."

24. Section 29.11.2 to the Periodic Report- KAHR, OCS grants

The table will be replaced by the following table:

| **Name of medical products for which the grant was received** | **Amount of grant during reporting period (NIS 000)** | **Amount of grant in 2013 (NIS 000)** | **Amount of grant in 2012 (NIS 000)** | **Total grants as of date of report (NIS 000)** | **Terms for retuning the grants, including time table** | **Special stipulations determined in connection with the grants of the terms for returning them** |
|---|---|---|---|---|---|---|
| Pre clinical development and first clinical trial of the KAHR-101 product and development of SCP-based therapeutics | 2,909 | 1,969 | 760 | 6,991 | As specified in Section 10.6 above. Royalties rate 3% in first three years, 3.5%, starting from the fourth year and thereafter | As specified in Section 10.6 |

25. Section 29.11.3 to the Periodic Report-KAHR, clinical trials

The table will be replaced by the following table:

| Name of trial | Development stage of trial | Was an IND or IDFE opened for the trial | Does it match regulation or ICH | Purpose and nature of trial | No. of tested planned in trial | No. of tested added to trial as of issue date of report | No. of sites in which trial is performed | Location of sites where trial is performed | Trial nature and status | Trial time schedule | Est. expected total cost of trial | Cumulative cost since start date of clinicaltrial date report date | Interim results/final results |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Phase I/IIa clinical trial | Clinical trial | No | No | Test of safety and efficacy | About 30 patients | - | 3 | Israel | Not started | End of 2015, start of 2016: end-Dec. 2016 | Approx. $ 1.7 mill. | N//A | N/A |

26. Section 29.12.2.1 to the Periodic Report-KAHR, Approved material patents

The table will be replaced by the following table:

| **Patent No** | **Description of patent** | **Patent rights** | **Date of precedence** | **Date of filing application** | **Expected expiration date of patent** | **Countries in which approved** |
|---|---|---|---|---|---|---|
| Europe (1248645B1) Israel (150571) Japan (4723782) | Original patent protecting the KAHR-102 product and additional combinations | The patent belongs to the Univ, of PA. KAHR has an exclusive license for the patent | 3.2000 | 3.2001 | 3.20121 | Europe Israel Japan Canada USA |
| USA (7,569,663B2) | | | | | 7.20121 | |
| USA (8039437 B2) USA 8,329,657 B2 EP2297198B1 JP5475766 SG167630 AU (2009269141) | Original patent protecting the KAHR-101 product | The patent belongs to the Univ, of PA. KAHR has an exclusive license for the patent | 6.2008 | 6.2009 | | USA Europe Japan Australia Singapore |

27. Section 29.12.2.2 to the Periodic Report-KAHR, Applications for registering material patents

The table will be replaced by the following table:

| Patent No | Description of patent | Patent rights | Date of precedence | Date of filing application | Expected expiration date of patent | Countries in which application was filed |
|---|---|---|---|---|---|---|
| COMPOSITIONS AND METHODS FOR TREATMENT OF HEMATOLOGICAL MALIGNANCIES | The patent protects use of the KAHR 102 and 103 products for types of lymphatic cancer | The patent belongs to KAHR and Hadasit in equal shares. Hadasit gave KAHR an exclusive license for the patent without royalties | 9.2010 | 9.2011 | 9.2031 | USA, Europe, Canada, Israel, China, Australia |
| Stable Form Of Signal Converting Protein Fusion Proteins, And Methods Of Use And Preparation Thereof | The patent protects production and use methods for KAHR-102 like the Kasmari molecule and hundreds of other Kasmari combinations | The patent belongs to KAHR | 1.2013 | 12.2013 | 12.2033 | PCT/IL2013/051098 |

28. Section 29.13.5.1 to the Periodic Report–KAHR, Service & consulting agreement with Hadasit

    It is clarified that the agreement stipulates that in consideration for the above services, KAHR will pay Hadasit an amount equivalent to the cost of the services, as they will be determined from time to time and pursuant to a budget agreed to in advance, plus 20% for overhead on consulting and 25% overhead on the other expenses in the framework of the agreement. The intellectual property resulting from this research belongs to KAHR.

29. Section 29.13.5.2 to the Periodic Report-KAHR, Consulting agreement with Dr. Elhallel

    29.1 **The following paragraph should be added at the end of the paragraph:**

    "In addition, in June 2009, in July 2001, in September 2012 and May 2014, KAHR granted non marketable options to acquire shares of KAHR to Hadasit and Dr. Elhallel, as the beneficiary of Hadasit, at a total rate of 0.97% as of 31.12.2014.

    The value of the options granted to Dr. Elhallel and Hadasit as measured on the date of the grant is NIS 303 thousand.

29.2 **The following table will be added;**

Following is tabular detail regarding the amount of the expenses of KAHR to Hadasit with respect to the commitments with Hadasit (in NIS 000) for the three years preceding the reporting year (in terms of cost to KAHR):

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Services and consultation agreement (Sections 29.13.5.1 and 29.13.5.2 above) | 736 | 943 | 903 |

30. Section 30.1.12 to the Periodic Report-ProTab

At the end of the section, the following will be added: "See Section 30.13.6 below for details regarding the consulting agreement."

31. Section 30.4 to the Periodic Report-ProTab

The wording will be changed as follows:

"See Note 8.B. to the financial statements of the Company as of December 31, 2014 for financial data regarding operations of ProTab. This information is being brought by way of reference."

32. Section 30.8 to the Periodic Report: ProTab, Competition

The table will be replaced by the following table:

| | **The medical product of the entity** | **Competing product A** | **Competing product B** | **Competing product C** |
|---|---|---|---|---|
| **Characteristics of the product** | Prozumab for treatment of inflammatory bowel diseases | Antibody based medications inhibiting TNF-α Cytokines, including<br><br>Remicade of J&J/ Schering Plough with sales of $ 2.4 billion in 2010<br><br>Humira of Abbott with sales of $ 1.96 billion in 2010<br><br>Cimzia of UCB Pharma with sales of $ 79 million in 2010<br><br>Simponi of Janssen Biotech Inc. which received approval for marketing in the US in 2013 | Antibody based medications directed towards cell adhesion molecules, including:<br><br>Tysabri of Elan/ Biogen Idec, which received approval for marketing in the US in 2008<br><br>Entyvio of Millenium/Takeda which received approval for marketing in the US in 2014 | There are a variety of biological medications under development in various phases, including products taken orally |
| **Advantages and disadvantages of the medical product in relation to competitive medical products (those existing or those in development) to the best of the entity's knowledge** | | Advantages: acts in an innovative operating mechanism that could provide treatment for patients not responding or who develop resistance to existing biological medications; expected to have a high safety profile relative to competitors<br><br>Disadvantages: likely to be provided every two weeks by injection as opposed to less frequent injection | | |

33. Section 30.11.2 to the Periodic Report- ProTab, OCS grants

The table will be replaced by the following table:

| Name of medical products for which the grant was received | Amount of grant during reporting period (NIS 000) | Amount of grant in 2013 (NIS 000) | Amount of grant in 2012 (NIS 000) | Total grants as of date of report (NIS 000) | Terms for retuning the grants, including time table | Special stipulations determined in connection with the grants of the terms for returning them |
|---|---|---|---|---|---|---|
| proximab, a humanized monoclonal antibody for ra & ibd<br>prozumab | 94 | 1,265 | 1,434 | 8,384 | As specified in Section 10.6 above. Royalties rate 3% in first three years, 3.5%, starting from the fourth year and thereafter | As specified in Section 10.6 |

34. Section 30.12.2.1 to the Periodic Report-ProTab, License agreement with Hadasit

It is clarified that the license agreement does not bear royalties.

35. Section 30.12.2.2 to the Periodic Report-ProTab, Tabular disclosure of the material agreements for cooperation according to which ProTab is obligated to pay royalties to a third party

The following comment should be added: “The license is effective per nation until expiration of all of the patent claims in that nation or 12 years from the beginning of sales in that nation, whichever is shorter.

36. Section 30.12.3.1 to the Periodic Report- Protab, Material approved patents

The table will be replaced by the following table:

| Patent No | Description of patent | Patent rights | Expected expiration date of patent | Countries in which approved |
|---|---|---|---|---|
| PCT/IL1999/000595<br>Peptides of epitopes of B cells, DNA sequences coded for these peptides and their different uses; Antibodies directed against peptides of epitopes of B cells, preparations containing them and their uses | Patent on molecules and use of a molecule. This patent protects the general access of antibodies against epitopes, including peptide 6. The patent which ProTab filed for approval (as detailed below) protects specific antibodies against peptide 6 including the prozumab. To the extent that the additional patent will be accepted by the different nations of the world, the importance of the patent declines. | Owned by a third party; Protab has an exclusive use right unlimited in time | 4.11.2019 | USA ( 4patents) |
| | | | | Australia |
| | | | | Israel (primary patent accepted and division request before acceptance |
| | | | | Japan |
| | | | | Canada |
| | | | | European nations (Austria; Belgium; Switzerland; Germany; Spain; France; Britain; Ireland; Holland;; Sweden; Denmark and Finland). |

37. Section 30.12.3.2 to the Periodic Report- ProTab, Applications to register material patents

The table will be replaced by the following table:

| Patent application name | Description of patent applied for | Expected patent rights If registered) | Date of precedence | Date of filing application | Countries in which application was filed |
|---|---|---|---|---|---|
| PCT/IL2010/000731<br>Humanized antibodies against peptide 6 derived from the HSP 65 protein, methods and their uses | Patent for molecule and use of molecule | Ownership | 6.9.2009 | 6.9.,2010 | USA (patent approved and continuation requested |
| | | | | | Australia |
| | | | | | Israel |
| | | | | | China |
| | | | | | India |
| | | | | | Russia |
| | | | | | Mexico |
| | | | | | Korea |
| | | | | | Brazil |
| | | | | | Japan |
| | | | | | Canada |
| | | | | | Europe |

38. Section 30.13.6 to the Periodic Report-ProTab, Consulting agreement

It is clarified that according to the consulting agreement, as revised during 2014, it was determined that Hadasit will grant monthly consulting to ProTab by Prof. Yakov Nefrestek in connection with development of the leading product of ProTab, in consideration for a monthly amount to be paid to Prof. Nefrestek (ny means of Hadasit) of NIS 4,200 as well as a monthly payment to Hadasit of NIS 1,040 (representing 20% of the payment made to Prof. Nefrestek) with respect to overhead. Moreover, during 2012, ProTab paid Hadasit an amount of NIS 200 thousand with respect to the consulting agreement. During 2013, due to the financial condition of ProTab, it was agreed that ProTab would not be obligated

for payments with respect to the agreement, despite that it received consulting services, During 2014, ProTab paid the amount of NIS 48 thousand.

39. Section 31.1.4 to the Periodic Report- BioMarker, BIRD Foundation

It is clarified that, during 2015, a final accounting was received vis-à-vis the BIRD Foundation. An expense in the amount of $ 6 thousand with respect to patents was not recognized and therefore, BioMarker refunded this amount to the BIRD Foundation.

## B. Chapter D- Additional details of the entity

1. Regulation 21(6)(d)- The allotment of the options to Mr. Ehrlich was approved by the General Assembly of the Company pursuant to the provisions of Sections 270(3) and 273 of the Companies Law. Since, on the date of allotment of these options, Mr. Ehrlich served as a director of Hadasit, the controlling shareholder of the Company, the allotment of options should have been approved by the General Assembly by a special majority, pursuant to Sections 270(4) and 275 of the Companies Law. It is clarified that the Company will act to reapprove the grant of the options to Mr. Yigal Ehrlich. To the extent that the grant of the options will not be reapproved by the organs required by law, the grant of the options will be revoked.

2. Regulation 22 will be added as follows:

2.1 **Transactions with the controlling shareholder which were not approved by the organs of the Company and which are required to be approved pursuant to Sections 270(4) and 275 of the Companies Law.**

The following are details, to the best of the knowledge of the Company, regarding each transaction with the controlling shareholder or in which the controlling shareholder has a personal interest for its approval, which the Company[3] undertook during 2014, or which still in effect:

2.1.1 Agreement between KAHR, Hadasit and Dr. Elhallel for the performance of research and development works- see Section 29.13.5.1 to the Periodic Report for details. This information is brought by way of reference.

2.1.2 Agreement to provide consulting services between KAHR, Hadasit and Dr. Elhallel- see Section 29.3.5.2 to the Periodic Report for details. This information is brought by way of reference.

2.1.3 Private allotment of options of KAHR to Hadasit and Dr. Elhallel- see Section 29 above for details.

2.1.4 Agreement between ProTab and Hadasit and Prof. Nefrestek to provide consulting services- see Section 30.13.6 to the Periodic Report for details. This information is brought by way of reference.

[3] Including companies held by the Company and in which the Company holds control.

As of the date of this report, the above agreements have not been approved by the Company according to law, pursuant to Sections 270(4) and 275 of the Companies Law. The Company is acting in order to approve the agreements by the organs as is required by law.

2.2 **Transactions with the controlling shareholder which were not approved by the organs of the Company and which do not require to be approved pursuant to Section 270(4) of the Companies Law.**

2.2.1 Rental agreement between KAHR and Hadasit- see Section 23 above.

2.2.2 Exclusive license agreement for the use of patents owned by Hadasit, between Hadasit and ProTab- see Section 30.12.2.1 to the Periodic Report for details. This information is brought by way of reference.

2.2.3 Exclusive license agreement for a patent application between Hadasit and Enlivex- see Section 27.11.1.1 to the Periodic Report for details. This information is brought by way of reference.

2.3 **Past undertakings with the controlling shareholders which were not disclosed in the framework of the Company's reports**

2.3.1 Private allotment of options of KAHR to Hadasit and Dr. Elhallel- see Section 29 above for details.

2.3.2 Rental agreement between Hadassah and KAHR-see Section 23 above for details.

2.3.3 Agreement to provide consulting services between KAHR, Hadasit and Dr. Goldshmidt dated July 2013- according to the consulting agreement, it was agreed that Dr. Goldshmidt will grant scientific consultation to KAHR on consideration of a monthly payment of $ 500 and $ 1,500, before and after the trial, respectively. This agreement was not approved by the organs of the company, according to Sections 270(4) and 275 of the Companies Law. As of this date, KAHR has not used the services of Dr. Goldshmidt and has not transferred any payments of any sort or type to Dr.Goldshmidt and/ or to Hadasit/Hadassah.

2.34 Allotment of options of ProTab- during 2010. ProTab allotted to Hadasit, to three Hadasit employees and to Prof. Nefrestek the quantity of 685, 577 and 2,767 options, respectively, of ProTab which together represent 1.24% of ProTab's share capital as of the date of the report. On the date of the allotment in 2010, the allotment was not approved by the organs of the company, according to Sections 270(4) and 275 of the Companies Law.

2.3.5 Agreement between Enlivex, Hadasit and Prof. Mvoreh- During January 2007, Enkivex entered into an agreement with Hadasit to provide consulting and research services by Prof. Mvoreh, in consideration of a monthly amount of $ 12,500. In 2012, Enlivex paid a monthly amount of approximately NIS 28,000 was paid to Professor M'vorah, and starting from 2013 until the loss of control (May 2014), a monthly amount of NIS 10,000 was paid to Professor M'vorah. On the date of this undertaking, the agreement was not

approved by the organs of the company, according to Sections 270(4) and 275 of the Companies Law. As of the date of this report, the Company is no longer the controlling shareholder of Enlivex and this agreement is not in effect.

## C. Evaluations attached to the report

The following data should be added to the evaluation with respect to the elements of an investment in the May 18, 2014 Enlivex transaction, as announced on August 28, 2014, and attached to the Periodic Report for 2014:

The company value as derived from the investment agreement stands at $ 4,433 thousand. Therefore, the value of the holdings of HBL is estimated at $ 1,146 thousand.

The share value reflected by the transaction is estimated at $ 0.070378 per share.

The following is a sensitivity analysis of the value of the holdings of HBL to changes the standard deviation ($ 000):

| Standard deviation | 50.00% | 74,32% | 84,32% | 94,32% | 104,32% | 114.32% | 150.00% |
|---|---|---|---|---|---|---|---|
| Value of holdings of HBL | 1,112 | 1,120 | 1,123 | 1,146 | 1,164 | 1,182 | 1,240 |

It should be stated that from an additional sensitivity analysis that we carried out, it appears that the effect of the probability of an offering on the value of the holdings of HBL is negligible, as presented in the following table ($ 000):

| Probability of offering | 60% | 70% | 80% | 90% | 100% |
|---|---|---|---|---|---|
| Value of holdings of HBL | 1,146 | 1,146 | 1,146 | 1,146 | 1,146 |

Respectfully yours,
HBL-Hadasit Bio-Holdings Ltd.
By: Ms. Tamar Kfir, CEO