HBL: Hadasit Bio-Holdings Ltd.

("The Company")

Annual report of the Company for the year of 2015

(Hereinafter: "Annual report")

IMPORTANT
This document is an unofficial translation of the Hebrew original "Annual report of the year of 2015", of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange ("TASE") and the Israeli Securities Authority on March 31, 2016.
The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version. This translation is for the convenience of English readers.

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In view of the character of the Company as a holding company of research and development companies (hereafter: "portfolio companies"), and on the backdrop of uncertainty of success in development of their various medical products and/or their penetration into the relevant market of the portfolio companies, in the event of failure of the technological development of the medical products of the portfolio companies and/or failure to attain the necessary approvals from the official regulatory authorities for marketing and selling their medical products and/or penetrating into the relevant market of the portfolio companies, the investment of the Company in the portfolio companies might be lost. Moreover, as a holding company, the Company requires equity raisings until creating positive cash flows in order to finance its operations and current expenses.

On February 12, 2014, the Board of Directors of the Company decided to voluntarily adopt all of the concessions for a "small corporation" included in the amendment to the Securities Regulations (Periodic and Immediate Reports)-1970, as they are relevant (or will be relevant) to the Company, commencing from the Periodic Report for the year of 2013.

On May 26, 2015, the Shareholders' General Assembly decided to approve a unification of the authorized share capital and the issued and paid-up share capital in a relation of 1:5. For additional details, see the Company's Immediate Reports dated May 12, 2015 and May 27, 2015 (Reference No. 2015-01-017565, 2015-01-029724, respectively). The data in this Directors' Report are presented after the capital unification carried out by the Company in a relation of 1:5 (hereafter: " the capital unification"), except if explicitly stated otherwise.

A. Description of the Company and description

1. Definitions and keys

For convenience, in this chapter, the following abbreviations will have the meaning recorded alongside them:

"Annual report of the Company for the year of 2013"	-	The annual report of the Company for the year of 2013, as published on March 18, 2014 (Document No. 2014-01-017121)
"The Annual Report of the Company For the year of 2014"		The annual report of the Company for the year of 2014, as published on March 23, 2015 (Reference No. 2015-01-058795) & supplemental report dated May 31, 2015 and the amendment to it dated June 29, 2015 (reference Nos. 2015-01-035934 and 2015-01-059916, respectively).
"The Company" or "the Entity"	-	HBL Hadasit Bio-Holdings Ltd.
"The Stock Exchange"	-	The Tel-Aviv Stock Exchange Ltd
"The Companies Law"	-	The Companies Law-1999
"The Investment Encouragement Law"	-	The Law for the Encouragement of Capital Investments-1959
"The R&D Encouragement Law"	-	The Law for the Encouragement of Industrial Research and Development-1984

"The Securities Law"	-	The Securities Law-1968
"Date of publishing the Periodic Report"	-	March 20, 2016
"Date of the Periodic Report" or "Reporting Date"	-	December 31, 2015
"NIS"	-	Israeli shekel
"Previous shelf prospectus"	-	Company's shelf prospectus dated June 24, 2012, as extended on May 14, 2014
"Supplemental Prospectus"	-	Supplemental Prospectus of the Company dated July 23, 2015, as amended on August 3, 2015, and the supplementary notice dated August 16, 2015
"Shelf Prospectus"	-	Shelf prospectus of the Company dated October 26, 2015
"510(K)" or "510(K) approval channel"	-	Permit granted by the FDA (see definition below) for commercial distribution in the United States of medical products. The Premarket notification (510K) channel is a channel for approval of products with an obligation to inform the Food and Drug Administration at least 90 days prior to marketing a new product when there is concern that the its safety characteristics have changed in relation to the previous product, based upon the developed product resting on recognized and proven physical fundamentals and/or is similar to previously approved procedures or products including similar elements.
"CE"	-	European standard for medical devices which represents a declaration by the manufacturer that the device meets the criteria of the various relevant authorities (such as: health, safety and environmental quality). For purposes of examining the compliance of the medical device with the required standards, its technical characteristics, the manufacturer's system of control, etc. are tested, while at the end of the process, the manufacturer obtains this approval for marketing purposes.
"FDA"	-	Food and Drug Administration-the regulatory authority of the United States, responsible, inter alia, to observe and arrange development and registration of medications and medical devices in the U.S.
"EMA"	-	European Medicines Agency

"CFDA"	-	China Food and Drug Administration

2. General Development of the Company's business

2.1. The Company was founded on September 19, 2005 by Hadasit Medical Research Services & Development Ltd. ("**Hadasit**"). As of the reporting date, Hadasit is the controlling shareholder in the Company and holds approximately 25.42% of the Company's share capital.

Hadasit is a private company founded in Israel on December 7, 1986 by Hadassah Medical Organization, a medical institution based in Jerusalem that is international in its scale and standing and which includes, inter alia, two university hospitals in Ein Kerem and Har Hatzofim, five schools for medical professions, outpatient clinics, research centers, and more.

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 Association. 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.

Similarly to the mechanism in place in other scientific institutions, Hadasit is Hadassah's technology transfer office, and is the entity that acts to raise resources and commercialize the scientific discoveries produced by Hadassah's researchers (mostly doctors who, in parallel to their ordinary work, are also engaged, inter alia, in clinical research).

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) who will 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 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 or for purposes or a discussion of termination of the tenure of the CEO.

As of the date of the Periodic Report, to the best of the knowledge of the Company, Mr. Erez Meltzer serves as Chairman of Hadassah, and Prof. Zeev Rotstein was appointed general director of Hadassah.

It should be stated that, to the best of the Company's knowledge, Hadasit, the controlling shareholder of the Company, is not included in the recovery arrangement given at the request of the Hadassah Medical Organization by the Jerusalem District Court (hereafter: "**recovery arrangement**"), except for the lien on the holdings of Hadasit in the Company in favor of the State of Israel. The Company believes that the recovery arrangement has no material effect on the Company's operations or on the operations of the Company's portfolio companies (as they are defined below).

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, 10,402,564 ordinary shares of NIS 0.05 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.

As of the date of the Periodic Report, Hadasit has not sold shares of the Company.

2.2. On December 18, 2005, the Company became a public company, as this term is defined in the Companies Law, and its securities began to be traded on the stock exchange. In 2011, the Company began operating Level I Sponsored American Depository Receipt (ADR). The program allows the purchase of 20 shares tradable on the Tel-Aviv Stock Exchange as one ADR share under the ticker symbol (OTC: HADSY).

2.3. From the date of its formation, and as of the date that the Periodic Report was published, the Company is engaged in the advancement and enhancement of its portfolio companies, as detailed below, with the goal of accruing value in the portfolio companies and, accordingly, maximizing value for the Company's shareholders. The above is carried out primarily by means of managerial support and placing contacts and financing at the disposal of the portfolio companies.

2.4. The Company has holdings in six biotechnology companies; Enlivex Therapeutics Ltd. (hereafter: "**Enlivex**"), Cell Cure Neurosciences Ltd. (hereafter: "**Cell Cure**"). ProtAb Ltd. (hereafter: "**ProtAb**"), KAHR Medical (2005) Ltd. (hereafter: "**KAHR**"), BioMarCare Technologies Ltd. (hereafter: "**BioMarCare**"), D-Pharm Ltd. (hereafter: "**D-Pharm**"), all of which have had the status of success in the feasibility stages, namely-efficacy of the medications in the animal models, while four, including Enlivex, Cell Cure, D-Pharm and BioMarCare are at the stage of clinical trials on human beings, as well as an additional company, KAHR, which has received approval to start clinical trials on human beings at three medical centers in Israel. As of the date of the Periodic Report, ProtAb and BioMarCare froze all of their activities, except in relation to locating partners in order to commercialize the technology.

The portfolio companies of the Company are companies which develop medications for the categories of cancer, inflammatory illnesses and rehabilitation of tissues by means of treatments based on stem cells, areas in which the Hadassah Hospital has great knowledge and reputation as a world leader.

2.5. The Company is involved, based on its status in the portfolio companies (proportion of its holdings and representation in the board of directors), in strategic planning of the portfolio companies. Moreover, to the extent that its situation permits, the Company takes part in the current support of the management of the companies, including, inter alia, guidance in structuring work programs, budgets, equity raisings and business development.

2.6. Through such involvement, the Company wishes to ensure that its investments are leveraged in the most beneficial way, and that the portfolio companies advance in a path which is a basis for the strategy of accruing the Company's value.

2.7. The Company's Board of Directors evaluates the investment opportunities in the portfolio company as well as in additional companies, according to a series of criteria (all or part of them), including, inter alia, the measure of maturity (business and clinical) of the product/technology, time for development, size of the potential market, length of life of the intellectual property at the base of the product and the presence of a financial or strategic partner. See Section 4 below for further details concerning the investment policies of the Company.

2.8. The Company strives that the portfolio companies will adopt a strategy of building value at the end of successful significant clinical trials with humans, so that during Phase ll of the clinical trials, the portfolio companies (all or some) will hold meetings with the appropriate factors for purposes of investment in continuing the development process and/or strategic cooperation (hereafter: "**cooperation**").

2.9. The Company estimates that In the event that the results produced by such a trial demonstrate efficacy as well, then the Company and the product it is developing become even more attractive from the perspective for cooperation.

The Company's aspirations for the strategy of building value and in relation to the attractiveness of cooperation as mentioned above, are forward looking information, according to its meaning in the Securities Law, which is contingent, inter alia, on developments in markets, competition and market potential. It is clarified that there is no assurance in relation to the strategic success of building value.

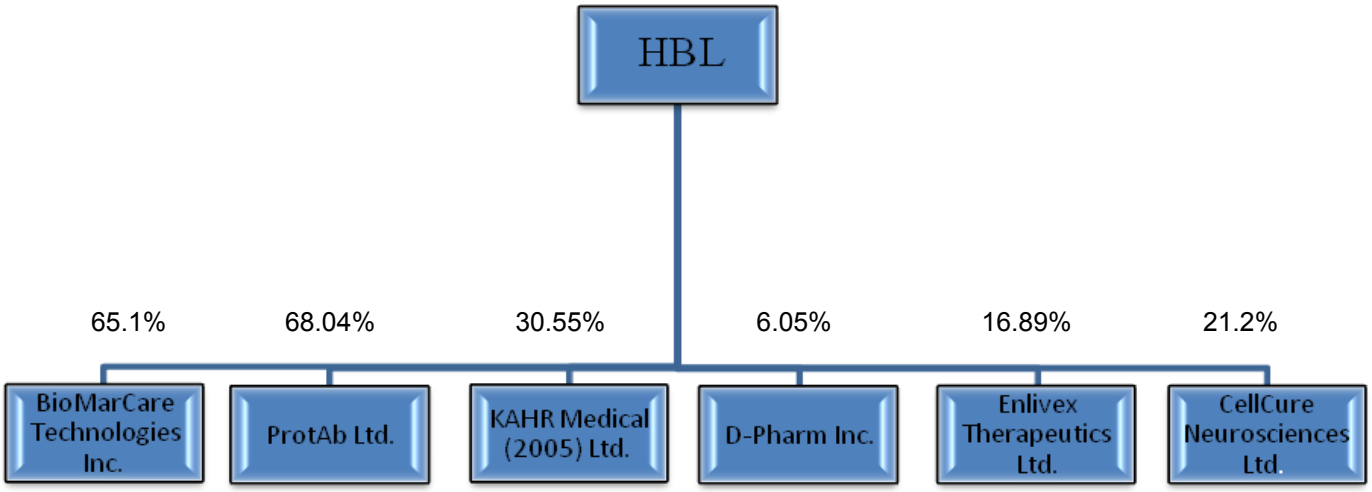
2.10. The strategic and business goals of the Company and the strategy of building value described above are based on the objectives and aspirations of the Company as of the date the report is published and they could change pursuant to the passing of the appropriate decisions by the Company.

2.11. In this report, details are brought, inter alia, with regard to material portfolio companies held by the Company. From the point of view of the Company, materiality of the portfolio companies for the Company is evaluated mostly according to quantitative and qualitative parameters representing a basis for the determination of materiality of each portfolio company. These parameters include, inter alia, the scope of the activities, the ownership structure, the quantity of equity invested in the company, the measure of the influence on the management of the company by way of presence in its Board of Directors, the type of shares and of the rights attached to them, the clinical stage at which the company's developments are found, the measure of protection over the intellectual property assets of the company and the status of the scientific development of the Company's products.

2.12. Out of the portfolio companies, as of the date of the report, the Company considers Enlivex, Cell Cure, ProtAb, and KAHR as companies material to the Company while D-Pharm and BioMarCare are not considered material.

2.13. On August 31, 2015, the Company announced that the Board of Directors of the Company had decided to take a series of efficiency steps with the aim of causing a significant reduction in the Company's expenses. The efficiency steps include, among other things, decreasing the operating expenses of the Company, including cutting back manpower employed by the Company. In this framework, it was agreed that the the management of the Company including the CEO of the Company and the CFO will reduce their salaries at a rate of 25% (except for social provisions which in relation to the Company's CEO, were calculated according to the original salary) and 15%, respectively. This reduction in salary in relation to the Company's CEO and CFO was effective from August 2015 and until the raising of substantial equity for the Company. Moreover, the directors of the Company (except for the external directors and the independent director) and, including the Chairman of the Board of Directors, reduced their remuneration at a rate of 25%. Furthermore, the external directors and the independent director of the Company announced their decision to the Company to waive part of the directors' compensation to which they are entitled, in a manner that they will receive the "minimum remuneration" stipulated by the Companies' Regulations (Rules Regarding Remuneration and Expenses to an External Director)-2000. For additional details, see the Company's Immediate Report dated August 31, 2015 (Reference No. 2015-01-110595). As of the date of publishing the Periodic Report, in view of the equity raising carried out by the Company in December 2015, the salary of the Company's CEO and CFO will be revised back, and the remuneration to which the external directors and the independent director are entitled will also be revised back.

2.14. <u>The Group's holding structure (in companies in which the Company is an interested party</u>



- Enlivex-the rate of holding reflects the Company's holdings after the conversion of the convertible loans as stated in Section 27.2.1 below.

2.15. The following is quantitative data regarding all the portfolio companies as the date that the report is published:

Company Name	Rate of Holding		Total amounts placed by the Company for the benefit of portfolio company over a cumulative period until the date of the Periodic Report (NIS 000)	Total amounts placed by the Company for the benefit of portfolio company over the period of the Periodic Report (from January 1, 2014 to December 31, 2014) (NIS 000)	Accounting method	Fair value
	Undiluted basis	at Full Dilution				
Cell Cure	21.2%	20.05%	22,448	1,007	Affiliated Company	Investment account not presented at fair value
Enlivex	16.89%	14.85%	14,282	0	Affiliated Company	Investment account not presented at fair value
D-Pharm Ltd. (traded on the TASE)	6.05%	6.70%	5,869 (including investment in Thrombotech before the merger)	0	Financial assets available for sale	900 thousand Nis
KAHR	30.55%	29.23%	16,182	1,903	Subsidiary	Investment account not presented at fair value
ProtAb	68.04%	58.9%	13,700	60	Subsidiary	Investment account not presented at fair value
BioMarCare	65.1%	62.18%	6,333	0	Affiliated Company	Investment account not presented at fair value

Preservation of the Company's current holding rate in the Portfolio Companies is conditional upon dependent on the volume of capital raising and provided both portfolio, the company's investment strategy, and the financial ability held by and made possible for the Company, subject to the investment principles of the Portfolio Companies, for participation in investment rounds for the Portfolio Companies. It is quite possible that, in additional financial rounds, the Company will not have the required means to maintain its current rate of holdings in the Portfolio Companies (all or some) and it is also possible that, in these rounds, a decision will be reached by the Company stating that it would be inappropriate or unprofitable to participate in such rounds. So far, the company has participated in most the portfolio companies' rounds of investment in order to reduce the level of dilution of its holding in them, but there is no certainty that the company will continue to do so in the future.

As of the reporting date, parts of the funds provided to the Portfolio Companies by the Company are done through the provision of convertible loans. In appropriate cases, the loans are converted as part of the fund raising of the shared external Portfolio Companies, and then the Company receives, in return, shares under identical terms of the external director and a preferred price (discount) on the investment cost, all in accordance with the terms of the loan. The Company considers these loans as an instrument enabling the Portfolio Companies to continue their activities and move towards the achievement of their goals, while granting the status of creditor to the Company, with the ability to convert the loan into shares in the event that the Portfolio Company raises financing from external sources.

3. The Company Areas of Activity

3.1. The company is a holding company of information-rich companies operating in the field of medical. The Company manages its holdings while executing investments from time to time, in order to bring the companies to a point of maturity, to a commercialization transaction and the accrual of value to investors. The investments are executed and will be executed after examining feasibility of the investment and commercial negotiations with the portfolio companies and their shareholders and according to a decision of the Company's Board of Directors.

3.2. In the bio-technology industry, value building must take place over time. The portfolio companies are required to progress and to reach milestones which, in the bio-technology industry, are an indication that there is actuality in technology, in the clinical development, in the regulatory process and in the remaining elements connected with the Company's operations, and which are translated to financial value to its owners.

3.3. As of the reporting date, Company representatives serve in all of the Portfolio Companies Board of Directors. It should be noted that the Company does not have control over all the Portfolio Companies, so that the level of its influence changes accordingly between different Portfolio Companies.

4. Investment policies of the Company

4.1. The Company executes investments from time to time, after it has examined, inter alia, the following criteria, in whole or in part, for purposes of realizing the strategy of building the value of the Company in the companies in which it has invested.

a. **Level of the Company**-the criteria of maturity and the distance of the Company, both from the business standpoint (potential for a strategic or financial transaction) as well as progress towards clinical trials on human beings or progress in clinical trials.

b. **Time of development**- the time of development and arrival at market is shorter and the burden of the necessary regulatory approvals is easier, for example, orphan drugs, medical instrumentation, diagnostics, reformulation (planning and restructuring) of existing medications and botanical drugs.

c. **Potential markets**- the product/technology provides a response to the markets having the business potential. In the opinion of the Company, it is as great as are the markets in which a need for the product/technology is present.

d. **Scope of holdings**- the Company's ability to provide managerial support. For that purpose, the Company evaluates for its investments the ability to preserve a significant rate of holdings.

e. **Intellectual property**- the length of life of the intellectual property at the basis of the product.

f. **Additional investors**- examination of the existence of at least one additional supporting financial investor.

4.2. See Section 2.7 above for additional details regarding the Company's strategy for building value.

5. Tabular detail regarding portfolio companies in which the Company is an interested party as of the date the report is published

Company Name	Area of activity	Stage in which the Company is	Material as per Company criteria?	Company's right to appoint directors	Gov. support
Cell Cure	Development of stem cell based treatment of the Dry-AMD disease	Cell Cure is mobilizing patients for a Phase I/IIa clinical trial at the Hadassah Ein Kerem Medical Center in Jerusalem. The purpose of the trial (principal and secondary goal) is proof of the safety, the tolerance and the efficiency of the OpRegen® product. On August 18, 2015, the transplantation of the OpRegen® product in the first patient in the framework of the trial was completed. As of that date, the mobilization of the patients of the Hadassah Hospital continues. Also no ophthalmologic or other systematic side effects were reported to Cell Cure by the patients of by the trial doctor. On September 29, 2015, CellCure received an approval from the FDA for an accelerated regulatory track for the OpRegen® product.	Yes.	Seven members of the Board of Directors, or which two are appointed by the Company. In addition, Hadasit has an observer on its behalf	Yes, OCS
Enlivex	Development of a system (instrument and medication)for treatment of the GvHD disease in transplants and inflammatory and autoimmune diseases	1. Successful finish of Phase I/II clinical trial for the treatment of GvHD anti graft disease. The preparations for the Phase III trial subject to the instructions and approval of the FDA. 2. Pre clinical research to evaluate the effect and the dosage for the integration of Allocetra with CAR-T treatments, as detailed in Section 27.1.6 below.	Yes.	Appointment by the General Assembly of Enlivex, Two directors serving on behalf of the Company out of eight.	Yes, OCS

D-Pharm	Primarily treatment of diseases of the central nervous system (CNS). D-Pharm has 2 principal products found in advanced stages of development: (1) the THR-18 product, designated for improving the safety and effectiveness of treatment with the tPA medication on patients with ischemic strokes; (2) the DP-VPA product designated for treatment of epilepsy, migraines, and mania depression.	Completed the phase I/II clinical trial for the THR-18 product in Moldova. For additional details, see the Periodic Report of D-Pharm for the year of 2015, as published on February 28, 2016 (Reference No. 2016-01-035443). This information is brought here by way of reference.	No.	As of the date of the report, one director serves on behalf of the Company while the Company has no vested right to appoint a director since it holds less than 10% of D-Pharm.	Yes, OCS
KAHR	Development of a protein platform permitting treatment of autoimmune diseases and cancer of different types. KAHR develops two products KAHR-101 and KAHR-102 for treatment of different types of cancer and autoimmune diseases.	During the period of the report, KAHR received approval to begin a Stage I/IIa clinical trial of the KAHR-102 from the Helsinki Committee at three medical centers in Israel. In addition, the Company received final results from a series of toxicological trials of the KAHR -102 product, carried out on mice and monkeys, which indicates that the use of the KAHR-102 product in the doses examined did not cause side effects.	Yes.	The Company has the right to appoint three directors out of six, including the chairman of the board, with the chairman of the board having the deciding vote in the event of a deadlock.	Yes, OCS
ProtAb	RA and other autoimmune diseases	ProtAb froze its operations and is focusing on activities, which are principally the finding of strategic partners and/or raising equity from investors in order to advance development and commercialization of the technology	Yes.	The Company has the right to appoint three directors out of five	Yes, OCS

BioMarCare	Development of a kit for early detection of colorectal cancer blood test.	During 2014, BioMarCare froze all of its operations and does not employ personnel but is focusing on activities, which are principally the finding of strategic partners and investors in order to advance development and commercialization, without any clinical activities or other activities.	No.	Appointment by the general assembly. The Company has the right to appoint two out of the five directors. As of the date of the report, one out of three serving directors serves on behalf of the Company.	Yes, OCS and BIRD foundation

It should be noted that none of the Portfolio Companies have products that have completed their development process and reached the sales stage.

The descriptions that follow regarding the timeframes in which the Portfolio Companies are expected to reach milestones, beginning clinical trials and submit appropriate requests for such, are forward-looking statements within the meaning in the Securities Law. The aforementioned are only projections and estimations, and there is no measure of certainty regarding their realization or regarding the date on which they will be actualized. The existence of these projections and estimations is conditional, inter alia, on the successful completion of the pre-clinical trials by the Companies, that they will possess sufficient financial resources in order to begin the clinical trials, and that no new technological developments will appear that may nullify or uproot the necessity or the developments of any of the project companies.

See details in Section 26 below for additional details regarding portfolio companies of the Company.

6. Investments in the Company's equity and transaction in its shares

6.1. The following are details regarding investments made in the Company's equity, as well as other equity raisings made by the Company during the past two years, except for private placements of options exercisable into ordinary shares of the Company with par value of NIS 0.5 each (hereafter: "**ordinary shares**"), executed by the Company during the two years that preceded March 1, 2016:

Date	Substance of the change	Issued and paid up share capital that was allotted	The consideration (NIS 000)
March 1, 2014	Opening balance	25,304,834	
June 2, 2014 (For details, see comment (1) below)	Public offering	2,851,760	2,852
October 1, 2014 (For details, see comment (2) below)	Private placement	400,000	400
March 30, 2015 (For details, see comment (3) below)	Public offering	6,586,400	4,446
August 17, 2015 (For details, see comment (4) below)	Public offering	2,343,000	749.76
August 31, 2015	Exercise of options (Series 6)	40	0.092
September 2, 2015	Exercise of options (Series 6)	80	0.184
December 17, 2015 (For details, see comment (4) below)	Public offering	24,934,000	8,976
Total as of date of Periodic Report		**62,420,114**	**17,424**

(a) According to a shelf proposal report dated May 28, 2014 (by force of the previous shelf prospectus) in a public offering by way of a tender on the unit price, 2,851,760 options (Series 7) also were allotted, in addition to the ordinary shares. For additional details, see the reports dated May 28, 2014 (Reference No. 2014-01-077400), June 2, 2014 (Reference No. 2014-01-082269 and June 2, 2014 (Reference No. 2014-01-082311. This information is brought here by way of reference.

(b) According to a non-exceptional and non-material private placement report dated July 14, 2104 (as amended on September 29, 2014), according to which 400,000 options (Series 7) were also issued in addition to the ordinary shares. For additional details, see the reports dated July 14, 2014 (Reference No. 2014-01-113148) and September 29, 2014 (Reference No. 2014-01-165027). This information is brought here by way of reference.

(c) According to a shelf proposal report dated May 29, 2015 (by force of the previous shelf prospectus) by way of a tender on the unit price, also 6,586,400 options (Series 8) were allotted, in addition to the ordinary shares. For additional details, see the reports dated March 29, 2015 (Reference No. 2015-01-065320) and March 30, 2015 (Reference Nos. 2015-01-067615 and 2015-01-067618). This information is brought here by way of reference.

(d) According to a supplementary notification report (by force of the supplementary prospectus). For additional details, see the reports dated August 16, 2015 (Reference No. 2015-01-065320) and August 17, 2015

(Reference Nos. 2015-01-097629 and 2015-01-098553, respectively). This information is brought here by way of reference.

(e) According to a shelf proposal report dated December 16, 2015 (by force of the shelf prospectus). For additional details, see the reports dated December 16, 2015 (Reference No. 2015-01-182118) and December 24, 2015 (Reference Nos. 2015-01-187782). This information is brought here by way of reference.

6.2. The following is detail of the private placements of options exercisable into shares, which the Company executed during the past two years:

Type of offerees	Allotment date	Number of offerees	Total quantity of options	Exercise price NIS per option	The proceeds		Fair value on date of approval of options grant (NIS 000)	Additional details
					Other proceed	Cash proceeds		
CEO, Mrs. Tamar Kfir	April 2014	1	200,000	171	No proceed		135	See Immediate Report of the Company dated April 4, 2014 and a supplementary Immediate Report dated April 8, 2014 (Document Numbers 2014-01-038592 and 2014-01-042159, respectively)
	October 2015	1	253,1 00	37.6	No proceed		46	See Immediate Report of the Company dated October 12, 2015 and October 25, 2015 (Document Numbers 2015-01-133206 and 2015-01-141510, respectively)
Chairman of the Board, Mr. Yigal Erlich	July 2014	1	140,000	137	No proceed		70	See Immediate Reports of the Company dated May 27, 2014 and July 6, 2014 (Document Numbers 2014-01-075291 and 2014-01-107976 respectively)
	October 2015	1	72,950	37.6	No proceed		13	See Immediate Report of the Company dated October 12, 2015 and October 25, 2015 (Document Numbers 2015-01-133206 and 2015-01-141510, respectively)
Dr. Rafi Hofstein (director)	July 2014	1	80,000	137	No proceed		40	See Immediate Reports of the Company dated May 27, 2014 and July 6, 2014 (Document Numbers 2014-01-075291 and 2014-01-107976 respectively)
CPA Liat Simhayoff (CFO)	July 2014	1	120,000	137	No proceed		60	See Immediate Reports of the Company dated May 27, 2014 and July 6, 2014 (Document Numbers 2014-01-075291 and 2014-01-107976 respectively)
Employee	November 2014	1	40,000	100	No proceed		20	See Immediate Report of the Company dated November 25, 2014 (Document Number 2014-01-208356)

Directors	May 2015	2	16,000	83	No proceed		2.6	See Immediate Report of the Company dated May 12, 2015 (Document Number 2015-01-017565)
Yoram Azulai (CFO)	September 2015	1	176,700	37.6	No proceed		32	See Immediate Report of the Company dated September 20, 2015 (Document Number 2015-01-122841)

6.3. To the best of the Company's knowledge, during the two years preceding the date of publishing the Periodic Report, no material off-exchange transaction was executed by an interested party of the Company in the shares of the Company, except for a purchase by Hadasit in an off-exchange transaction of 368,000 shares at a price of NIS 0.335 per share and of 1,350,000 shares at a price of NIS 0.355 per share, and by Senators in an off-exchange transaction of 750,000 shares at a price of NIS 0.355 per share. For details, see the Immediate Report of the Company dated December 29, 2015 (Reference No. 2015-01-081334) and Immediate Report dated January 20, 2016 (Reference No. 2016-01-014896) and Immediate Report dated January 23, 2016 (Reference No. 2016-01-016132). This information is brought here by way of reference.

7. Dividend Distribution

7.1. Since the date of its founding, the Company has not distributed any dividends.

7.2. Dividend Distribution Policy

The Company's dividend distribution policy, as specified in the Company's Articles of Incorporation, is that, at any such time as the Company is in possession of a distributable amount as defined in law, 75% of the amounts determined to be distributable to shareholders in the Company as dividends will be distributed, on the condition that the Company will retain a surplus of funds that is sufficient to meet the payments specified in the management agreement over a period of two years (or over a shorter period, if the management agreement specifies a shorter validity period, or in the event that the balance for the period in which the management agreement was to be valid is less than this time period). It is hereby clarified that, in subsequent periods, the remainder of the aforementioned amount which remained undistributed (in other words - 25% of the amount) will not be considered a 2 distributable amount, even if the distribution conditions specified in the Companies Law are fulfilled, and this amount will be available the Company in accordance with the decisions reached by the Company's board of directors (which will also have the right, following a decision reached on the matter, to order distribution of the amount to the shareholders)**.** As of the date that the Periodic Report was published, the management agreement with Hadasit terminated. See Section 22 in Chapter A to the Periodic Report for 2014 for details regarding the management agreement.

B. Other information

8. Financial information

See the financial statements as of December 31, 2014, attached in Chapter C to the Periodic Report, for financial information regarding the Company's operations.

See the Company's Directors' Report, as presented in Chapter B to this report, regarding an analysis of the principal operating results of the Company.

9. The general environment and the effect of external factors on the Company's operations

The following is detail of the major factors influencing the operations and business of the Company:

9.1. Business results of the portfolio companies- the Company is a holding company. Therefore its business status, the results of its operations, its equity and cash flow are affected by the business status of the portfolio companies that it holds, and from the results of their operations, their cash flows and the changes in their equity.

9.2. Macro economic factors- the business results of the Company and the portfolio companies are influenced, inter alia, by the political and security conditions, from the status of the capital markets as well as from the economic conditions in the nation and in the international markets.

9.3. Regulation- the sector of life sciences is characterized by its subordination to an extensive regulatory system. The portfolio companies are required to develop medications and to receive approval to market them, to pass a series of trials catalogued according to different stages, beginning from the experiments in the laboratory on animals and ending in a series of trials on humans. In order to pass from one stage to the other, it is necessary to comply with criteria of the relevant health authorities, such as the Ministry of Health in Israel, the FDA, the CFDA, EMA or any other regulatory authority.

9.4. Sources of financing- the sector of life sciences is characterized by substantial investments in continuing research and development. Therefore, the portfolio companies must raise substantial capital in order to meet the goals of the research and development. Financing as above relies, inter alia, on institutional and other funds and organizations specializing in investments in the life sciences sector. The financial condition of these funds and organizations influences the ability of the portfolio companies to raise funds. Moreover, there is a trend of turning to the stock exchanges in and outside of Israel for purposes of raising equity. Therefore, the state of the markets in Israel and outside of Israel has an effect on the financing ability of the portfolio companies.

9.5. Alternate products- alternate treatments and solutions for part of the medications, including those that are found in various stages of research and development by the portfolio companies, exist in the market. Nevertheless, part of the existing medications in the market has side effects or other shortcomings in connection with their effectiveness or manner of use. The ability of any medication to compete in this market is contingent upon its efficacy as well as on the side effects caused as a result of its use, including in a relative manner to competing medications. The objectives of the portfolio companies in the development of their products are to provide a better solution to the needs of the relevant population than the alternatives existing in the market. Also, the ability of any medication to compete in a market is conditional on its efficacy vis-à-vis medications under development and its ability to reach the market before the competitors being developed.

9.6. Intellectual property- the operations of companies in the life sciences sector is contingent to a great extent on their ability to preserve their intellectual property.

It is clarified that the information appearing in this section in relation to the effect of external factors is within the scope of forward looking information, according to its meaning in the Securities Law, which is based upon the information that exists in the Company on the date of the report. In light of the above, there is no assurance that the assessments of the Company in relation to each of the factors itemized above or their effect on the Company's activities and business will be realized.

10. Restrictions, legislation, standards and special constraints

As of the date of the Periodic Report, no changes have taken place in restrictions, legislation, standards and exceptional constraints from the date of the annual report of the Company for the year of 2014. See Section 10 of Chapter A of the Periodic Report for 2014 for details regarding restrictions, legislation, standards and exceptional constraints.

11. The critical success factors

As a holding company of companies in the sector of the life sciences, the critical success factors of the Company are influenced by the success factors of the portfolio companies. Nevertheless, as a holding company, the success of the Company is contingent at times on the Company's ability to raise equity for purposes of investment in the portfolio companies and the building of contacts with strategic partners.

11.1. Following are the critical success factors in the life sciences sector:

11.1.1. Completion of the clinical trials and success in experiments in a manner that will prove the safety and effectiveness of the product.

11.1.2. Receipt of regulatory approvals necessary for the development and marketing of the products.

11.1.3. Success in product development.

11.1.4. Success in marketing and sale of the products in material volumes by means of strategic partnerships and/or licensing agreements.

11.1.5. Reaching the market in time-reaching the market before the competitors.

11.1.6. Protection over development of the product or the medication by means of patents.

11.1.7. Receipt of insurance indemnification from medical insurers, to the extent that it exists for solutions proposed by the portfolio companies.

11.2. Following are the critical success factors in the sector of the Company's operations:

11.2.1. Equity raising by the Company for purposes of achieving the goals described above, and also partnerships with strategic entities.

11.2.2. The ability of accruing value –as a holding company, the Company is measured by the ability of accruing economic value and maximization of profits to its shareholders.

12. Major entry barriers to the sector

As of the date of the Periodic Report, no changes have occurred in the principal barriers to entry into the sector from the date of the annual report of the Company for the year of 2014. See Section 12 of Chapter A of the Periodic Report for 2014 regarding the principal barriers to entry into the sector.

13. Competition

The Company has no knowledge of immediate and direct competition that matches the portfolio of the Company In the operating sector of the Company. Nonetheless, there is competition on the part of institutions that offer a spreading of investments in the sector of the life sciences, including risk capital funds, private and public holding companies.

See Section 13 of Chapter A of the Periodic Report for 2014 regarding additional details on competition. Such information is brought by way of reference.

14. Fixed assets and facilities

14.1. As of the date the Periodic Report was published, most of the Company's operations are carried out in its offices in Hadassah Ein Kerem, Jerusalem.

14.2. On February 5, 2008, a rental agreement was signed between the Company and Unihad Biopark Ltd. (hereafter: "**Unihad Biopark**") for rental of 860 square meters in the biotechnological park in Hadassah Ein Kerem in Jerusalem, for a period of 5 years with an option for an additional five years (hereafter; "**the rental agreement**"). In the context of the rental agreement, it was determined, inter alia, that the Company will pay monthly rental fees and management fees in the amount of NIS 64 per square meter, linked to the CPI. In addition, for the length of the rental period and the option period, the Company will pay an amount of NIS 43 per square meter (linked to the CPI) with respect to modification works made to the leasehold by the other company.

In November 2013, the Company notified the other company of its wish to terminate the rental agreement without exercising the above option. In August 2014, the Company signed an addendum to the rental agreement according to which the Company will rent offices from the other company with space of 63 square meters, for a period of 36 months, namely until May 31, 2017, in consideration of monthly rental payments of approximately NIS 6,600. Moreover, the parties agreed to the spreading of the payments of the modification works of approximately NIS 2,359 thousand (linked to the CPI). During 2014, the Company repaid an amount of NIS 900 thousand and, in 2015, the Company repaid an amount of NIS 279 thousand in the context of the spreading of the payments for the above adaptation works. As of the date of the Periodic Report, the balance of the debt is in the amount of NIS 837 thousand. In February 2016, the Company and the lessor agreed on a new spreading of the balance of the debt in 34 equal payments in an amount of approximately NIS 24 thousand each, beginning from March 1, 2016.

15. Research and Development

15.1. The company's portfolio companies are engaged in the field of medical and biotechnological research.

15.2. The main area of operations in which the Company is engaged, through the Portfolio Companies, and in which it intends to continue to engage, is research and development in the field of medical and biotechnological research and / or production and distribution of the results of the research and development done in these areas.

15.3. See details of each company separately for additional details regarding the stage of research and development in relation to each of the companies of the portfolio companies.

16. Intangible assets

For details regarding intangible assets of the portfolio companies, see in relation to each company below.

17. Human resources

As of the date of the report, the Company is managed by Ms. Tamar Kfir, the Company's CEO and Mr. Yoram Azulai, the Company's CFO. On February 18, 2016, the Company gave notice of the termination of the employment of Ms. Kfir as CEO of the Company, effective from May 10, 2016.

As of the date of the report, the Company does employ 4 employees, two of which are Ms. Tamar Kfir who serves as the CEO of the Company, CEO and Mr. Yoram Azulai who is the Company CFO.

See Regulation 26A in Chapter D to the Periodic Report for details of the education, professional and business experience of the members of the Company's management.

The Company has no material dependence on a specific employee.

17.1. Employment agreements

The Company generally enters into employment agreements or agreements to render services (as the case may be) with employees and service providers on a basis of monthly compensation which can be ended early by each of the parties while giving advance notice. The employment terms generally include, inter alia, pension fund or manager's insurance, professional advancement fund, disability insurance, rights to vacation and recreation pay. These employment agreements include the employment terms of the employees, and among others- a obligation to preserve confidentiality and intellectual property. The Company's obligations for termination of employee employer relations are covered by current payments of management insurance premiums and/or payments to pension funds, which represent an alternative to the legal liability of the Company to pay severance pay, if required, according to Section 19 of the Severance Pay Law-1963.

See Regulation 21 in Chapter D of the Periodic Report for details regarding the employment agreements of the officers.

17.2. Insurance, exemption and indemnification of officers of the Company

The Company has contracted in a policy for liability insurance of the Company's directors and officers in relation to all of the Company's directors and officers, as they will exist from time to time.

See Regulation 29A in Chapter D of the Periodic Report for information regarding the undertaking of the Company in these insurance policies.

Moreover, the Company granted documents of exemption and indemnification to the directors and officers of the Company in a maximum indemnification amount for all of the directors and officers not to exceed an amount equivalent to 25% of the Company's shareholders' equity according to its financial statements to be approved and published prior to the date of payment of the indemnification amount. Moreover, the Company committed to exempt the members of the Board of Directors and most of the above officers from all liability vis-à-vis the Company due to any damage caused to it due to a breach the obligation of caution towards it (except for the breach of the obligation for caution in distribution as this term is defined in the Companies Law) due to their actions in good faith and by force of their being officers of the Company.

See Regulation 29A in Chapter D of the Periodic Report for additional details regarding the documents of exemption and indemnification.

17.3. Compensation programs for employees and consultants

As of the date of this report, there are 1,112,271 options not registered on the stock exchange which were granted in the framework of compensation programs to employees of the Company, employees of Hadasit and directors of the Company.

17.4. Compensation policies for an officer of the Company

On November 17, 2014, the General Assembly of Shareholders of the Company, after approval of the Company's Board of Directors and Compensation Committee, approved compensation policies in the matter of conditions of tenure and employment of officers of the Company pursuant to Section 267A of the Companies Law (hereafter; "**compensation policies**").

See the Immediate Report of the Company concerning convening of the General Assembly dated October 13, 2014 (Document Number 2014-01-175374) for additional of the Company's compensation policy.

17.5. Employment agreements for executive officers and employees of the Company

See Regulation 21 in Chapter D of the Periodic Report.

17.6. Payment of fees to directors and outside directors of the Company

See Regulation 21 in Chapter D of the Periodic Report for detail regarding fees paid to directors of the Company, including outside directors of the Company.

18. Working capital

As of December 31, 2015, the Company's working capital amounted to NIS 10,834 thousand as compared with NIS 1,695 thousand as of December 31, 2014.

19. Financing

19.1. The Company finances its operations mostly by means of shareholders' equity derived from equity raisings during the years of its operations.

19.2. As of the date of publishing the Periodic Report, the Company has no credit from banks.

19.3. As of December 31, 2015, the Company has liquid means (cash and cash equivalents together with short-term investments) in an amount of approximately NIS 9,050 thousand, in comparison to December 31, 2014 and December 31, 2013 when the Company had in its possession liquid means in a volume of approximately NIS 2,820 thousand and approximately NIS 7,359 thousand, respectively.

19.4. The Company estimates that during the coming year, it will be required to raise additional sources of fund in order to implement the goals of the Company, as detailed in Section 24 below, and therefore, the Company will act immediately to raise additional funds.

The Company's assessment regarding the raising of additional sources of funds, brought above in this section, includes forward looking information, as defined in the Securities Law. Changes in investments in portfolio companies and the results of the portfolio companies could change the plans detailed above and the information mentioned.

20. Taxation

See Note 26 in Chapter C of the Periodic Report, the financial statements of the Company as of December 31, 2015, for details regarding the accounting policies applied by the Company as regards the presentation of the subject of taxation. See Note 26 to the above chapter for details of the tax laws applying to the Company, tax assessments and accumulated losses of the Company.

21. Environmental risks and the means of managing them

As of the date that the Periodic Report was published, to the best of the knowledge of the Company, the Company is not exposed to environmental risks and costs.

22. Material Agreements

As of the date of the report, the Company is not party to material agreements.

23. Legal Proceedings

As of the date that the Periodic Report was published, the Company is not party to any legal proceedings.

24. Goals and business strategy and forecasted developments for the coming year

24.1. Business strategy

24.1.1. The central goal of the Company, as of the date that the report was published, is to advance the companies, all or in part, in order to accrue value. For this purpose, the Company supports the portfolio companies to achieve milestones and goals, including, among others: entry into the stage of clinical trials on humans, completing the proving of the initial clinical feasibility in the framework of the trials and entering into strategic and financial cooperation agreements.

24.1.2. The business strategy of the Company includes striving to preserve the variety of holdings of the portfolio companies found in different stages of development of their products. Moreover, the Company aspires to act to locate and execute new investments and to evaluate additional investments in its sector of operations, subject to its financial position, to realize the business potential incorporated in the investee companies and to act to advance and assist the investee companies.

24.1.3. **Strategy of building value:**

The intention is that, at the end of a clinical trial which demonstrated proof of feasibility of the technology, the Portfolio Companies (all or some) will hold meetings with entities deemed to be appropriate for the purpose of strategic collaborations, especially multi-national pharmaceutical companies. This model has been proven as effective in part of the companies; however, in other case the Company found that these potential partners now demand more data and a higher level of security before entering the planned partnership.

In accordance with the Company's experience in the relevant field, multinational pharmaceutical companies repeatedly emphasize, in meetings held with them, that the presentation of Phase I/II clinical trial data (in other words, the presentation of safety and the beginning of efficacy in humans) is the optimal stage for the creation of a strategic relationship between pharmaceutical companies and development companies. As stated, the joining stage with a strategic partner varies depending on the market that the Portfolio Company acts in, the product being developed and the need of the partner to complete, as stated, its product line.

There are a number of well-known methods of actualizing the aforementioned collaborative relationships, including granting a license for usage and distribution, merger, acquisition of operations, etc.

As of the date of publishing the report, the Board of Directors of the Company aspires to implement a strategy of building value in light of the progress by the portfolio companies and according to changes in the business and industrial environment.

The strategy could change in accordance with the appropriate decisions taken by the Company.

24.2. Forecast of developments during the year

The forecast is that during the coming year, the portfolio companies will advance in realizing their development programs as specified below. Realization of these programs is primarily dependent on the ability of the Company to raise the necessary equity.

The Company will evaluate the feasibility of its participation in the rounds of raising equity by the portfolio companies according to the criteria itemized in Section 4 above. The ability of the Company to realize its decisions and to participate in the equity raising rounds will be determined according to the equity raisings of the Company.

The information brought in this section in relation to the goals and strategy of the Company and the forecast of developments in the coming year, as detailed above, include forward looking information, as defined in the Securities Law. The failure to raise the required resources for purposes of continuation of the operations of the portfolio companies, entry/success of the clinical trials of the portfolio companies, lack of success in development of the product of the portfolio companies and/or decisions of the Company to direct the resources according to the business developments which it will encounter, could change the plans itemized above.

24.3. Summary of the Company's Forecasts for Expected Developments in the Portfolio Companies During 2016

Company Name	The Company's estimate for 2016
Cell Cure	Carrying out Phase l/lla clinical trial on Drt-AMD patients
Enlivex	Preparation for advanced clinical trial in the United States for the GvHD disease and performance of pre-clinical research on the Allocetra product in order to evaluate the effect and the dosage for integration of CAR-T treatments.
D-Pharm	See Chapter A of the Periodic Report of D-Pharm dated February 28, 2016 (Reference No. 2016-01-035443) for details.
KAHR	The KAHR-102 product-preparations for the start of clinical trials on lymphoma patients in three medical centers in Israel. The KAHR 101 product- performance of pre-clinical trials to select the most appropriate indication for the operating mechanism of this product.
ProtAb	Continued efforts for commercialization of technology
BioMarCare	Continued efforts for commercialization of technology

The information as to the Company's forecast in relation to the anticipated developments by the Company's portfolio companies brought in the above table is solely a forecast and there is no certainty that it will be realized and it is considered to be forward looking information, as defined in the Securities Law. The failure of the clinical trials and/or delay in development of the products, and/or difficulty in raising resources for the development of the products, could change the forecasts and the information specified above.

25. Risk Factors

Take note of the connection to the preface to Chapter A above regarding the nature of the Company's operations and the risk incorporated into these operations.

The investment in shares of the Company involves risks characterizing investment in start-up companies engaged in development of medications and medical devices.

To be brought below are risk factors connected to and derived from the operating sector of the Company and which could have material influence on the Company's business results:

25.1. Risk factors

As of the date of the Periodic Report, no changes have taken place in the macro factors from the date of the annual report of the Company for the year of 2014. See Section 25.1 of Chapter A of the Periodic Report for 2014 for details of the risk factors.

25.2. Sectoral risk factors

a. **Uncertainty regarding obtaining patents and protecting intellectual property**- The main assets held by the Portfolio Companies are the intellectual property, knowledge and research in their possession and which can for the most part be protected by the registration of patents. Any delay, completion, assault on legality, or claims of breach of existing patents, or patents for which a patent registration application has already been submitted by any of the Project Companies, may have a negative impact on the position of that Portfolio Company, and on the Company's position.

b. **Investment in high risk companies**- The investment in the Portfolio Companies is a high risk investment, which at times may be completely lost, due to the possibility that all or some of the Project Companies may not reach their predefined targets, including due to difficulties in recruiting the appropriate personnel, in raising the required financing, due to the eventual non-development of products or devices which they are engaged in developing, or due to such development encountering difficulties or delays which incur additional costs whose scope cannot be estimated, due to technical difficulties encountered during the development process, due to a discovery resulting in the impossibility of developing the technology, due to a discovery that it will not be possible to commercialize, distribute or sell the developments, due to a limited ability to recruit appropriate patients for the purpose of performing the clinical trials, or due to failure during the clinical trial phase.

c. **Dependence on researchers**- Since the Portfolio Companies were generally founded on the basis of knowledge and studies performed by Researchers within Hadassah, the Portfolio Companies are dependent, for the purpose of their continued operation, both on the continued collaboration with those researchers, and on their collaboration with Hadassah. Any loss of collaboration with a researcher who is significant to the continued research and development of the product may adversely affect the position of the relevant Portfolio Company, and of the Company.

d. **Dependence on specialist sub-contractors**-development of a medical product necessitates specialization, part of which is done by use of specialist sub-contractors. The companies are dependent on these sub-contractors, and at times, replacement of a sub-contractor by another involves time, resources and monetary costs.

e. **Raising resources and financing**- the portfolio companies are found in stages of research and development. The Company has no source of income from sale of products or as the result of the research and development activities and this forces it to continue to recurrently raise equity in order to enhance the portfolio.

f. **Technological changes-** Technical changes are possible which may result in the economical or technological unfeasibility of completing development of the products, or which may result in the developments becoming archaic. Future developments in

the medical and biotechnological products field are not predictable, although there does exist certainty of the fact that various entities around the world are attempting to develop solutions for the diseases and needs for which the Portfolio Companies are attempting to create treatments. Competition in the field of the Project Companies' developments may result in the Portfolio Companies' developments becoming redundant, due to the priority of technologies developed by competitors, or to the competitors' developments being cheaper to distribute or easier to commercialize.

g. **Lack of marketability-** Investment in the securities of Portfolio Companies is, for the most part, investment in securities that are unregistered for trading on the stock exchange or in an orderly market. For this reason, difficulties may be encountered in selling these securities, or in realizing them by other means. Furthermore, investment in the Portfolio Companies is an investment in companies which generally do not distribute dividends, but instead usually have a Strategy of building value. The Company's success depends on its ability to enter into agreements with manufactures and distributors for the purpose of manufacturing the developments, and with large pharmaceutical companies for the purpose of completing clinical trials and commercialization of the developments.

h. **Direction of operations of the portfolio companies**- as mentioned above, the holdings of the Company in its investee companies do not, at times, provide it with control and the ability to direct its activities. As a result, the Company may sometimes run into difficulties in relation to the receipt of information and current updates, including updated and current information on the financial position of the companies that it holds, information on the progress of the companies, etc. The present rate of holdings of the Company in the portfolio companies do not generally provide the Company with the ability to direct the operations of the portfolio companies or to interfere in their management and to have access to information concerning these companies. This situation could affect the manner of making decisions by the Company as to investments in these companies or in realizing holdings in the companies, as well as to impair the disclosure obligations applying to the Company.

i. **Financial statements**- due to the inability at times of the Company to control the operations of the companies held by the Company in relation to their obligations to prepare financial statements and in relation to the accuracy of the data in these financial statements, there is concern that the above financial statements will not fully reflect the consolidated financial position of the Company or of the investee companies on an independent basis, something that might cause correction to the Company's financial statements as a result of a correction made by the investee companies to its financial statements.

j. **Receipt of information from portfolio companies**-due to the inability o the Company at times to control the receipt of information and documents, including evaluations, from the investee companies and in relation to the accuracy of that information, there is apprehension that the Company's reports will not fully reflect the condition of the portfolio companies.

k. **Subjection to regulation-** The products of the Project Companies, inasmuch as these may pass the research and development phases, are subject to the regulations of the health authorities in the target countries, resulting in the possibility that

regulatory developments or changes in standardization may present difficulty for the Portfolio Companies in completing their developments and in the marketing of a drug or medical product. Changes in the regulatory environment relating to the marketing of drugs, including changes made to the Portfolio Companies, or to any manufacturer of theirs, or to any other entity working on their behalf, may impose various restrictions upon the activities of the Portfolio Companies, including failure to obtain approval for their products.

25.3. Factors specific to the Company

a. **Equity raisings by the Company**-the Company is a holding company and as such, it is required to raise financial resources in order to finance its operations.

b. **Maintaining holdings in the portfolio companies**- due to limited financial resources, it is possible that in the investment rounds to be executed by the portfolio companies (and in particular investment rounds in significant amounts), that even if it will wish to participate in the rounds, the Company will not possess the means necessary for purposes of maintaining the rate of its holdings in the portfolio companies (all or a part).

c. **Capital raising-** Due to limited financial sources, it is possible that during the investment rounds performed by the Portfolio Companies (especially investment rounds dealing with large amounts), the Company may not have, even if it intends to participate in the rounds, the required means to preserve its rate of holdings in some or all of the Portfolio Companies.

d. **Equity raisings of the portfolio companies-**the Company is dependent to a great extent on the ability of the portfolio companies to raise adequate funds for purposes of financing the research and development activities and reaching milestones. In addition, the Company is dependent on the ability of the portfolio companies to raise funds from external sources at their values that reflect increases in value.

The following are the risks as they were rated in accordance with the Company's assessment, according to their effect on the Company's business as a whole, large effect, moderate effect, slight effect:

	Measure of effect of the risk factor on the Company's business as a whole		
	High influence	**Medium influence**	**Low influence**
Macro risks			
Economic, political and security situation		+	
Grants and benefits from government agencies	+		
Changes in the capital markets in Israel and abroad-	+		
Limitations on realization of holdings		+	
Exposure to financial risks		+	
Sectoral risks			
Uncertainty regarding obtaining patents and protecting intellectual property	+		
Investment in high risk companies	+		
Dependence on specialist sub-contractors	+		
Dependence on researchers	+		
Raising resources and financing	+		
Technological changes			+
Lack of marketability		+	
Direction of operations of the portfolio companies	+		
Financial statements		+	
Receipt of information from the portfolio companies		+	
Subjection to regulation	+		
Risks unique to the Company			
Capital raising	+		
Maintaining the holdings in the portfolio companies.	+		
Capital Raising of Portfolio Companies	+		

C. Description of the material portfolio companies

26. Cell Cure Neurosciences Ltd. (hereinafter - "Cell Cure")

For convenience, in this chapter, the following abbreviations will have the meaning recorded alongside them:

Neurodegenerative Diseases	-	A series of diseases in which one of the critical cell types of the central nervous system is damaged or dead. Examples: Parkinson's, ALS, multiple sclerosis, and Alzheimer's.
Parkinson's Disease	-	A disease in which the nervous cells the brain that are responsible for dopamine production, among other things, die. The disease is characterized by shaking in various parts of the body and can lead to death.
Pigment Cells or RPE Cells (Retinal Pigmented Ephithelium Cells)	-	Cells in the back of the retina that provide nutrients and remove waste from the cells that absorb light in the eye.
Embryonic Stem Cells	-	A unique cell that has the ability to breed and develop each of the 220 cell types in the human body.
Dividing Father Cells	-	Part of the stem cells that are in the initial development stage.
Dopaminergic Neurons	-	Cells that are part of the central nervous system that produce the chemical dopamine.
Macular Degeneration or AMD (Age Related Macular Degeneration) -	-	The degeneration and death of cells which are located in the center of the retina (which has the highest concentration of vision cells) and which are responsible for distinguishing details (macula). As a result of this, the patient suffers from blurriness in the central field of vision
"Dry-AMD"	-	A disease in which there is retina degeneration in the central vision caused as the result of degeneration of RPE cells, followed by degeneration of photoreceptor cells in control of vision
"OpRegen®"	-	The first product developed by CellCure to treat retinal degeneration, including macular degeneration, based on the RPE cells in suspension.
"OpRegen Plus®"	-	A product for the treatment of retinal degeneration, including macular degeneration, which is based on the RPE cells in the membrane.

26.1. Description of Cell Cure's Activities and the Technology Developed by it

26.1.1. Cell Cure Neuroscience Ltd. was incorporated November 2005 and started operations January 2006. When it was incorporated, Cell Cure was under the complete control of the Singapore company known as ES Cell International Pte Ltd. (hereinafter - "**ESI**").

26.1.2. In the second quarter of 2010, ESI was acquired by American stock exchange company, BIOTIME INC. (hereinafter - "**BioTime**") (BTX.AMEX).

26.1.3. From the date of its establishment as of the date of publishing the Periodic Report Cell Cure engages in research and development in the treatment of neurodegenerative diseases by way of replacing cells, with its primary goal being the development of a product to treat degeneration of the retina, including macular degeneration (AMD), based on RPE cells in suspension named OpRegen ® (hereinafter - "OpRegen ®").

The main cause of the Dry-AMD illness is the demise of the pigment cells found below the retinas and supporting it. The treatment offered by Cell Cure to heal dry-AMD is a transplant of Retinal Pigment Epithelial cells, RPE cells derived from embryonic stem cells (OpRegen ®). The treatment is a process in which RPE cells are injected in order to renew and replace the RPE cells which are atrophying in the patient's eye, and to stop the progression of the disease. As of the date that the Periodic Report was published, there is no approved medical treatment for the macular degeneration disease of the "dry" type. Embryonic stem cells are a source which allow for an amount of RPE cells. The research groups of Prof. Reubinoff and Prof. Benin of the Hadassah Hospital have developed a method for directed differentiation of human embryonic stem cells to RPE cells which can provide a sufficient amount of RPE cells for the treatment of all existing and future dry-AMD patients in the world.

The transplantation of these pigment cells in patients with dry AMD will prevent the continued degeneration of the retina resulting from the dysfunction of pigment cells of patients. The healing efficiency of these cells was proven in an animal model with dry AMD disease.

The Company's assessment with relation to the prevention of the continuation of retina degeneration by the implantation of these pigment cells in Dry AMD patients represents forward looking information, as per its meaning in the Securities Law, that is conditional, inter alia, on the results of the clinical experiments of Cell Cure.

26.1.4. Cell Cure is developing two products: one is RPE cell suspension (OpRegen®), and RPE cells attached to a biological membrane (OpRegen Plus®). Both products are designed to move transplanted cells under the retina which act as a replacement for the dead cells.

26.1.5. In 2009, Cell Cure began research in the field of healing the dry type of AMD disease using human embryonic stem cells. During that year, Cell Cure began developing methods to produce RPE cells under cGMP conditions. Cell Cure's goal was to reach a level of embryonic stem cell production under cGMP conditions (sterile conditions) in order to perform clinical trials on humans.

26.1.6. During 2010, the development of the above methods was completed and the production began of RPE cells under cGMP conditions intended for use in clinical trials. During 2011, Cell Cure completed the production of cells under cGMP conditions. The Company developed the cells with a xeno-free method (without use animal derived materials). As of the date of publishing the Periodic Report, there is no other entity that has succeeded in producing the cells at the level of cGMP and xeno-free.

26.1.7. During 2012, Cell Cure conducted over 10 pilot studies in animals demonstrating the safety and efficacy of these cells In order to attain regulatory approvals for human trials. in the end of 2012 Cell Cure began safety tests on the product in accordance with the FDA recommendations in external GLP labs (CRO). These experiments continued during 2013 and ended successfully during the third quarter of 2014. See the Company's Immediate Report dated September 17, 2014 (Document No. 2045-01-159270) for additional details regarding the results of these experiments.

26.1.8. In addition, In November 2013, the Company held a pre-IND meeting with the FDA in which the product safety and characterization plan and the pre-clinical trial plan were approved.

26.1.9. On October 31, 2014, Cell Cure received approval for medical trials on humans (IND) from the FDA, in light of the success of Cell Cure in the pre- clinical series of experiments, carried out according to the guidelines of the FDA and by the clinical research companies (CRO's). See the Company's Immediate Report dated September 17, 2014 (Document No. 2045-01-159270) for additional details.

26.1.10. On February 17, 2015, the Company announced that Cell Cure had received approval from the Helsinki Committee for the commencement of the Phase I/IIa clinical trial and the Company announced the beginning of the clinical trial at the Hadassah Ein Kerem Medical Center(hereafter: "**the trial**"). The purpose of the trial (principal and secondary goal) is proof of the safety, the tolerance and the efficiency of the OpRegen® product. On August 18, 2015, the transplantation of the OpRegen® product in the first patient in the framework of the trial was completed. As of that date, no ophthalmologic or other systematic side effects were reported to Cell Cure by the patients or by the trial doctor. For further details, see the Immediate Report of the Company dated February 17, 2015 and its amendment dated August 31, 2015 (Reference Nos. 2015-01-032644 and 2015-01-110409, respectively).

Moreover, as of the date of publishing the Periodic Report, the mobilization of the patients in the Hadassah Hospital continues and the Company is presently in advanced stages of opening two additional sites in three additional hospitals in Israel.

26.1.11. On September 29, 2015, Cell Cure received an approval from the FDA for an accelerated regulatory track for the OpRegen® product of Cell Cure for the treatment of degeneration of the age dependent optical retina of the dry type. For further details, see the Immediate Report of the Company dated September 29, 2015 (Reference No. 2015-01-125595).

26.2. Loans and Investments in Cell Cure's Share Capital

Following are details regarding investments made by the Company in the equity of Cell Cure during the past two years:

Date	Substance of change	Ordinary shares of the Company issued	Options not registered for trading issued	Volume of immediate proceeds received (in NIS 000)	Total issued and paid up capital (in shares)	Total issued and paid up capital fully diluted
Opening balance as of 31.12.2013					453,020	478,858
In 2014						
In 2015	Receipt of a convertible loan from shareholders of the Company as detailed in Section 26.2.1 below			4,200		
In 2015	Receipt of a convertible loan from part of the shareholders of the Company as detailed in Section 26.2.1 below			1,100		
Total as of the date of the Periodic Report					453,020	478,858

26.2.1. On April 30, 2014, the Board of Directors has decided that Cell Cure would suggest that its shareholders raise equity by means of convertible loans in a total amount of $ 4,200 thousand ("**the fund**"). The amount of the fund would be transferred in two stages, according to the company's request, on a "need" basis, with the understanding that the second stage will be at the discretion of the participating shareholder and the fund will bear interest at the rate of 3% per annum (loan principal together with the interest will be known below: "**the loan**"), as follows:

The first stage: the loan in the amount of $ 2,200 thousand. Subject to the written notice by the shareholder and/or the decision of the company, the company will convert any part of the loan as yet unpaid and specified, to ordinary shares of the company. The part of the loan not converted to ordinary shares of the company at the request of the shareholder and/or the request of the company within 3 years will be returned to the shareholder.

As of the date of the Periodic Report, Cell Cure had received convertible loans as follows: from BioTime, the amount of $ 1,729 thousand, from the Company, the amount of $ 466 thousand and from a shareholder of Cell Cure, the amount of $5 thousand. In view of the above, the first stage ended.

The second stage: A loan in an amount of $ 2,000 thousand. As of the date of the Periodic Report, in the context of the second stage, Cell Cure received convertible loans as follows: an amount of $ 254 thousand from the Company and an amount of $ 1,746 thousand from BioTime. In view of this, the second stage ended.

26.2.2. In the meeting of the Board of Directors held on October 29, 2015, it was decided that Cell Cure would raise additional equity by means of a convertible loan from the existing shareholders of CellCure in a total amount of up to $ 5,000 thousand (thereafter in this subsection: "**the principal**"), which will bear interest at a rate of 3% per year (the principal and the interest will be known jointly as: "**the loan**") Pursuant to the terms of the loan, the loan will be given by the shareholders on the basis of a "capital call", according to the needs of Cell Cure, while on the date of such capital call, each shareholder will notify Cell Cure whether it wishes to exercise its right to give its share of the loan. Each shareholder that will decide not to transfer its share of the loan requested, will be diluted accordingly. Furthermore, the shareholder is entitled during a period of three years from the date of giving the loan to convert the amount of the loan to shares of Cell Cure at a price of $ 20 per share. At the end of this three year period, the shareholder is permitted to notify Cell Cure of its desire to convert the amount of this loan to shares of Cell Cure at a price of $ 20 per share or alternatively, to demand the repayment of the loan. As of the date of the Periodic Report, Cell Cure received in the framework of the convertible loan, as above, an amount of $ 1,097 from BioTime.

26.3. Dividends

Since its establishment, and as of the date of the report, Cell Cure has not distributed dividends. As of the date of the report, Cell Cure has no dividend distribution policies.

26.4. Financial information

See the financial statements of Cell Cure as of December 31, 2014 attached as a separate appendix to the Periodic Report for financial information regarding Cell Cure's operations.

26.5. Restrictions and regulation

As of the date of the Periodic Report, no changes took part in the restrictions and regulation of Cell Cure since the date of the annual report of the Company for the year of 2014. See Section 26.5 to Chapter A of the Periodic Report for 2014 for details regarding the restrictions and the regulation at Cell Cure.

26.6. Critical success factors in the operating sector and changes taking place in them

See Section 11.1 above for details of critical success factors.

26.7. The Relevant Potential Market

AMD market potential

In the United States there are about 7.3 million patients with the Dry-AMD in at least one eye. about 1.75 million people have an advanced stage of the disease and this number is expected to grow by the year 2020 to about 2.95 million patients. Out of the total patients with AMD in the United States, about 973,000 of them are in the geographic atrophy stage and are suitable to receive the treatment that Cell Cure will offer in the future, as long as its research and experiments are successful and it has the necessary financial resources for the commercialization and development of the product. Cell Cure's developed treatment for Dry-AMD with geographic atrophy patients is estimated on potential global market of $ 5 billion.

26.8. Competition

The company's success is affected by competition in the development and marketing area of products for the treatment of degeneration of the retina of the eye based on RPE cells. As of the date of this report, the company is aware of three competitors. To the best of the company's knowledge, the first company is Ocata-ACT which develops a product for the treatment of the degeneration of the retina of the eye based on RPE cells, whose source is live and not embryonic cells. To the best of the knowledge of the Company, Ocata-ACT (which was acquired during the period of the report by a Japanese company) is found in more advanced stages of development than is the Company. Nevertheless, the product being developed by the Company has a substantive advantage due to its being generated from fetal stem cells, which assures higher quality of the cells.

Three additional competitors of the Company are the companies:

(a) Neusentis (Pfizer/Roslin), London Project.
(b) Riken Healiosa.
(c) Regenerative Patch Technologies (CIRM).

These companies, to the best of Cell Cure's knowledge, are developing a solution based upon an on-membrane RPE cell, which is appropriate for situations in which there is damage to the Bruch's membrane of the retina. Nevertheless, the execution of such a process demands special qualifications of a surgeon and use of a special surgical tool.

The following is a tabular description regarding the competitors of Cell Cure

	Cell Cure's medical product	Competing product A	Competing product B	Competing product C
Product characteristics	Development of a cellular product for treating retinal degeneration based on RPE cells. The drug is administered via a single injection in the retina by a doctor. Cost of the drug is about $20,000. This cost is based on the cost of Lucentis treatment of Wet AMD disease. Risks of using this drug are retinal detachment following the surgical procedure	Ocata-ACT produces RPE cells	A product of a RPE cell from a membrane of Neusentis (Pfizer/Roslin), London Project.To the best of the company's knowledge, the product will enter the stage of clinical trials in 2015.	A product of a RPE cell from a membrane of Regenerative Platform Technologies Inc. (RPI). To the best of Cell Cure's knowledge, the product will enter the stage of clinical trials in 2015.
Advantages and disadvantages of the solution of Cell Cure in relation to competitive medical products , to the best of Cell Cure's knowledge	Cell Cure's product advantages: "Xeno free" cells - high quality at low costs	Advantages of the competitor: reached the clinical trial stage earlier. Disadvantages of the competitor; the cells that were in use in Study ½ phase were not of Xeno Free quality.	Advantages of the competitor: appropriate for use in situations with damage to the Bruch's membrane of the retina. In addition, appropriate for situations in which there are problems with the survivability of the RPE cell. Disadvantages: demands special talents of the surgeon and use of a special surgical instrument.	Advantages of the competitor: appropriate for use in situations with damage to Bruch's membrane of the retina. In addition, appropriate for situations in which there are problems with the survivability of the RPE cell. Disadvantages: demands special talents of the surgeon and use of a special surgical instrument

The estimates of the Company and Cell Cure detailed above are considered to be forward looking information, according to its meaning in the Securities Law, based on knowledge held by the Company and Cell Cure as of the date of the report. These estimates could change from time to time.

26.9. Production capacity

Cell Cure produces in appropriate facilities in the Hadassah Hospital. As of the date of the report, there are no restrictions on the production capacity required by Cell Cure. During the year, CellCure began construction of an independent production facility (GMP facility).

26.10. Fixed assets

As of the date of the Periodic Report, Cell Cure has net fixed assets after depreciation in an amount of approximately NIS 1,591 thousand of which an amount of approximately NIS 1,324 thousand is laboratory equipment and the balance is furniture and equipment, leasehold improvements and computer equipment and software.

26.11. Research and Development

26.11.1. **Investments in R&D**

During the three years preceding the date of the periodic report, a total of 38,016 thousand NIS was invested in Cell Cure's R&D, according to the following table (in thousand NIS):

Period	**2013**	**2014**	**2015**	**Total**
Total investments in R&D	21,339	17,264	13,641	52,244
Excluding the Scientist's participation, net	(4,820)	(5,511)	(3,897)	(14,228)
Investments in R&D, net	16,519	11,753	9,744	38,016

26.11.2. **Chief Scientist grants**

Name of medical products for which the grant was received	**Amount of grant during reporting period (NIS 000)**	**Amount of grant in 2014**	**Amount of grant in 2013**	**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 hESC derived neural and RPE cells	3,817	6,295	5,242	27,146	As detailed in Section 10.6 above. Royalty rate: 3% for 1st 3 years; 3.5% from 4th year and thereafter.	As detailed in Section 10.6 above.

In 2008, Cell Cure began a joint engagement under the ESNATS program- a program affiliated with a framework R&D program of the European Union (EP7). The program comprises approximately 30 academic research groups and companies from the field of researching stem cells, which examines ways of using embryonic stem cells for purposes of development of medications. The joint engagement ended in 2013, while in 2014, the final grant was received for the project. In total as of the date of the Periodic Report, Cell Cure received approximately NIS 900 thousand with respect to this program

26.11.3. Research and Development - Clinical Trials

The following is a table detailing the current and planned clinical trials by Cell Cure during the years of 2016 and 2017:

Trial No.	Trial name	Development stage in which the trial is included	Has an IND or IDE been opened for the trial	Is it compliant with a regulatory authority or ICH	Goal and nature of trial	Planned no. of tested in context of trial	No. of sites at which trial is being performed	Geographic location of sites at which trial is being performed	Nature and status of trial	Trial time table	Estimate of anticipated total costs of trial	Accumulated cost from date of clinical trial start to report date
CCN_CT 02	OpRegen P1/2	Clinical	Yes	Yes	Safety and efficacy	15	1	Israel	Equity raising has begun	2015-2017.The treatment of the first group of the participants in a trial is planned to end during the first quarter of 2016. The treatment of the second group of the participants in a trial is planned to end until the end of 2016.	3,323 thousand USD	434 thousand USD

The information included in the above table includes forward looking information, as defined in the Securities Law. Research and development activities involve great uncertainty and it is, therefore possible that the time table and/ or the substance of the experiments well be substantially changed from the above estimate. The factors that might cause a delay in the program of experiments might include demands of various regulatory authorities to perform experiments on a larger number of those being tested and/or a large number of medical centers, demands for retesting, etc. Moreover, it is emphasized that there is no assurance that the experiments will be successful, and lack of success of experiments might necessitate an update of the program of experiments.

26.12. Intellectual Property - Licenses and R&D Agreements

26.12.1. **ESI license agreement**

For details, see Section 26.12.1 in Chapter A of the Periodic Report for the year of 2014. This information is brought here by way of reference.

26.12.2. **Hadasit license agreement**

For details, see Section 26.12.2 in Chapter A of the Periodic Report for the year of 2014. This information is brought here by way of reference.

26.12.3. **Research agreement and option to an exclusive license with Teva**

For details regarding a research agreement and an option for a license with the Teva Company, see Section 26.12.3 in Chapter A of the Periodic Report for the year of 2014.

On January 1, 2015, the Company announced that Cell Cure approved to amend the agreement for the option to Teva, so that the option period will be extended by 30 days and expire 90 days after the IND becomes effective.

On January 30, 2015, Cell Cure and Teva agreed to extend the option period until February 15, 2015, while on February 15, 2015, the Company announced the expiration of the Teva option.

For further details, see the Immediate Reports of the Company dated January 1, 2015, January 31, 2015 and February 15, 2015 (Reference Nos. 2015-01-000100, 2015-01-021730 and 2015-01-031918, respectively). This information is brought by way of reference.

26.12.4. **Immaterial Assets**

Approved material patents

Patent number	Patent description*	Patent rights	Predicted patent expiration	Approved countries
7,604,992	**GENERATION OF NEURAL STEM CELLS FROM UNDIFFERENTIATED HUMAN EMBRYONIC STEM CELLS**	Exclusive License	2023	US
2003229132				Australia
108144				Singapore
2407821				UK
2427616				UK
142748	**EMBRYONIC STEM CELLS**		2019	Israel
2001265704	**METHOD OF CONTROLLING DIFFERENTIATION OF EMBRYONIC STEM (ES) CELLS BY CULTURING ES CELLS IN THE PRESENCE OF BMP-2 PATHWAY ANTAGONISTS**		2021	Australia
93380				Singapore
4,795,616				Japan
153,095				Israel
7,112,437	**CULTURING METHOD FOR EMBRYONIC STEM CELLS AND CONTROL OF THEIR DIVISION**		2021	USA
9,080,147				
779694	**EMBRYONIC STEM CELLS AND NEURAL**		2021	Australia

2005200148	**PROGENITOR CELLS DERIVED THEREFROM**			
2002301347				
151170				Israel
204766				
90819				Singapore
7,504,257				USA
7,947,498				USA
4,889,902				Japan
2,403,000				Canada
7,011,828	**MPLANTING NEURAL PROGENITOR CELLS DERIVED FOR HUMAN EMBRYONIC STEM CELLS**		2021	USA
8,137,969	**NEURAL PROGENITOR CELLS DERIVED FROM EMBRYONIC STEM CELLS**		2021	USA
8,460,931				
144689	**AMBRYONIC STEMS CELLS AND NEURON PROGENITORS GENERATED BY THEM**		2022	Singapore
2008242106	**STEM CELL-DERIVED RETINAL PIGMENT EPITHELIAL CELLS**		2028	Australia
5,395,058				Japan
200880020748.0		Exclusive License		China
HK1140791				Hong Kong
HK1179647				
201600				Israel
2554661				EU
2147094				
8,956,866			2029	USA
2407821	**STEMS CELLS**		2023	UK
2427616				

26.12.5. Applications to register material patents

Patent application name	Patent description	Expected patent rights (as listed)	Priority date	Application date	Applied countries
13/360,826	**CREATION OF APPROPRIATE UNCLASSIFIED HUMAN EMBRYONIC NEURON STEM CELLS**	Exclusive License	05-Jun-2002	05-Jun-2003	USA
14/583,838	**EPITHELIAL PIGMENT CELLS CLASSIFIED FROM EMBRYONIC STEM CELLS WITH NICOTINAMIDE AND ACTIVIN A**		18-Apr-2007	27-Apr-2008	USA
14/583,848					
14193621.1	**EPITHELIAL PIGMENT CELLS OF THE RETINA CLASSIFIED FROM STEM CELLS**				EU
14104657.0					Hong Kong
15112372.6					
2,684,460					Canada

225163					Israel
6790/CHENP/2009					India
201310484803.4					China
2013216382	**METHOD FOR SELECTION OF EPITHELIAL PIGMENT CELLS**	The patent application was filed jointly by Hadasit and Cell Cure	31-Jan-2012	29-Jan-2013	Australia
2,863,172					Canada
14/375,195					USA
12101675.6	**STEM CELLS**	Exclusive License	05-Jun-2002	05-Jun-2003	Hong Kong
10011875.1					EU
14751359.2	**PRODUCTIVENESS SCAN OF MATERIAL ON DOPAMINE NEURONS**	Filed jointly by Hadasit and Cell Cure	13-Feb-2013	12-Feb-2014	EU
14/766,784					USA
240415					Israel

26.13. Human Capital

26.13.1. Cell Cure is managed By Dr. Charles Irving, who has experience in bio-medical and bio-technological management.

26.13.2. In April 2012, Dr. Osnat Buchna Kashtan joined Cell Cure, serving as a R&D director. In July 2012, Dr. Nir Nezer joined CellCure, having formerly servied as the pre-clinical trial director and presently serving as the company's operating director.

26.13.3. Activity at Cell Cure is based on the research and continued development of Professor Reubinoff from Hadassah Ein Kerem Hospital.

As of the date of the report, Cell Cure is assisted by the services of Prof. Reubinoff and Prof. Benin in the stages of research and development in the clinical trials. Pursuant to the above, Cell Cure entered into research and development agreements and a consulting agreement with Hadasit, detailed below, for purposes of the continued involvement of Prof. Reubinoff and Prof. Benin in Cell Cure's operations.

26.13.4. As of the date of the report, Cell Cure employs 18 personnel, of which 15 are engaged in research and development. Moreover, 5 are employed by way of a research agreement with Hadasit, described below. The research and development personnel are employed under the professional guidance of Prof. Reubinoff and Prof. Benin.

26.13.5. **Following is detail regarding research and development agreements with Hadasit**

26.13.5.1. Research agreement

On August 1, 2006, Cell Cure entered into an agreement with Hadasit for the performance of research and development works. In the context of the agreement, it was determined that Hadasit will grant services to CellCure, as will be determined by the parties from time to time, which include manpower services and use of animals and materials, as requested by Cell Cure. In consideration for granting these services, CellCure will pay an agreed amount (hereafter: "**the payment**") to Hadasit. The agreement will be in effect at any time that the research is being performed. The two parties may terminate the agreement at any time by giving advance notice of 30 days. It should be clarified that in relation to detail of the consideration to which Hadasit is entitled, Cell Cure is obligated to pay Hadasit an agreed upon sum in the amount of the cost of the services, as determined from time to time and in accordance with a budget approved in advance, with the addition of 25% for overhead.

26.13.5.2. Consulting agreement and allotment of options to researchers

In 2010, Cell Cure entered into a consulting services agreement with Hadasit for the rendering of consulting services on the subject of development of the OpRegen® product by the Hadassah researchers, Prof. Reubinoff and Prof. Eyal Benin (hereafter jointly: "**the researchers**"). As part of the consideration under the research services agreement, Cell Cure will pay Hadasit a monthly amount of NIS 26,600. Moreover, Hadasit and the researchers received options to acquire the shares of Cell Cure at a rate of 5% of the issued capital of Cell Cure on the date of the closing of the investment agreement. In October 2010, Cell Cure allotted these options to Hadasit and to the researchers.

26.13.5.3. Agreement to provide research services

On March 13, 2012, the Company and Hadasit signed a new research agreement, which revises the 2010 research agreement (hereafter: "**the research agreement**").. The provisions of the research agreement stipulate that the amount of $ 300 thousand is to be transferred by Cell Cure, so that $ 150 thousand will be transferred immediately upon signing the research agreement (i.e., on March 13, 2012) and the balance will be transferred in three equal quarterly installments commencing on May 1, 2012 with respect to the 2010 agreement. In addition it was agreed that the remainder of the payments for additional research, as stipulated by the research agreement, were be deferred until the earlier of: (a) June 1, 2013; (b) the raising of funds by the Company, not including funding from the OCS or loans which are not convertible into securities, other than a convertible loan from current company shareholders provided in connection with the completion of the RPE Project; or (c) the exercise of the Teva option pursuant to the Research and Exclusive License Option Agreement between the

company and Teva, signed on October 7, 2010, as amended on July 8, 2012. See Section 26.12.3 regarding details of the agreement with Teva.

As of the date of the report, Cell Cure and Hadasit agreed to form a steering committee in order to formulate a new program and a time table for the additional research. Hadasit approved receipt of a total payment of $ 375 thousand under the additional research agreement and Cell Cure approved that an additional sum of $ 1,125 thousand will be paid towards the additional research in tranches as provided in the additional research agreement in connection with the additional research, from the moment that it will be renewed, and which will be used to cover new research programs that were mutually agreed to and that will be executed during a period of three years and three quarters from the start of the new program. Hadasit and the Company have not formed the steering committee to formulate the new program to date.

In addition to above, Cell Cure has undertaken with additional consultants and scientists in consulting agreements, according to the company's needs.

26.13.6. Following is tabular detail regarding the amount of expenses of Cell Cure with respect to the undertakings with Hadasit (in NIS 000) over the three years that preceded the date of the Periodic Report (in terms of cost to Cell Cure):

	2013	**2014**	**2015**
Research agreement (Section 26.13.5.1 above)	1,655	1,248	1,099
Consulting agreement (Section 26.13.5.2 above)	291	618	434
Additional research agreement (Section 26.13.5.3 above)	1,057	1,260	885
Additional undertakings	345	982	1,281

26.13.7. **The Right to Appoint Directors**

According to the by-laws of incorporation of Cell Cure, the directors of Cell Cure are appointed by the General Assembly of the Shareholders by a majority of the shareholders. As of the date of the Periodic Report, seven directors serve in Cell Cure, with two of them serving on behalf of the Company.

26.14. Materials and suppliers

The main raw materials of the company are stem cells from an embryonic source. Cell Cure has an agreement with Hadasit to supply a source of embryonic stem cells (Master Bank) while Cell Cure produces the raw materials by itself. Cell Cure is not dependent on Hadasit since there are additional suppliers of stem cells. Nevertheless, it should be stated that the transition to another supplier involves expenses for purposes of approval of compliance of the stem cells with the regulatory requirements. The supplying of stem cells is part of the license agreement signed between Hadasit and Cell Cure, which is detailed in Section 26.12.2, and therefore, Cell Cure does not make a separate payment for the stem cells.

26.15. Working capital

As of the date of the report, Cell Cure has positive working capital of NIS 1,374 thousand.

26.16. Financing

As of the date of the report, Cell Cure has not yet begun to make sales, and is, therefore, dependent on raising funds from existing and new investors for financing its operations. Cell Cure finances its operations from equity raisings and from loans from shareholders and grants from the Chief Scientist in the Ministry of the Economy.

26.17. Taxation

The tax laws in Israel apply to Cell Cure.

26.18. Material agreements

See the agreements specified above for details regarding Cell Cure's material agreements.

26.19. Legal proceedings

As of the date of the report, the company is not party to material legal proceedings.

26.20. Goals and business strategy and forecast of developments in the coming year as notified to the Company by Cell Cure

Medical product	Current status	2016	2017-2018
OpRegen ®	Start of Phase I/II trial	Improvement of production process. Improvement of formulation. Continued development of methods for product specification. Validation of methods for product specification. Establishment of GMP facility. Planning of production for Phase II. Filing of application with European regulatory authorities.	Termination of Phase I/IIa. Continuation of improvement of production process. Production for Phase II. Start of Phase II stage. Continued development of methods for product specification. Validation of methods for product specification.
OpRegen Plus ®	Basic research	Continuing preclinical research and proving the products effectiveness on animals.	Decision on advancement of the project and discussions with the FDA authorities

The information brought in this section as to the forecast of developments for the coming year includes forward looking information, as it is defined in the Securities Law, whose realization is contingent, inter alia, on the results of the clinical trials, obtaining regulatory approvals and raising resources for purposes of completing the aforementioned objectives.

26.21. Risk factors

See Section 25 above for details regarding macro-economic risk factors and sectoral risk factors. In addition to what was stated in Section 25 above, Cell Cure has an additional specific risk factor for the operating sector of Cell Cure, which is the policies of the various nations in relation to use of stem cells- policies of the nations in relation to stem cells might be affected by political changes. It is possible that restrictions will be placed on use of products whose source is from stem cells.

27. Enlivex Ltd. (hereinafter - “Enlivex”)

For convenience, in this chapter, the following abbreviations will have the meaning recorded alongside them:

General comment in relation to Section 27 of the Periodic Report for 2014: in each section and sub section, the term “Phase II/III” will be replaced by the term “Phase III”).

Inflammation	-	Inflammation is the immune system’s reaction against injury, certain stimuli, and against contaminants that invade the human body or a life form.
Leukemia (Blood Cancer)	-	A severe disease that causes abnormal formation of blood cells in bone marrow. At first, the cells behave almost normally, but with time displace the white and red blood cells and platelets. The cancer is divided into two types: chronic leukemia and acute leukemia.
Apoptosis	-	Programmed cell death. Unlike necrosis - which is a traumatic death of cells after an infection or injury - the process of apoptosis is gradual, orderly, and consistent.
Autoimmune Disease	-	Autoimmune disease is characterized by cells of the immune system which lose immunotolerance and attack the body’s own cells and tissue. A typical expression of these diseases is the death of cells and the destruction of body tissue that occurs anywhere in the body without a clear cause. Examples of these types of diseases are multiple sclerosis and arthritis.
Hematopoietic Diseases	-	Diseases characterized by a defect in the production of blood components.
Immunotolerance	-	The immune system can distinguish between "self” and "foreign”, i.e. between molecules and cells belonging to the body itself, and between molecules and cells from a foreign source in a manner that ensures that the immune response is only achieved against a foreign body. The distinction between "self” and "foreign” is called immunotolerance and is an essential mechanism that prevents damage to the body. When there is a defect or flaw in the immunotolerance system, autoimmune system diseases may be developed in which the immune system attacks the body’s own components.

Bone Marrow Transplant	-	Bone marrow is spongy tissue located in the bones which creates cells in the blood system - red blood cells, white blood cells and platelets. Bone marrow transplantation is now an accepted medical approach to approximately 100 different diseases that affect the system that produces blood cells and that damage the immune system (diseases of the neoplasm such as leukemia, and conditions such as bone marrow deficiency that are congenital or acquired).
Allogenic Bone Marrow Transplant	-	A condition in which the patient receives stem cells from his brother, sister, or parent. A non-relative of the patient may also be suitable for allogenic transplantation. This is unlike autologous bone marrow transplantation, in which the patient receives his own stem cells.
Graft-versus-Host Disease	-	Transplanted stem cells may cause adverse reactions within the body. This phenomenon is called graft-versus-host disease (GvHD) and may appear up to six months after transplantation.
Immunosuppression	-	An act that reduces the activation of the immune system. Particular sections and specific responses of the immune system may cause immunosuppression of other parts of the immune system itself. Targeted immunosuppression is performed in order to weaken the immune system, to prevent or reduce a graft rejection response, anti-graft disease and against autoimmune diseases.
Stem Cells	-	Cells found in bone marrow that can produce various kinds of blood cells in the body.
"CAR-T"		Engineered genetic receptors against various cancerous antigens.

27.1. Description of Enlivex's Activities and the Technology Developed by it

27.1.1. Enlivex is a private company incorporated in Israel under the name Tolarex Ltd. which commenced business activity in September, 2005.

27.1.2. Enlivex develops an innovative medication known as Allocetra for treatment of graft-vs.–host-disease during transplants of bone marrow, Crohn's Disease and other inflammatory and autoimmune diseases, by means of inducing immunity, as a substitute for immunosuppression.

The development is based on discoveries made by Prof. Dror Mevorach and his laboratory at Hadassah Ein Kerem Hospital.

27.1.3. Transplantation of bone marrow or stem cells donated by non-relatives (a procedure known as allogeneic) is a treatment given in cases of hematopoietic diseases, such as

cancer of the blood - leukemia, multiple myeloma, etc. In 30% - 70% of transplants (depending on the disease and circumstances of the case), patients develop a disease called graft-versus-host disease (GvHD) in various degrees of severity, in which the newly implanted cells attack the transplanted tissue (the "host"). GvHD is manifested by rashes, diarrhea, skin problems, liver dysfunction, and is sometimes even life-threatening. There is currently no specific and particular treatment for GvHD and it is a significant barrier in successful allogeneic bone marrow transplants.

27.1.4. Enlivex is developing a drug to treat autoimmune diseases, while focusing on the first stage of GvHD (acute GvHD). The system treats the blood taken from the patient (or donor in a case of GvHD), by inducing controlled cell death, and then returns the blood to the patient. These cells have anti-inflammatory properties and reduce inflammation and autoimmune processes, and leave immunotolerance in the patient's body in a natural and physiological way. The treatment developed by Enlivex is apparently safe, and not expected to cause any side effects because the intended use is only for cells taken from the patient (or from the donor, who in any case is donating bone marrow cells to the patient). This treatment is tailored to the patient (adjustment of the tissue in a case of GvHD, or cells of the patient himself in other diseases such as Crohn's). In addition to Allocetra, the cellular technology, Enlivex has also identified and begun to isolate molecules that have escaped during the programmed cell death procedure (apoptosis). Based on Professor Mevorach's research, these molecules also may have an effect of inducing immunotolerance when combined with Allocetra or as an independent treatment.

27.1.5. CAR-T clinical research for treatment of cancer has proven potential of the CAR-T for the treatment of cancer in specific illnesses. At the same time, in all of these researches, a side effect known as Cytokine Released Syndrome-"CRS") was observed in a high percentage of the participants in the research. The severe form of CRS could lead to material risk to the patient and even to functional failure of many organs and death. This side effect could be a factor that limits the efficacy of the CAR-treatments for cancer patients that are not hospitalized. Guno Therapeutics reported that in research carried out on 23 patients, 39% of those treated with JCAR015 developed CRS, in an additional trial comprised of 52 patients, 29% of them developed CRS and in the framework of research by Novartis with CTL019, 27% of those treated experienced CRS. In the assessment of Enlivex, the Allocetra product developed by Enlivex, in combination with CAR-T treatments, could dramatically prevent or reduce the appearance of CRS in patients treated by CAR-T, without impairing the efficacy of treatment of cancer, similar to the effect of Allocetra in prevention of the post marrow transplant GVHD disease.

27.1.6. Solutions such as Safety switch which are injected into the CAR-T cells are already being developed by a number of companies, including Bellicum Pharmaceuticals. This solution allows the rapid "killing" of the CAR-T cells when the patient develops CRS symptoms, but at the same time, kills the treatment cells. The solution of Allocetra is not designated to damage the CAR-T cells but only to prevent the appearance of the CRS, without affecting the efficacy of the CAR-T cells in curing the cancer disease. As of the date of the report, Enlivex is performing pre-clinical trials in order to evaluate the dosage and the effect of Allocetra in combination with the CAR-T treatments.

27.1.7. On March 18, 2013 and on January 22, 2015, the Company received approval from the FDA and from the EMA, respectively, that the Allocetra medication is recognized as an orphan drug for treatment of GVHD. Recognition as an orphan drug by the American drug agency provides exclusive marketing for 7 years for a specific product and a defined indication, from the date of receiving approval to market the medication and until competitors in the market are able to market the same medication. Furthermore, the recognition of the medication as an orphan drug could provide concessions in the regulatory requirements during the development, and assistance in development and registration of the medication. Recognition as an orphan drug by the European drug agency provides exclusive marketing for 10 years in the European Union, from the date of receiving approval to market the medication and until competitors in the market are able to market the same medication. Furthermore, the recognition of the medication as an orphan drug could provide concessions in the regulatory requirements during the development, and assistance in development and registration of the medication.

27.1.8. In January 2014, an article was published in the official journal of the Biology of Bone and Marrow Transplantation (BBMT), which summarizes the results of the Phase I/II clinical trial that Enlivex conducted, and examines the safety and initial efficiency of Allocetra in 13 GvHD patients. Four groups of increasing dosage were treated in the trial with Allocetra as were 13 patients who underwent a transplant of bone marrow from a family member. The results of the trial indicated a good safety profile, and no serious side effect was attributed to the Allocetra. From the standpoint of efficacy-a 23% incidence rate of implant disease was observed versus acute stores of levels 2-4 with in all cases, the incidence being in the two low dosage groups, which are in Enlivex's perception a sub-dose of the treatment, while in the active dosages, not even one case of implant disease was observed versus acute stores with a 2-4 level.

Following the treatment of these patients, the Company may determine whether to recruit six additional patients for the dosage found to be optimal in order to expand the trial and strengthen its findings. A decision for the recruitment of 6 additional patients as mentioned has not yet been taken.

27.1.9. During February 2014, Enlivex entered into a transaction with a business group led by Shai Novik (hereafter: "**the Novik group**") whose purpose, at the initial stage, was to provide a right to the Novik group, limited in time, to invest and/or raise a sum on behalf of Enlivex that is no less than $3.5 million and up to $ 8 million by receipt of a statement regarding a convertible loan; and in the second stage, to convert Enlivex into a public company traded in the United States. The amount raised by the Novik group totaled approximately $ 8 million. See Section 27.2.1 below for details.

27.1.10. On March 22, 2015, the reports of Enlivex as of June 30, 2014 and September 30, 2014 were adjusted with respect to the classification of the convertible loans in the reports of Enlivex from liabilities to equity. According to the examination made by the Company, it appears that the effects on the financial statements of the Company as of the dates and for the above periods are not material and, therefore, the Company was not required to amend its financial statements as of those dates. See the Company's Immediate Report dated March 22, 2015 (Document No. 2015-01-056182) for additional details. This information is brought here by way of reference.

27.2. Loans and Investments Enlivex's Share Capital

The following are details regarding investments made in the share capital of Enlivex during the past two years (before conversion of loans):

Date	Substance of charge	Ordinary shares of the Company issued	Options not registered for trading issued	Volume of immediate proceeds received (in NIS 000)	Total issued and paid up capital (in shares)	Total issued and paid up capital fully diluted
Opening balance as of 31.12.2013			**754,328**		**10,011,000**	**10,765,328**
In 2014	An investment transaction with the Novik group in February 2014, as detailed in Section 27.2.1	52,979,389	30,492,144 (to employees, consultants and directors, without consideration)	151	52,979,389	83,471,533
In 2014	Exercise of options	55,061	-	1	55,061	55,061
In 2015	Exercise of options	330,363	-	3	330,363	330,363
Total as of the date of the Periodic Report					63,375,813	94,622,285

27.2.1. **Convertible investment agreement of February 2014**

For details regarding a convertible loan agreement from February 2014, between Enlivex and a business group led by Shai Novik (hereafter: "**the Novik group**"), in a transaction whose purpose, at the initial stage, was to provide a right to the Novik group, limited in time, to invest and/or raise a sum on behalf of Enlivex that is no less than $3.5 million and up to $ 8 million by receipt of a statement regarding a convertible loan; and in the second stage, to convert Enlivex into a public company traded in the United States, see Section 27.2.1 to Chapter A of the Periodic Report of the Company for the year of 2014. This information is brought here by way of reference.

As of the date of the Periodic Report, the amount raised by the Novik group totaled approximately $ 8 million. Moreover, Enlivex has not been converted into a public company traded in the United States, and accordingly, the convertible loans were converted to preferred A shares of Enlivex.

27.3. Dividends

Since its establishment, and as of the date of the report, Enlivex has not distributed dividends. As of the date of the report, Enlivex has no dividend distribution policies.

27.4. Financial information

See the separate financial statements of Enlivex as of December 31, 2015 attached as a separate appendix to the Periodic Report for financial information regarding Enlivex's operations.

27.5. Restrictions and supervision

Enlivex is engaged in development of production of medical products which are subject to regulatory requirements, drawn out approval procedures and compliance with proper manufacturing procedures. For details regarding restrictions and regulations that apply to the operations of Enlivex as a company that develops medications, see Section 10.1 to Chapter A of the Periodic Report of the Company for the year of 2014. This information is brought here by way of reference.

27.6. Critical success factors in the operating sector and changes taking place in them

See Section 11.1 above for details of critical success factors.

27.7. The Relevant Potential Market

The world market for the GVHD disease as of 2013 is estimated at approximately close to $ 300 million per year, with the market potential in 2018 expected to reach approximately $ 400 million, and Enlivex regards it as a doorway to a much broader market of autoimmune diseases.

27.8. Competition

As of the date of the Periodic Report, to the best of the Company's knowledge, no changes have taken place in the competition of Enlivex from the date of the annual report of the Company for the year of 2014. For details regarding competition, see Section 27.8 to Chapter A of the Periodic Report for 2014.

27.9. Fixed assets

The company has net fixed assets in the amount of NIS 740 thousand.

27.10. Research and Development

27.10.1. **Investments in R&D and OCS grants**

During the three years previous to the date of the Periodic Report, the amount of NIS 1,970 thousand and NIS 3,202 thousand was invested by Enlivex in research and development, prior to participation of the OCS and less participation of the OCS, respectively, according to the following detail (in NIS 000):
***** Amount including amortization of share based payment with respect to a grant of options to employees in an amount of NIS 1,500 thousand.

Period	**2013**	**2014**	**2015**	**Total**
Total investments in R&D	1,970	3,202	7,293*	12,465
Excluding the Scientist's participation, net	(595)	(1,071)	(1,098)	(2,764)
Investments in R&D, net	1,375	2,131	6,195	9,701

27.10.2. **Grants Received by Enlivex Up to the Reporting Date**

Name of medical products for which the grant was received	Amount of grant during reporting period (NIS 000)	Amount of grant in 2014	Amount of grant in 2013	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
Developing ApoCell for GVHD.	298	1,250	2,169	10,655 (from 2008)	As detailed in Section 10.6 above, rate of royalties: 3% in first 3 years, 3,5% starting from 4th year and later	As detailed in Section 10.6 above.

27.10.2.1. As of the date of the report, Enlivex has received approximately NIS 10,655 thousand from the Chief Scientist in consideration for royalties to be paid to the Chief Scientist from sales of the product.

27.10.2.2. On October 1, 2013, Enlivex filed an application with the Office of the Chief Scientist for support according to the R&D Law (for Enlivex, this is a program being filed for the sixth year). The program was approved by the Office of the Chief Scientist during the month of December 2013, with a budget of NIS 3.33 million until September 30, 2014, with support of 60% of the approved budget. The program was extended until December 31, 2014 without change to the scope of the budget requested. In May 2015, the request of Enlivex that, was filed with the OCS for support according to the Research and Development Law was approved (for Enlivex, this was a program for the seventh year that is being presented). The program was approved by the OCS for the period from January 1, 2015 until December 31, 2015, for a budget of approximately NIS 2,581 thousand and NIS 619 thousand, with support of 60% and 30% of the approved budget.

27.10.3. Research and development-clinical trials

27.10.3.1. The following is a table detailing the clinical trials carried out by Enlivex during the three years preceding the date that the Periodic Report was published:

Trial name	**Development stage in which the trial is included**	**Has an IND or IDE been opened for the trial**	**Is it compliant with a regulatory authority or ICH**	**Goal and nature of trial**	**Planned no. of tested in context of trial**	**No. of tested joining trial as of date of issue of report**	**No. of sites at which trial is being performed**	**Geographic location of sites at which trial is being performed**	**Nature and status of trial**	**Trial time table**	**Estimate of anticipated total costs of trial**	**Accumulated cost from date of clinical trial start to report date**	**Interim result / final results**
Allocetra for treating GVHD	Phase I/II	IND filed but cancelled for purposes of executing research in Israel. The trial was conformed with the Ministry of Health of Israel.	Trial under ICH	Main goal safety; secondary goal incidence of GVHD	12-18	13	3	Israel	Development trial has ended, Recruitment of patients (not including expansion of trial). Patients treated by standard of care	Completed	Trial ended. Total cost until now-$ 1.5 million	Total cost until now-$1.5 million	Trial results published in an article in BBMT in October 2013

27.10.3.2. The following is a table detailing the current and planned clinical trials by Enlivex during the years of 2016 and 2017:

Trial name	**Development stage in which the trial is included**	**Has an IND or IDE been opened for the trial**	**Is it compliant with a regulatory authority or ICH**	**Goal and nature of trial**	**Planned no. of tested in context of trial**	**No. of tested joining trial as of date of issue of report**	**No. of sites at which trial is being performed**	**Geographic location of sites at which trial is being performed**	**Nature and status of trial**	**Trial time table**	**Estimate of anticipated total costs of trial**	**Accumulated cost from date of clinical trial start to report date**	**Interim result / final results**
Allocetra for treating GVHD	Phase II/III	IND opened	No	Main goal incidence of GVHD and safety; secondary goals aspects connected to incidence of GVHD	About 220	Not yet begun	30-40	Israel, U.S, possibly also Europe	Not yet decided. Considered: controlled trial, random double blind. In planning	Start of trial Q3 2016. End expected in mid-2019, on assumption of no financing limitation.	About 20-30 million $	NA	NA

The information included in the above table includes forward looking information, as defined in the Securities Law. Research and development activities involve great uncertainty and it is, therefore possible that the time table and/ or the substance of the experiments well be substantially changed from the above estimate. The factors that might cause a delay in the program of experiments might include demands of various regulatory authorities to perform experiments on a larger number of those being tested and/or a large number of medical centers, demands for retesting, etc. Moreover, it is emphasized that there is no assurance that the experiments will be successful, and lack of success of experiments might necessitate an update of the program of experiments.

27.11. Intellectual Property

27.11.1. Licenses and R&D Agreements

27.11.1.1. **License agreement with Hadasit and Yissum**

See Section 27.11.1.1 of Chapter A to the Periodic Report for the year of 2014 for details. Such information is brought by way of reference.

27.11.2. Immaterial Assets

27.11.2.1. **Material patents which were approved**

Patent No.	Description of Requested Patent	Expected Patent Rights (as listed)	Priority Date	Application Date	Predicted patent expiration	States in Which the Application was Submitted
IL 187122	**DISEASE THERAPY USING DYING OR DEAD CELLS**	Ownership	1.1.2001	Between September and December 2007	May 2026	Israel
US 2010-0255003 A1 **EP1896055**	**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 Patent owned by Hadasit and Yissum	20.6.2005	17.8.2009 18.1.2008	June 2025	United States, Europe.

27.11.2.2. **Applications for material patents**

Patent applications found in the process of approval (prosecution) in the various nations, in part office action applications were filed by the relevant registrar of the patents and the file is being deliberated vis-à-vis the registrar of the patents.

Patent Application Name	Description of Requested Patent	Expected Patent Rights (as listed)	Priority Date	Application Date	States in Which the Application was Submitted
DISEASE THERAPY USING DYING OR DEAD CELLS	Method of disease therapy by means of giving the proper dosage of dead cells or cells in the process of dying (apoptosis) that repress inflammatory processes	Ownership	1.1.2001	Between September and December 2007	United States, Europe.
THERAPEUTIC APOPTOTIC CELL PREPARATIONS, METHOD FOR PRODUCING SAME AND USES THEREOF	Allocetra production methods	Ownership	5.12.2012	5.12.2013	PCT , WO 2014/087408 USA 14/401,524

27.12. Human Capital

27.12.1. Commencing from May 27, 2015, Mr. Eyal Fima was appointed as CEO of Enlivex.

27.12.2. Enlivex is based on the research of Professor Dror Mevorach of Hadassah Ein Kerem Hospital and continues to be developed by him. Enlivex is dependent on the continuous involvement of Professor Mevorach in the early stages of the rest of his research. Pursuant to the above, in January 2007, Enlivex entered into a consulting agreement with Hadasit and Professor Mevorach according to which Professor Mevorach will grant consultation and research services to the Company in consideration of a monthly amount of $ 12,500. Actually, in 2012, a monthly amount of approximately NIS 28 thousand was paid to Professor Mevorach, and commencing from 2013 until the date of loss of control by the Company in Enlivex (May 2014), a monthly amount of NIS 10 thousand was paid to Professor Mevorach.

27.12.3. As of the date of the report, Enlivex employs 13 personnel. Moreover, Enlivex contracts from time to time with consultants, according to the needs of Enlivex.

27.12.4. **Right to Appoint Directors**

According to the by-laws of incorporation of Enlivex, as amended by the investment agreement with the investor group led by Shai Novik (as detailed in Section 27.2.1), the Novik group has the right to appoint five directors. Two directors are appointed by the Company's shareholders and one director is to be an industrial expert to be appointed by agreement of the other directors. As of the date of the Periodic Report, 8 directors serve in Enlivex, with 2 of them serving on behalf of the Company.

27.13. Materials and suppliers

The main raw materials of Enlivex are cells gathered from donors and reagents purchased in a competitive market. Therefore, there is no dependence on a supplier.

27.14. Working capital

As of the date of the report, Enlivex has positive working capital of NIS 21,051 thousand.

27.15. Financing

As of the date of the report, Enlivex has not yet begun to make sales, and is, therefore, dependent on raising funds from existing and new investors for financing its operations. Enlivex finances its operations from equity raisings and from loans from shareholders and grants from the Chief Scientist in the Ministry of the Economy.

27.16. Taxation

The tax laws in Israel apply to Enlivex.

27.17. Environmental risks

For purposes of Enlivex's laboratory activities in the Hadassah Hospital, Enlivex must comply with the standard requirements demanded from Biotech companies.

27.18. Material agreements

See the agreements specified above for details regarding Enlivex's material agreements.

27.19. Legal proceedings

As of the date of the report, Enlivex is not party to material legal proceedings.

27.20. Goals and business strategy and forecast of developments in the coming year as notified to the Company by Enlivex

Medical Product	Current Stats	2015	2016
Allocetra for treating GVHD	End of clinical trial for phase I/II	Meeting with the European authority +one or two nations of the Union.	Preparations for multi-center Phase ll/lll clinical trial
Allocetra for the treatment of another disease (possibly Crohn's)	Results in preclinical models		Meeting with the FDA for pre-IND planning the phase 1/2 clinical trial.

The information brought in the above table includes forward looking information, as it is defined in the Securities Law, and is contingent, inter alia, on receiving the results of the trials, decisions of the board of directors and obtaining the necessary financing.

27.21. Risk factors

See Section 25 above for details regarding macro-economic risk factors and sectoral risk factors.

28. D-Pharm Inc (hereinafter- "D-Pharm")

28.1. Description of the operations of D-Pharm and the changes made in D-Pharm during the reporting period

28.1.1. D-Pharm was incorporated as a company limited in shares on April 4, 1993 under Dr. Alex Kozak's initiative. On August, 2009, D-Pharm completed their IPO (herein thereafter: "**IPO**") and became a public company with shares traded on the stock market.

28.1.2. D-Pharm is a biopharmaceutical company, with technologies aimed at treating mostly diseases in the central nervous system (CNS).

28.1.3. In July 2012, a merger agreement was approved between D-Pharm and Thrombotech Ltd. (hereafter: "**Thrombotech**"), so that after it was completed, D-Pharm had absorbed Thrombotech in a transaction of exchange of shares.

28.1.4. The business of Thrombotech was the development of medications designated to dissolve blood clots for the treatment of a stroke, heart attack, deep vein thrombosis and similar occurrences. Thrombotech developed a medication known as THR-18, intended to improve the safety and the efficiency of treatment with the tPA medication. Thrombotech used as a basis the research of Prof. Hijazi of the Hadassah Hospital.

After it received approval in February 2010 to enter the stage of clinical trials on humans and completed the clinical trial (Phase I-Safety) carried out at the Hadassah Hospital, in July 2011, it entered an additional trial (Phase II-Efficacy), and in February 2012, it received approval from the FDA to expand the experiment to clinical centers in the United States (IND) (hereafter: "**the clinical trial**").

28.1.5. After the above merger, D-Pharm continued the operations of Thrombotech in relation to the THR-18 product.

28.1.6. On November 4, 2014, D-Pharm announced the end of the Phase IIa clinical trial on patients who had suffered an ischemic stroke and been treated by means of tPA in combination with the experimental medication of the company, THR-18 (hereafter: "**the medication**" and "**the experiment**", respectively). According to the company's reports, the experiment met its goals from the standpoint of discovering the maximum dosage and from the standpoint of the effect of the medication on brain edema and on bleeding in the brain.

28.1.7. On January 21, 2015, D-Pharm issued rights according to a shelf proposal report published on December 25, 2014. As a result of this rights issuance, the holdings of the Company in D-Pharm declined to a rate of 5.57%, and the Company lost its right to appoint a director in D-Pharm, despite that, as of the date of this report, the Company has the representation of one director in the board of directors of D-Pharm. The immediate gross proceeds received by D-Pharm with respect to the rights issued totaled NIS 12,775 thousand. See the Immediate Report of the Company dated January 21, 2015 (Document No.:2015-01-016156) for further details regarding the above rights issuance.

28.1.8. On February 15, 2015, D-Pharm decided to freeze the Phase ll clinical trial of D-Pharm's DP-b99 product for the treatment of acute pancreatitis. See the Company's Immediate Report dated February 15, 2015 (Document No. 2015-01-031099) for additional details.

28.1.9. On March 30, 2015, the Company announced that, in accordance with the work program of D-Pharm for 2015, D-Pharm entered into an agreement with NEXTAR CHEMPHARMA SOLUTIONS LTD, a company engaged in providing drug manufacturing services for Pharma companies, for purposes of manufacturing the leading product of D-Pharm. THR-18, in order to permit the continuation of the clinical trials for this product. See the Company's Immediate Report dated March 30, 2015 (Document No. 2015-01-066448) for additional details.

28.1.10. On April 14, 2015, the Company gave notice that D-Pharm had announced that, on April 13, 2015, Jiahgsu Nhwa Pharmaceutical Co. Ltd. ("**NHWA**") notified it that the CFDA (China Food and Drug Administration) had approved its program for clinical trials of the Company's product DP-VPA ("**the medication**"), designated for treatment of epilepsy patients in China, for clinical trials up to Phase lll for the medication, with an instruction to NHWA to present a detailed trial protocol before starting each stage of the trial. See the Company's Immediate Report dated April 14, 2015 (Document No. 2015-01-078058) for additional details.

28.1.11. On May 14, 2015, the Company gave notice by means of an Immediate Report, that it had received a final trial report according to which the Phase lla trial had ended successfully on patients who had suffered a stroke and were treated by means of tPA in conjunction with D-Pharm's leading product, THR-18. See the Company's Immediate Report dated May 14, 2015 (Document No. 2015-01-019233) for additional details.

28.1.12. On May 31, 2015, the Company gave notice that D-Pharm had announced that it had decided to update the aforementioned work program as follows:

Following the decision of D-Pharm in the framework of the work program to freeze the Phase ll clinical trial of the Company's product, DP-b99 for the treatment of severe pancreatitis ("**the trial**"), D-Pharm gave an update that the amount of patients recruited for a trial was 10 patients over a period of in excess of 16 months. Due to the slow pace of recruiting patients, D-Pharm decided to terminate the trial. The termination of this trial will permit D-Pharm to study the clinical information gathered in the trial. It is clarified that the decision on cessation of the trial is not derived from the results connected with the safety of the medication. See the Company's Immediate Report dated May 31, 2015 (Document No. 2015-01-035856) for additional details.

28.1.13. On July 23, 2015, the Company announced that D-Pharm Ltd. publicized that it had received approval from the OCS in the Ministry of the Economy for a R&D grant for a period of 12 months for the year of 2015 in a total volume of NIS 4 million. See the Company's Immediate Report dated July 23 2015 (Document No. 2015-01-081102) for additional details.

28.1.14. On July 30, 2015, D-Pharm received a final trial report of the Phase ll clinical trial of D-Pharm's DP-b99 product for the treatment of acute pancreatitis ("**the trial**") ("**the medication**"). The trial was double hidden, random and controlled and was intended to include 30 patients, half treated by DP-b99 and half by a placebo. In actuality, 10 patients were recruited, 5 treated with the medication and 5 treated for verification purposes with a placebo. The trial was suspended after including these patients, due to a low rate of recruitment. (See D-Pharm's quarterly report dated July 28, 2015 (Document No. 2015-01-083085) for additional details regarding the reasons for the suspension of the trial). The information from the trial was analyzed for purposes of evaluating the safety of the medication, and it showed that the medication is safe for use on these patients, and side effects are not anticipated which might be attributed to the medication. It should be stated that due to the small number of patients, the conclusions from this finding are limited. See the Company's Immediate Report dated July 30, 2015 (Document No. 2015-01-085860) for additional details.

28.1.15. On August 30, 2015, the Company publicized that D-Pharm announced by means of an Immediate Report that Clal Biotechnology Industries (CBI), the controlling shareholder of the company, received a request to approve a class action according to the Class Actions Law-2006, filed with the Tel-Aviv District Court against D-Pharm, CBI, directors serving in the past in D-Pharm's Board of Directors, the CEO of D-Pharm and the Deputy CEO of D-Pharm. It is clarified that the claim was filed in relation to a period preceding the date of the Company's holdings in D-Pharm. See the Company's Immediate Report dated August 20, 2015 (Document No. 2015-01-100518) for additional details.

28.1.16. On September 10, 2015, the Company revealed that D-Pharm, by means of an Immediate Report, had announced that the regulatory authorities in Moldova had approved the Phase lla clinical trial protocol for patients who had suffered an ischemic stroke and are being treated by means of the tPA in combination with the trial product of D-Pharm, THR-18. See the Company's Immediate Report dated September 10, 2015 (Document No. 2015-01-118527) for further details.

28.1.17. On October 27, 2015, the Company revealed that D-Pharm, by means of an Immediate Report, had announced a resolution of the board of directors of D-Pharm to focus the managerial and financial resources of D-Pharm on the following activities: (a) development of the leading product of the company, the THR-18, including a Phase lla clinical trial on patients who had suffered an ischemic stroke and are being treated by means of the tPA in combination with THR-18; (b) continuing cooperation with Jiahgsu Nhwa Pharmaceutical Co. Ltd. in development of the DP-VPA product designated for treatment of epilepsy and manic depression; (c) locating a strategic partner to advance the development of the D-Pharm products. Moreover, it was stated that the board of directors of D-Pharm instructed the management of the company to act in order to adjust D-Pharm's infrastructures to the new volume of operations. See the Immediate Report of the Company dated October 27, 2015 (Document No. 2015-01-142767) for further details. In continuation of this, on November 1, 2015, the Company revealed that D-Pharm, by means of an Immediate Report, had announced the termination of the tenure of Dr. Alex Kozak in the role of CEO of the company, and the appointment of Ms. Ofra Yamin, the CFO of D-Pharm, as acting CEO of D-Pharm. Dr, Kozak was appointed as a director of the company. In

addition, D-Pharm announced the termination of the employment of five of the employees of D-Pharm, and that it would act vis-à-vis the suppliers of the company to reduce expenses. See the Immediate Report of the Company dated November 1, 2015 (Document No. 2015-01-153150) for further details.

28.1.18. On November 11, 2015, the Company revealed that D-Pharm had announced that, on November 10, 2015, the first treatment of a patient had begun in the framework of the Phase lla clinical trial of patients who had suffered an ischemic stroke and are being treated by means of the tPA in combination with a trial product of the company, THR-18. See the Immediate Report of the Company dated November 11, 2015 (Document No. 2015-01-152910) for details.

28.1.19. For further details of the products of D-Pharm and the stages of their development, see the annual reports of D-Pharm and the consolidated financial statements of D-Pharm as of December 31, 2015, as published on February 22, 2016 (Reference No. 2016-01-035443). This information is brought by way of reference.

28.1.20. On February 28, 2016, the Company announced that D-Pharm signed an exclusive option agreement with the Pharma Company according to which D-Pharm will grant an option to the Pharma Company to obtain an exclusive license for use of technology connected with a medication that D-Pharm develops, THR-18. See the Company's Immediate Report dated February 28, 2016 (Reference No. 2016-01-035620) for additional details. This information is brought by way of reference.

28.1.21. On March 2, 2016, D-Pharm raised equity from the public in a total amount of NIS 1,566 thousand in the framework of a public offering in the context of which 104 units were allotted to the Company, with the Company participating in the above public offering in a total amount of NIS 150,800. See the Company's Immediate Report dated March 3, 2016 (Reference No. 2016-01-039814) for additional details. This information is brought by way of reference.

29. KAHR Medical Ltd. (2005) (hereinafter - "KAHR")

For convenience, in this chapter, the following abbreviations will have the meaning recorded alongside them:

Chimera Protein	-	A protein consisting of parts of proteins from different sources that are adjoined by using genetic engineering techniques
SCP: Signal Converter Proteins	-	Modern and complex chimera proteins comprised of Type I and Type II receptors. This structure enables, for the first time, the creation of proteins with two biologically functional ends.
"Lymphatic leukemia"	-	Cancer is a general name for a large number of illnesses in which the control mechanism which rules the division of cells in the body is disrupted, something which causes to an uncontrollable increase of body cells and the creation of cancerous growths. Lymphoma is cancer causing growths in the lymph glands.
Autoimmune Diseases	-	A series of very common diseases (5% of the population) in which the immune system attacks the body's own tissues. As in various cancers, autoimmune diseases also begin by a malfunction in the body's cells, in this case in the immune system. The difference between the various autoimmune diseases is the tissue that the disease is attacking.
Psoriasis	-	A chronic skin disease which creates layers of red skin covered in thick scales which become a silvery color when they dry on the elbows, knees, scalp, and sometimes other parts of the body. The rash is usually symmetrical. The cause is known. The disease is hereditary and may erupt in situations of anxiety. It is most common in children and adolescents. Sometimes it is related to arthritis. There is no specific cure and existing treatments are for relief.
Multiple Sclerosis	-	A chronic disease of the nervous system affecting adults and youth. Damage is caused to the myelin surrounding the nerves in the brain and spinal cord which affects the functioning of these nerves. The disease is characterized by intermittent seizure attacks. Symptoms include unstable walking, shaking movement of the limbs (ataxia), involuntary movements of the eye (nystagmus), and speech disturbances and weakness. Cause of the disease is unknown.
Myelin	-	A fatty substance that surrounds the axons of specific neurons, which provides them with protection and isolation. Nerves with myelin sheaths allow neural signals to be transmitted more quickly than those without the myelin surrounding.

Axon	-	A projection from the neuron that conducts electrical impulses away from the neuron's cell body.
"Lymphoma of the R-DLBCL type"	-	Defuse Large B-Cell Lymphoma (DLBCL) is the most widely spread type of Lymphoma. Approximately 60% of the patients who do not react well to the existing treatments (refractory) or patients in which the illness returns after treatment (relapsed), and which are known as R/R-DRBCL, are the most difficult to treat and there is at present, no pharmacological solution for these patients.

29.1. Description of KAHR's Activities and the Technology Developed by it

29.1.1. KAHR is a private company incorporated in Israel which commenced business activity in September, 2005.

29.1.2. KAHR is developing innovative treatments for cancer and autoimmune diseases, which are based, inter alia, on the discoveries of Prof. Michal Dranitzky Elhalel at her laboratory at Hadassah Ein Kerem Hospital and Professor Mark Tykocinski, formerly of University of Pennsylvania in the US (in this section "**the Foreign Inventor**").

29.1.3. KAHR was founded in order to develop leading technology invented by the Foreign Inventor based on the creation of new protein molecules to treat various types of cancer and autoimmune diseases. This technology is based on chimera proteins that may block, activate or change a number of inter-cell signals in the same time and place, and cause modulation (changes intended to make planned improvements) of the immune system. These activities can be used for the treatment of various types of cancer and autoimmune diseases, diseases in which the body activates the immune system against itself, such as multiple sclerosis, psoriasis, or rheumatoid arthritis.

29.1.4. Unlike conventional biological medicines, which contain one active site, SCP proteins are chimera proteins containing two active sites on both sides of the protein. The advantage is that it allows molecules to bind to two target sites simultaneously, thereby changing the standard signal transmitted between the cells - such as changing a signal that would usually activate the immune system cells to a signal that would suppress or change the signal which usually encourages the growth of cancer cells to a signal which causes their death. The medical potential of such molecules has been demonstrated in the last decade through numerous scientific articles by researchers at Hadassah and the Foreign Inventor. Up to now, approximately 16 scientific articles have been published on DSP SCP proteins. (These articles may be found on the site of the KAHR company).

29.1.5. After extensive investigation, KAHR has chosen two potential SCP products for the company's development line. These two developments are molecules that are candidates to be drugs that treat various types of cancer and immune system disorders such as multiple sclerosis and chronic arthritis. The products, called KAHR-101 and KAHR-102 have been selected for immediate development for clinical trials and production processes of the products are being developed by Cobra Bio in Sweden (hereinafter - "**Cobra**"). The KAHR-102 product was chosen to be the leading product.

29.1.6. During 2008 and through 2015, KAHR was focused on the development of two of the first products, KAHR-101 and KAHR-102:

29.1.6.1. **KAHR-102**

This product is KAHR's leading product. Until 2011, the Company completed the development of the cell line for the production of the product and various tests that indicated significant activity in the laboratory for both the cell lines of various types of cancers in addition to the indications as well as to the previously released immunological indications.

In May 2011, after Sanofi selected this product in the framework of their right to primary negotiation, the Company decided to focus on the KAHR-102 product for further self-development. During 2011 and 2012, a process was developed for the production and initial cleaning of the product and a significant amount of the product was produced and tested successfully in a number of lab experiments and animal models for lymphatic cancer in mice.

During 2012, an agreement was signed for the development of a production method for clinical use, with Cobra. The agreement details the various development stages required to release a clinical batch and possible prices for the various stages of development.

In 2013, the Company completed the development of the product's production process and met with the E.U. regulatory authorities regarding clinical trials in blood cancer patients with KAHR-102.

During the year of 2014, the Company created the toxicological batch and began the toxicological trials on rats and monkeys. In October 2015, KAHR received the final report of the results in pre-clinical trials of the KAHR-102 product, carried out by the company on rats and monkeys, designated to treat lymphatic cancer and auto immune diseases. The results in the final report indicate that the use of the KAHR-102 product in dosages that were tested did not cause side effects.
In view of the above,-on June 28, 2015, KAHR sent an application to the Helsinki Committee at the Tel Hashomer Medical Center for approval of a Stage l/lla of the KAHR-102 product, designated for the treatment of lymphatic cancer and auto immune diseases by means of chimerical protein containing two areas of activity in the same molecule. KAHR also filed similar applications with the Helsinki Committees of the Sourasky Ichilov Medical Center in Tel Aviv and the Hadassah Ein Kerem Medical Center in Jerusalem.
On November 30, 2015, KAHR received the Helsinki Committee authorization of Ichilov for a clinical trial, after receiving the approval of the Ministry of Health on September 7, 2015. According to the protocol of the clinical trial authorized by Ichilov, the primary goal of the clinical trial is the proof of safety and the determination of the maximum dosage of the medication, and the secondary goal is the examination of the pharmacokinetics and efficacy of the medication. . See the Company's

Immediate Report dated December 1, 2015 (Reference No. 2015-01-170199) for additional details.
In view of the announcement of the Cobra Company that the batches of the production designated for the clinical trial yielded a lower than needed quantity for the material, KAHR announced the deferral of the clinical trial. KAHR is acting vis-a-vis the manufacturer of the medication to produce a new batch. And, also, KAHR is presently carrying out a process of examination for producing the medication by an additional manufacturer.
As of this date, the Company does not possess information regarding the anticipated date for starting the clinical trial.

29.1.6.2. **KAHR-101**

This product is the second product in the development pipeline of the company. The Company completed the development of the cell line to product the product as well as the process to create and clean the molecule. A significant amount of the KAHR- 101 product was manufactured and the material was tested and is active in a large number of laboratory experiments and mouse models of liver cancer, kidney cancer, multiple sclerosis and rheumatoid arthritis. The experiments have shown significant clinical activity in the animal models and the correlation between the dose and the clinical activity.

As of the date of the report, the Board of Directors of KAHR decided to carry out a number of pre-clinical trials for the evaluation of the appropriate indication for the product.

29.2. Loans and investments in the share capital of KAHR during the two years preceding the date of the report

Date	Substance of charge	Ordinary shares of the Company issued	Options not registered for trading issued	Volume of immediate proceeds received (in NIS 000)	Total issued and paid up capital (in shares)	Total issued and paid up capital fully diluted
Opening balance as of 31.12.2013					4,212,033	4,732,044
In 2014			67,858	No proceeds	-	4,799,902
In 2015	Issuance of securities		39,960	No proceeds	-	-
In 2015		2,657,713	-	52,338,120	-	-
Total as of the date of the Periodic Report					6,869,746	7,453,217

29.2.1. **Investment agreement with the Sanofi Company**

For details regarding the investment agreement with Sanofi, see Section 29.2.1 of Chapter A of the Periodic Report for the year of 2014. This data is brought by way of reference.

During the period of the report, after KAHR contacted Sanofi with a request to waive first rights, on July 29, 2015, KAHR and Sanofi signed a waiver document according to which Sanofi waives the first right to carry on negotiations as above, and to appoint a director or an observer to the board of directors of KAHR (hereafter: "**the waiver document**"). In consideration for the waiver of Sanofi of these rights, KAHR committed to pay up to $ 3 million to Sanofi (representing the amount of the investment of Sanofi in KAHR) (hereafter: "**the consideration**"), as follows: (a) in a case of sale of the license for the product by KAHR to a third party that is not Sanofi, KAHR will pay Sanofi the consideration in payments that will be derived from the amount of the consideration for the license to be received by KAHR from a third party, at rates to be determined between the parties; (b) until the date of payment of the consideration or until the grant of a license for the product to Sanofi, as detailed below, the shares of Sanofi will be exchanged for the shares of KAHR in a manner in which KAHR will allot a new series of preferred B shares to Sanofi, in the framework of which the shares of Sanofi will be given preference in liquidation and/or in a merger transaction and/or in the distribution of dividends or any similar distribution as per the Companies Law-1999. See the Company's Immediate Report dated July 30, 2015 (Document No. 2015-01-085476) for additional details. This information is brought by way of reference. Accordingly, on October 26, 2015, the general assembly of the shareholders of KAHR approved the conversion of the shares of Sanofi of the preferred A type to preferred A-1 shares.

29.2.2. **Investment agreement with Flerie Invest AB**

See Section 29.2.2 of Chapter A of the Periodic Report for the year of 2014 for details of the investment agreement with Flerie Invest AB. This data is brought by way of reference.

29.2.3. **Investment agreement with Mr. Thomas Eldered**

See Section 29.2.2 of Chapter A of the Periodic Report for the year of 2014 for details of the investment agreement with Mr. Tomas Eldered. This data is brought by way of reference. It is made clear that the transaction described in this section and the transaction described in Section 29.2.2 are the same transaction and not two separate transactions.

29.2.4. **Investment agreement with the existing shareholders**

29.2.4.1. In September 2013, KAHR completed an additional investment round of the existing investors according to a company value of $ 13 million (before the money) (hereafter: "**the investment agreement**"). Under the agreement, KAHR raised over 8 million NIS. Mr. Thomas Eldered has invested about 6 million NIS, Sanofi has kept its relative share in KAHR through an investment of about an additional 1.8 million NIS; and the Company invested about 700 thousand NIS.

29.2.4.2. On February 8, 2015, the Company announced that it had signed a non-binding agreement in principle for a convertible loan to Kahr, together with the Flerie Invest AB company (hereafter: "**Flerie**"), a shareholder in Kahr. Pursuant to the agreement in principle, on the date of signing the loan

agreement (hereafter: "**the determining date**"), Flerie is obligated to transfer $ 500 thousand to KAHR, out of a total loan of one million dollars. In the event that the Company will communicate an announcement in writing within 21 days of the determining date that it intends to lend the balance of the loan amount, or part of it, the Company will transfer this amount to KAHR within 30 days of the determining date. In any event, Flerie will supplement any deficiency in the amount of the loan not transferred by the Company and/or the other shareholders, so that the total loan amount will stand at one million dollars (hereafter; "**terms of the agreement in principle**"). See the Company's Immediate Report dated February 8, 2015 (Document No. 2015-01-026794) for additional details.

29.2.4.3. On February 12, 2015, the Company announced that it had signed a convertible loan agreement of one million dollars with KAHR, together with Flerie (hereafter: "**the loan**"), pursuant to the terms of the agreement in principle as specified in paragraph 29.2.4.2 above. See the Company's Immediate Report dated February 11, 2015 (Document No. 2015-01-030793) for additional details.

On March 5, 2015, the Company announced that an amendment had been signed to KAHR's convertible loan agreement, as detailed in paragraph 29.2.4.3 above, according to which the times were extended in relation to the right of the Company to participate in the balance of the amount or part of it and the period for submitting the notice by the Company regarding its intention to lend KAHR the balance or the loan or part of it in an amount of up to NIS 500 thousand. See the Company's Immediate Report dated March 5, 2015 (Document No. 2015-01-044797) for additional details. On April 2, 2015, the Company announced that pursuant to the terms of the loan agreement, the Company transferred the amount of the loan of $ 500 thousand. See the Company's Immediate Report dated April 2, 2015 (Document No. 2015-01-074173) for additional details. This data is brought by way of reference.

29.2.4.4. On November 17, 2015, the Company, Flerie and KAHR signed a new agreement that replaces the loan agreement (hereafter: "**the new loan agreement**"), in the context of which it was agreed that the Company and Flerie will lend KAHR, by way of a convertible loan, an additional amount of $ 500 thousand at annual interest at a rate of 8%, while it was agreed that, in the event that the Company will not participate in this loan, Flerie will lend the entire amount of the loan. Moreover, it was agreed that the amount of the original loan will bear annual interest of 8% (in place of 25%). The parties agreed that in a conversion event, the loans and accrued interest would be converted into the most senior preferred shares of the company at terms as stipulated in the new loan agreement. As the Company did not provide the loan, Flerie lent the all of the amount. . See the Company's Immediate Report dated November 18, 2015 (Document No. 2015-01-157416) for additional details. This data is brought by way of reference.

29.2.5. **Investment agreement with Korea Investment Partners (KIP) Fund, Mirae Asset Venture Investment (MAVI) Fund, DSC Investment Fund and Flerie**

29.2.5.1. On December 15, 2015, KAHR completed the raising of $ 12 million. In the framework the investment, Korea Investment Partners (KIP) Fund, Mirae Asset Venture Investment (MAVI) Fund and DSC Investment, which joined as new shareholders of KAHR, and Flerie (hereafter: "**the investors**" and "**the investment**", respectively), at a value of $ 25 million before the money, fully diluted.

Against the investment, preferred B shares were allotted to the investors with preferential rights in relation to the existing shares of the share capital of KAHR, including, inter alia, preference in the distribution of dividends, in the distribution of the proceeds in the case of a sale event (as defined in the investment agreement) and protection against dilution.

Moreover, in the context of the investment, loans given to KAHR by the Company (in an amount of $ 500 thousand) and by Flerie (in an amount of $ 1,000 thousand), were converted to shares of the preferred B type, at a price reflecting a discount of 15% in relation to the price of the shares that will be paid by the investors under the investment agreement.

In the framework of the agreement, it was agreed that until February 15, 2016 (hereafter: "**the deferred closing**"), the shareholders of KAHR and others will be given the right to invest an additional amount of up to $ 3,000 thousand at the same terms, and only that the total amount of the investment would not exceed $ 15,000 thousand (in addition to the convertible loans), and on condition that the existing shareholders will give notice of their intention to participate by January 4, 2016.

In this framework, it was agreed that in the event that, in the deferred closing, the Company will invest an amount of approximately $ 750 thousand, the Company will be maintain the right to appoint three directors out of the six members of the board of directors of KAHR.

On December 31, 2015, the Company notified KAHR that it will invest an amount of $ 750 thousand in the context of the deferred closing.

In view of the above, the Company holds the right to appoint three directors out of the six current members of the board of directors of KAHR, and in addition to appoint the chairman of the board of directors, who has the casting vote in the case of a deadlock of votes. As of the date of the Periodic Report, the deferred closing was completed, the total amount of the investment in KAHR stood at $15 million, and the Company holds 30.55% of the share capital of KAHR, on the basis of the issued share capital as of the date of this report.

29.3. Dividends

Since its establishment, and as of the date of the report, KAHR has not distributed dividends. As of the date of the report, KAHR has no dividend distribution policies.

29.4. Financial information

See the separate financial statements of KAHR as of December 31, 2015 attached as a separate appendix to the Periodic Report for financial information regarding KAHR's operations.

29.5. Restrictions and supervision

The Company is engaged in development of production of the production of medical products which is subject to regulatory requirements, extended processes of approval and the existence of suitable production procedures. See Section 10.1 of Chapter A of the Periodic Report for the year of 2014 for details regarding restrictions and regulations applying to the operations of KAHR by its being a company that develops medications.

29.6. Critical success factors in the operating sector and changes taking place in them

See Section 11.1 above for details of critical success factors.

29.7. The Relevant Potential Market

As of the date of the Periodic Report, no changes took place in the relevant market potential from the date of the Annual Report of the Company for the year of 2014. See Section 29.7 of Chapter A of the Periodic Report for the year of 2014 for details regarding the relevant market potential.

29.8. Competition

As of the date of the Periodic Report, no changes took place in competition from the date of the Annual Report of the Company for the year of 2014. See Section 29.8 of Chapter A of the Periodic Report for the year of 2014 for details regarding competition.

29.9. Production capacity

KAHR has no production facilities. KAHR manufactures its products at the Cobra Company. See Section 29.1.6.1 above for details regarding the undertaking with Cobra. As of the date of the Periodic Report, KAHR is dependent on the Cobra Company for production.

29.10. Fixed assets

KAHR has net fixed assets in the amount of NIS 304 thousand, of which NIS 119 thousand is equipment and machinery and the balance is leasehold improvements and computer equipment.

On April 18, 2013, KAHR entered into a rental agreement with Hadassah for purposes of establishing a laboratory for biotechnology by KAHR (hereafter in this subsection: "**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 is committed to pay Hadassah monthly rental fees in an 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 remain fixed during the year subsequent to their linkage. In the context of the rental agreement, Hadassah became obligated to make adjustments 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 the event that Hadassah will decide to terminate the agreement not due to breach, KAHR will be entitled to a

refund of the relative part of its participation in the cost of executing the adjustment works, less depreciation of 10% for each year of use.

29.11. Research and Development

29.11.1. Investments in R&D

During the three years previous to the date of the Periodic Report, the amount of NIS 26,631 thousand and NIS 20,750 thousand was invested by KAHR in research and development, prior to participation of the OCS and less participation of the OCS, respectively, according to the following detail (in NIS 000):

Period	**2013**	**2014**	**2015**	**Total**
Total investments in R&D	7,894	9,805	8,932	26,631
Excluding the Scientist's participation, net	(1,324)	(2,947)	(1,610)	(5,881)
Investments in R&D, net	6,570	6,858	7,322	20,750

29.11.2. Chief Scientist grants

As of the date of the Periodic Report, KAHR has received approximately NIS 9,834 thousand from the Chief Scientist, in consideration of royalties that will be paid to the Chief Scientist from sales of the product.

Name of medical products for which the grant was received	**Amount of grant during reporting period (NIS 000)**	**Amount of grant in 2014**	**Amount of grant in 2013 and 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**
Pre clinical development and initial clinical trial for the KAHR-101 product and SCP-based development of therapeutics.	2,843	2,909	2,729	9,834	As detailed in Section 10.6 above. 3% for the first 3 years, 3.5% starting from the 4th year & thereafter	As detailed in Section 10.6 above.

29.11.3. Clinical trials

The following is a table detailing the clinical trials carried out by KAHR during 2016:

Trial name	Development stage in which the trial is included	Has an IND or IDE been opened for the trial	Is it compliant with a regulatory authority or ICH	Goal and nature of trial	Planned no. of tested in context of trial	No. of tested joining trial as of date of issue of report	No. of sites at which trial is being performed	Geographic location of sites at which trial is being performed	Nature and status of trial	Trial time table	Estimate of anticipated total costs of trial	Accumulated cost from date of clinical trial start to report date	Interim result / final results
Clinical Trial Phase I/IIa	Clinical trial	No	Approval from The Israeli Ministry of Health	Safety and efficacy	About 30 patients	00	3	Israel	Has not yet begun	Start: during 2017 (subject to supply of material for trial); end in 2018	Approx $ 17 million	NA	NA

The information included in the above table includes forward looking information, as defined in the Securities Law. Research and development activities involve great uncertainty and it is, therefore possible that the time table and/ or the substance of the experiments well be substantially changed from the above estimate. The factors that might cause a delay in the program of experiments might include demands of various regulatory authorities to perform experiments on a larger number of those being tested and/or a large number of medical centers, demands for retesting, etc. Moreover, it is emphasized that there is no assurance that the experiments will be successful, and lack of success of experiments might necessitate an update of the program of experiments.

29.12. Intellectual Property- Licenses and R&D Agreements

29.12.1. Licenses and research and development agreements

29.12.1.1. **License agreement with the University of Pennsylvania**

See Section 29.12.1.1 of Chapter A of the Periodic Report for the year of 2014 for details. This data is brought by way of reference.

29.12.1.2. **License agreement with Hadasit**

See Section 29.12.1.2 of Chapter A of the Periodic Report for the year of 2014 for details. This data is brought by way of reference. As of the date of publishing the Periodic Report, the parties are engaged in negotiations to formulate the terms for a new agreement, subject to approval of the bodies as required by law.

29.12.2. Immaterial Assets

29.12.2.1. **Approved material patents**

Patent No.	Patent Description	Patent Rights	Priority Date	Application Date	Predicted patent expiration	Approved countries
Europe (1248645 B1) Israel (150571) Japan (4723782	The original patent Protects KAHR 102 and other combinations	The patent belongs to the university of Pennsylvania. KAHR company has an exclusive international license.	3.2000	3.2001	3.2021	Approved in Europe Israel Japan USA
USA (7,569,663 B2)					7.2021	
USA (8039437 B2) USA 8,329,657B2 EP2297198 B1 JP5475766 SG167630 AU (2009269141)	The original patent protects KAHR- 101	The patent belongs to the university of Pennsylvania. KAHR company has an exclusive international license.	6.2008	6.2009	6.2029	Approved in Europe, USA Europe Japan Australia Singapore Under review in Canada, China, India and Israel

29.12.2.2. **Applications to register material patents**

Patent No.	Patent Description	Patent Rights	Priority Date	Application Date	Predicted patent expiration	Approved countries
COMPOSITIONS AND METHODS FOR TREATMENT OF HEMATOLOGICAL MALIGNANCIES	Protects the use of products KAHR 102 and 103 in lymphatic cancer	The patent belongs to KAHR and Hadasit equally. Hadasit gave KAHR an exclusive patent license - royalty free	9.2010	9.2011	9.2031	Approved in Europe and Australia Under review in USA, Canada, Israel China
Stable Form Of Signal Converting Protein Fusion Proteins, And Methods Of Use And Preparation Thereof	Protects production and usage methods of KAHR-102 as a hexametric molecule and 148 other hexametric combinations	The patent belongs to the KAHR company	1.2013	12.2013	12.2033	PCT/IL2013/051098 Under review in USA, Australia, Canada, Europe and China
Compositions of Selected Dual Signaling Protein (DSP) Fusion Proteins, And Methods Of Use And Preparation Thereof	The patent protects use of KAHR-102 as a molecule that creates clusters in the presence of a tweak and in hundreds of other similar combinations	The patent belongs to the KAHR company	3.2015	3.2016		

29.13. Human Capital

29.13.1. From June 2007 and until the date of the report, Dr. Noam Shani (formerly deputy CEO for Research and Development of Biogenics and of Compugen) serves as CEO of KAHR.

29.13.2. In July 2014, Dr Moshe Baru was recruited to serve as Deputy CEO for Development of KAHR.

29.13.3. As of the date of the report, KAHR employs 3 personnel, of which 2 are research and development personnel. (In addition, 2 personnel are employed by way of Hadasit in the context of the research agreement detailed below).

29.13.4. KAHR is developing innovative treatments for cancer and autoimmune diseases based, inter alia, on Professor Michal Elhalel Dranitzky's discovery in her lab at the Hadassah Ein Kerem hospital, and Professor Mark Tykocinski's discovery (from the University of Pennsylvania in the U.S.). Professor Elhalel Dranitzky currently serves in the role of chief scientist of the company.

29.13.5. **Following is detail of the research and development agreements with Hadasit:**

29.13.5.1. Service and consulting agreement with Hadasit

See Section 29.13.5.1 of Chapter A of the Periodic Report for the year of 2014 for details. This data is brought by way of reference.

29.13.5.2. Consulting agreement with Prof. Elhalel

See Section 29.13.5.2 of Chapter A of the Periodic Report for the year of 2014 for details. This data is brought by way of reference.

29.13.5.3. The following is tabular detail regarding the amount of expenses of KAHR to Hadasit with respect to undertakings with Hadasit (in NIS 000) during the three years that preceded the date of the report (in terms of cost to KAHR):

	2013	**2014**	**2015**
Services and consulting agreement detailed above	943	903	496

29.13.6. **The Right to Appoint Directors**

As of the date of the report, it was determined that the board of directors of KAHR will count no more than eight members of the board of directors. In accordance with the investment transaction detailed in Section 29.2.5 above, the Company has the right to appoint three directors out of the six members of the current board of directors of KAHR and also the Company is reserved the right to appoint the chairman of the board of directors, who has the casting vote in the case of a deadlock of votes. As of the date of the report, the board of directors of KAHR counts six members and one observer, of which three (including the chairman of the board of directors), have been appointed by the Company.

29.14. Materials and suppliers

See Section 29.24 of Chapter A of the Periodic Report for the year of 2014 for details. This data is brought by way of reference.

29.15. Working capital

As of the date of the report, KAHR has positive working capital of NIS 47,466 thousand.

29.16. Financing

As of the date of the report, KAHR has not yet begun to make sales, and is, therefore, dependent on raising funds from existing and new investors for financing its operations. KAHR finances its operations from equity raisings and from loans from shareholders and grants from the Chief Scientist in the Ministry of the Economy.

29.17. Taxation

The tax laws in Israel apply to KAHR.

29.18. Environmental risks

KAHR rents research laboratories in the Hadassah Hospital. To the best of the knowledge of KAHR, the hospital complies with the requirements of environmental quality.

29.19. Material agreements

See Sections 29.1.6.1, 29.2.1, 29.2.2, 29.2.5 and 29.12.1.1 above for details regarding KAHR's material agreements.

29.20. Legal proceedings

As of the date of the report, KAHR is not party to material legal proceedings.

29.21. Goals and business strategy and forecasted developments for the coming year as notified to the company by KAHR

Medical product	Current status	2016	2017	2018
KAHR-101	Pre-clinical development	Execution of pre-clinical trials to select the most appropriate indication for the operating mechanism of this product	Preparations for starting the first clinical trial according to the indication that will be selected	First clinical trial according to the indication that will be selected
KAHR-102	The toxicology trials have ended. Regulatory approval was received for the first clinical trial in Israel.	Preparations for starting the first clinical trial on lymphatic cancer patients in Israel	First clinical trial on lymphatic cancer patients in Israel subject to supply of material for trial	End of first clinical trial on lymphatic cancer patients in Israel and preparations for international trial on lymphatic patients of the R/R-DLBCL type

The information brought in the above table includes forward looking information, as it is defined in the Securities Law, and is contingent, inter alia, on receiving the results of the trials, decisions of the board of directors and obtaining the necessary financing.

29.22. Risk factors

See Section 24 above for details regarding macro-economic risk factors and sectoral risk factors.

30. ProtAb Ltd. (Hereinafter - "ProtAb")

For convenience, in this chapter, the following abbreviations will have the meaning recorded alongside them:

Biologics Biological Materials	-	A wide range of medicinal products such as vaccines, blood and blood components, allergenics, somatic cells, gene therapy, tissues, and recombinant therapeutic proteins, such as antibodies, created by biological processes (non-chemical).
Immunological Treatments	-	Treatments designed to suppress over-activity in the body' immune system.
Antigen	-	any foreign substance, that when penetrating the human body, stimulates an immune system response
Humanization of Antibodies	-	chemically modified antibodies designed to be suitable for use in humans
Passive Immunization	-	a type of vaccination achieved by injecting prepared antibodies taken from humans or animals that have been vaccinated against a particular antigen, and have been processed in preparation for injection
Active Immunization	-	A type of vaccination that causes the body to produce its own antibodies by injecting an antigen which stimulates a reaction that produces antibodies in the human body.
Protein	-	An organic compound built of folded chains of amino acids connected by polypeptides. Proteins are among the most important compounds that make up the organism and are found in all living cells.
HSP Proteins	-	A group of unique proteins called HSP - Heat Shock Proteins, which protect the three-dimensional structure of proteins in the cell, thereby insuring the proper functioning under conditions of stress. These HSP proteins exist in cells of all organisms, including humans.
Autoimmune Disorders	-	Diseases characterized by immune system cells losing their immunotolerance and attacking the body's own tissue and cells.
Inflammatory Bowel Disease	-	A group of diseases and inflammatory conditions of the colon and sometimes even of the small intestine.
Segments	-	In this context, it is an antigenic determinant (also known as an epitope). It is a specific part of the antigen molecule which causes an immune response. Antigens usually include many epitopes, each of which triggers a response, or activates T

		lymphocytes, of a different kind. The immune system is triggered by segments. The body identifies them as non-self (foreign), and different cells participate in an immune system response and begin to act against them.
Antibodies	-	Protein molecules belonging to the immune system. The role of antibodies is to bind to antigens - molecules found on the surface of potentially harmful pathogens invading the body. The connection between the antibody and the antigen allows for the elimination of the invading pathogen in a number of ways.
Human Antibodies (Humanized)	-	An antibody based on an artificial protein engineered using molecular biology from a number of DNA sequences belonging to genes coded to a number of different proteins, engineered to be fit for human use.
Monoclonal Antibodies (Monospecific)	-	Antibodies that are identical, as they were produced by the same type of immune system cells which originated in one cell and have created clones. Monoclonal antibodies may be artificially created with particular affinities (affinity, binding capacity) for almost all materials. In medicine, monoclonal antibodies are used for diagnostic and treatment purposes.
Diabetes	-	Diabetes is a metabolic disease which is characterized by a high concentration of glucose in blood and urine.
Type 1 Diabetes (“Juvenile Diabetes”)	-	Approximately 10% of diabetes patients suffer from this type. It appears mostly in patients under the age of 30, particularly immediately before the age of schooling and again in adolescents.
Cytokines	-	Small proteins that form the basis for communications between immune system cells and between cells belonging to the body’s tissue.
Receptors	-	Proteins found on the cell membrane or cytoplasm, which respond to ligands - molecules that bind to them and initiate a response. There are several types of receptors, including immune system receptors, which respond to cytokines and chemokines
TNF-Alpha (Tumor Necrosis Factor)	-	Cytokines secreted by white blood cells. A delay in the secretion of these materials allows for a decrease in the inflammatory process. These cytokines are able to activate various inflammatory cells and complex systems found in them. Similarly, they are able to modify these cells to particularly violent cells. These cytokines can recruit additional inflammatory cells and transport them to the inflammation site, and are also able to activate cells that may

		dissolve functioning bone, which could harm use of the joint. The use of antibodies against TNF is part of the currently recognized therapy process used against arthritis of this type.

30.1. Description of ProtAb's Activities and the Technology Developed by it

30.1.1. ProtAb is a private company incorporated in Israel which commenced business activity in August, 2005.

30.1.2. ProtAb is acting to develop a medication with an innovative therapeutic approach for the treatment of inflammatory intestinal diseases (including Crone's disease and ulcerative intestinal inflammation) and additional autoimmune diseases. The development is based on discoveries of Professor Yaakov Naparstek of the Hadassah Hospital.

30.1.3. Inflammatory bowel illnesses and additional illnesses which cause damage to the immune system are chronic illnesses belonging to the group of the autoimmune diseases, in which the body activates the immune system against itself. Inflammatory bowel illnesses, for example, are created when the immune system attacks the bowels, causes inflammation and destroys the healthy tissue. In a normal inflammatory process, there is a need for a balance between the signs encouraging the inflammatory process (pro-inflammatory signs) and the signs which suppress the inflammatory process (anti-inflammatory signs). Imbalance between these signals can lead to an uncontrolled inflammatory process and subsequent development of the disease.

30.1.4. ProtAb develops an innovative treatment approach based on regulation of the balance of the pro-inflammatory signs and the anti-inflammatory signs by means of a humanized monoclonal. According to the theory of ProtAb, for patients with certain autoimmune diseases, there is no production of antibodies against individual segments of the HSP65 (Heat Shock Protein 65), and the balance between the pro-inflammatory signs and the anti-inflammatory signs is damaged. As a result, an uncontrollable inflammation is caused which develops into an autoimmune disease.

The researchers at ProtAb have seemingly proven that active immunization with a segment of HSP, known peptide 6, and passive vaccination with antibodies against peptide 6, suppress arthritis and inflammatory bowel disease in animal models, and suppress diabetes in experimental models of type 1 diabetes. Additionally, the researchers have seemingly shown that the blood of rheumatoid arthritis and juvenile diabetes patients contains a low level of these antibodies.

Providing the passive vaccination in models of arthritis in animals led to the increase in the level of a material known as Cytokine IL-10 which is an anti-inflammatory sign. Moreover, these antibodies also caused an increase in the provision of IL-10 from white cells of healthy human patients.

30.1.5. In view of the findings of the research, ProtAb is developing a humanized monoclonal antibody against Peptide 6, known as Prozumab, as an immunological treatment, for the purpose of improving the regulation of the pro-inflammatory and the anti-inflammatory signs in patients with autoimmune diseases. This antibody causes the suppression of arthritis and inflammatory bowel illnesses in models of inflammation in animals. Additionally, the addition of Prozumab to white cells of healthy human patients causes a rise in the level of IL-10 and a decline in the level of pro-inflammatory signs such as Interferon Gama in similar cells, which underwent activation.

30.1.6. In order to develop the humanized monoclonal antibodies against peptide 6, the antibodies must be "translated" from their animal-based structure to a humanized structure, suitable for use in humans, through a process called humanization. The humanization process is a crucial process in ProtAb's preparations for clinical trials with its leading product (a monoclonal antibody against peptide 6). Accordingly, ProtAb has entered into a research and development agreement, with the possibility of attaining a future license, with a British company known as Antitope Ltd. - a leading company engaged in carrying out humanization of antibodies through a unique and patent-protected technology. The stage of humanization ended successfully and the humanized antibody known as Prozumab is the product that ProtAb is developing towards clinical trials in humans. Following this, a license agreement was signed between ProtAb and Antitope in June 2013, which includes definitions of royalties payments to be paid to Antitope at the time of sales of Prozumab in the future. See Section 30.12.2.2 below for details regarding this agreement.

30.1.7. Up to now, the team at ProtAb has attained a variety of important milestones in the development of Prozumab towards clinical trials in humans. Pre-clinical tests have been made that show activity of Prozumab in various models of inflammatory bowel illness in animals. Additional complex processes of production have been developed in the framework of a contract with Xcellerex in the United States (presently GE Healthcare) and these processes have undergone up-scaling and adjustment towards production in good manufacturing practices. A humanization pilot engineering run was created which served for pre-clinical and toxicological trials, and toxicological trials were executed on rodents under good laboratory practice conditions. The trials have ended successfully without indications of toxicity of the antibody in repeat high and moderate dosage.

30.1.8. After the creation of the humanization pilot, broad tests and consultation were carried out in order to verify that the antibody indeed preserves its functional attributes after up-scaling the production processes, something which caused a certain delay in the development program of Prozumab towards clinical trials on humans. At the end of the process of the tests and consultation, which also included development of analytical methods for characterization of the functional attributes of the antibody, ProtAb held an advance meeting (Pre-IND) with the FDA, which confirmed that the new analytical methods for characterization of the functional attributes of the antibody indeed conform to the regulatory requirements for clinical trials in human.

30.1.9. Concurrent with the progress in the development timeline, ProtAb also advanced with research on the subject of deciphering the operating mechanism of Prozumab. Over the years, the work on the subject of deciphering the operating mechanism was carried out by the R&D team of ProtAb and by subcontractors abroad with specific expertise and experience in the matter. This focusing bore fruit and ProtAb attained an important milestone with the discovery of the Heat Shock Protein 60 HSP 60 of Prozumab. This discovery is essential towards the continued development, production under GMP conditions and entry into final pre-clinical and clinical trials.

30.1.10. Additionally, the progress in the research work was accompanied by business development efforts with future potential partners, and also with a variety of venture capital funds for purposes of executing an investment in ProtAb to permit it to progress and perform the initial clinical trials with Prozumab. During 2014, ProtAb examined the receipt of financing from its existing shareholders for purposes of performing additional pre-clinical trials for the evaluation of the efficacy of Prozumab in models with animals for new clinical indications, part of which represent indications for development of orphan drugs. The purpose of performing these pre-clinical trials is to arrive at results which will allow a decision on focusing on the leading indication for clinical development of Prozumab. Following this, and after raising funds in the third quarter of 2014, ProtAb began to perform pre-clinical trials with Prozumab in the last quarter of 2014 with three new clinical indications, part of which are indications of development of an orphan drug. In this context, during 2014, ProtAb signed an agreement with the National Institute of Health (NIH) in the United States for the performance of feasibility studies with Prozumab in models with rats for Behcet Disease, a rare autoimmune disease causing chronic inflammation of the blood vessels. On April 30, 2015, ProtAb notified the Company that it had completed the analysis of the results of the pre-clinical trials whose purpose was to achieve results that would permit a decision on focusing on the leading indication for the clinical development of Prozumab.

From an analysis of the results received in the pre clinical trials on models of the new indications, and including the trials on the models of the Behcet's Disease which were carried out in NIH, it appears that there are no significant results supporting the development of Prozumab for additional indications that were examined. Pursuant to the above, ProtAb decided that it continues to act to develop Prozumab for inflammatory intestinal diseases (including Crohn's disease and ulcerative intestinal inflammation) and plans to act to raise equity for continuation of development.

In view of the fact that Protab has utilized the entire amount of the loan that the Company provided for it in September 2014 for purposes of evaluating these indications, financing sources are required to be located immediately by ProtAb for purposes of continuing the development, a situation which creates cash flows pressure at ProtAb.

In order to permit the continued operations of ProtAb, on September 9, 2015 and on September 13, 2015, the Company provided non-interest bearing loans for the benefit of ProtAb in a total of NIS 60 thousand.

30.1.11. On September 27, 2015, ProtAb signed a non-binding agreement of understandings with a third party to provide production and trading rights for a product (hereafter: "**agreement of understandings"**). In the framework of the agreement of understandings, it was stipulated that the parties would act to sign a binding agreement within 90 days from the signing of the agreement of understandings, that is, until December 27, 2015 (hereafter the period of the agreement of understandings). As part of the terms of the agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the period of the agreement of understandings, including the employment of workers and the preservation of its intellectual property. On December 27, 2015, this agreement of understandings expired and did not mature into an agreement.

30.1.12. During the first half of 2104, ProtAb reduced its operations. Among other things, ProtAb reduced the leased space in the Bio-Park Building at Hadassah Ein Kerem. Moreover, the consulting agreement with Hadasit was extended until July 2015, in whose context, ProtAb will receive monthly consulting from Professor Yaakov Naparstek in connection with development of the leading product of the Company, Prozumab. See Section 30.13.6 below for details of the consulting agreement.

30.1.13. As of the date of the report, ProtAb has frozen its operations and is engaging in business contacts for purposes of commercialization of the technology.

30.1.14. ProtAb has not yet reached the stage of sales and, accordingly, ProtAb is still dependent on raising funds from existing and new investors for financing its operations. Accordingly, the financial statements of ProtAb have included a reference with regard to the ability of ProtAb to continue to exist as a "going concern".

30.2. Loans and Investments in ProtAb's Share Capital

Following are details regarding investments made by the company in the equity of ProtAb during the past two years:

Date	Substance of charge	Ordinary shares of the Company issued	Options not registered for trading issued	Volume of immediate proceeds received (in NIS 000)	Total issued and paid up capital (in shares)	Total issued and paid up capital fully diluted
Opening balance as of 31.12.2013		-	**-**	**-**	276,386	326,843
In 2014		-	-	-	276,848	326,843
In 2015		6,100	-	0.061	282,948	326,843
Total as of the date of the Periodic Report					282,948	326,843

30.2.1. **Agreement with the Pontifax Fund, Clal Bio-technology and the existing shareholders of ProtAb**

See Section 30.2.1 of Chapter A of the Periodic Report for the year of 2014 for details.

30.2.2. **Convertible loan agreement between the Company and ProtAb**

See Section 30.2.2 of Chapter A of the Periodic Report for the year of 2014 for details.

30.2.3. **Convertible loan agreement between ProtAb and its shareholders**

See Section 30.2.3 of Chapter A of the Periodic Report for the year of 2014 for details.

30.2.4. **Financing agreement between the Company and ProtAb**

In September 2014, ProtAb signed a financing agreement with the Company. In this context, the Company placed the amount of $ 460 thousand at the disposal of ProtAb (hereafter: "**the financing agreement**").

The above amount of $ 460 thousand was provided as a loan convertible into shares, at annual cumulative interest of 5%.

The amount of the loan and accrued interest (hereafter: "**the loan balance**") will be converted into shares at the time of a future investment in ProtAb in an amount of at least one million dollars, at a price reflecting a discount of 35% in relation to the price per share to be paid by the investors in the next investment round. Nevertheless, the Company is permitted to convert the loan balance under these terms also if the amount of the future investment is lower than one million dollars, and is also permitted to convert the loan balance at any time at a price of $ 36 per preferred B share.

The loan balance will be repayable on a date which is the earlier of a "default" event or 12 months from the date of completing the transaction. The loan balance represents the most senior debt of ProtAb, against which ProtAb has pledged all of its assets, including intellectual property, in a first ranked floating lien in favor of the Company.

In the context of the transaction, ProtAb changed its bylaws so that they include, inter alia, provisions according to which the Company will have a majority of the board of directors of ProtAb, and the veto rights that existed in the prior bylaws was cancelled.

During November 2015, the date for repayment of the convertible loan was extended until December 31, 2015.

During March 2016, the date for repayment of the convertible loan was extended until March 31, 2016.

30.2.5. **Non-interest bearing loan agreement between the Company and ProtAb**

On September 9, 2015 and on September 13, 2015, the Company provided non-interest bearing loans for the benefit of ProtAb in a total of NIS 60 thousand.

30.2.6. During November 2015, an employee of the Company exercised 3,333 options into 3,333 ordinary shares of the Company at an exercise price of NIS 0.01 for each share.

30.2.7. During December 2015, a director and consultant of the Company exercised 2,767 options into 2,767 ordinary shares of the Company at an exercise price of NIS 0.01 for each share.

30.3. Dividends

Since its establishment, and as of the date of the report, ProtAb has not distributed dividends. As of the date of the report, ProtAb has no dividend distribution policies.

30.4. Financial information

See Note 7.A of the consolidated reports of the Company as of December 31, 2015 for financial information regarding the operations of ProtAb. This data is brought by way of reference

30.5. Restrictions and supervision

Production of medical products is subject to regulatory requirements, extended processes of approval and the existence of suitable production procedures. See Section 10.1 of Chapter A of the Periodic Report for the year of 2014 for details regarding restrictions and regulation applying to the operations of ProtAb by its being a company that develops medications. This data is brought by way of reference

30.6. Critical success factors in the operating sector and changes taking place in them

See Section 11.1 above for details of critical success factors.

30.7. Relevant Potential Market

In the estimation of ProtAb, the treatment of autoimmune diseases is and will remain one of the most profitable sectors of the drug industry. Inflammatory bowel diseases (IBD) are prevalent autoimmune illnesses which have market potential for ProtAb.

In 2010, close to 1.4 million people in the United States were affected by inflammatory bowel disease. The global market value for drugs treating IBD is estimated at $10 billion in 2017. The medications marketed at present, including the biological treatments, provide a partial response and there is a real need for new medications (unmet clinical need), which act according to unique and innovative operating mechanisms. In the assessment of ProtAb, the potential market for treatment such as Prozumab is enormous, whether it is used as a single material or whether it is used as a catalyst for another treatment substance. Among the other biological materials found in various stages of research, ProtAb is not aware of competitive products with an innovative mechanism like Prozumab.

30.8. Competition

The following is a tabular description regarding the competitors of ProtAb:

	The corporation's medical product	Competing product A	Competing product B	Competing product C
Product characteristics	Prozumab for treatment of inflammatory bowel diseases	Antibody based medications inhibiting Cytokine TNF-N including: Remicade of J&J/Schering Plough with sales of $ 2.9 billion in 2010 Humira (Abbott) with sales of $ 1.96 billion in 2010 Cimzia (UCB Pharma) with sales of $ 79 million in 2010 Simponi (Janssen Biotech, Inc.) which received marketing approval in the United States in 2013	Antibody based medications directed against cell adhesion molecules including: Elan/Biogen (Idec)Tysabri which received marketing approval in the United States in 2008 Millenium/(Takeda) Entyvio which received marketing approval in the United States in 2014	There are a variety of biological medications that work with different mechanisms by modulating that Cytokine from the Interleukin family that are found in development in different clinical phase, moreover there are additional medications that work with different mechanisms composed of chemical molecules or DNA given orally.
Advantages and disadvantages of the medical product in relation to medical products to the best of the corporation's knowledge		Advantages: Based on physiological protective mechanisms against inflammatory processes; in opposition to other medications based upon neutralizing Cytokine. Disadvantages: likely to be provided every two weeks by injection as opposed to less frequent injection		

30.9. Production capacity

ProtAb does not have a production facility. The production is done by means of subcontractors abroad. As of the day of the report, and for purposes of continuing development and transition to the next stage of development, ProtAb has no limitation on the productive capacity required as above.

30.10. Fixed assets

ProtAb has net fixed assets after depreciation in the amount of NIS 0 thousand, most of which is laboratory equipment.

30.11. Research and Development

30.11.1. During the three years previous to the date of the Periodic Report, the amount of NIS 4,189 thousand and NIS 3,425 thousand was invested in ProtAb in research and development, prior to participation of the OCS and less participation of the OCS, respectively, according to the following detail (in NIS 000):

Period	**2013**	**2014**	**2015**	**Total**
Total investments in R&D	2,180	1,202	807	4,189
Excluding the Scientist's participation, net	(158)	(606)	-	(764)
Investments in R&D, net	2,022	596	807	3,425

30.11.2. Chief Scientist grants

Name of medical products for which the grant was received	**Amount of grant during reporting period (NIS 000)**	**Amount of grant in 2014**	**Amount of grant in 2013**	**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**
proximab, a humanized monoclonal antibody for ra & ibd Prozumab	0	94	8,289	8,384	As detailed in Section 10.6 above. Rate of royalties: 3% for first 3 years; 3.5% from 4th year and thereafter	As detailed in Section 10.6 above.

As of the date of the report, ProtAb has received approximately NIS 8,384 thousand from the Chief Scientist in consideration for royalties to be paid to the Chief Scientist from sales of the product.

ProtAb filed and received approval for a continuing support grant from the Chief Scientist for its research and development activities. The continuing grant from the Chief Scientist is according to a budget of NIS 1.9 million at a weighted rate of participation of 30% for research and development abroad. The grant was received for purposes of research on the subject of Prozumab-a monocular antibody for treatment of autoimmune illnesses for a period of the months 8.12-7.13. Moreover, an approval

was received from the Office of the Chief Scientist to extend the R&D period until the month of September 2013.

In August 2011, ProtAb's application for support from the Jerusalem Development Authority in the amount of NIS 120 thousand was approved. During the month of December 2012, ProtAb's request for support for an additional year was approved.

30.11.3. During the years 2011-2014, the company received grants from the Jerusalem Development Authority in a total amount of NIS 204 thousand linked to the CPI. On December 31, 2013, a liability to return the grant at a rate of royalties of 4% per year was presented, capitalized at a capitalization rate of 45%, and in accordance of an estimate of the anticipated revenues. On December 31, 2014, due to non compliance with the terms of the grant, the grant was classified as a short term liability and presented at a value of NIS 209 thousand in the context of other current liabilities.

30.12. Intellectual Property

30.12.1. Licenses and research and development agreements

30.12.1.1. **Hadasit license agreement**

ProtAb has entered into an exclusive license agreement with Hadasit for use of patents and applications for patents owned by Hadasit, for peptides for treatment of autoimmune diseases. This exclusive license is for a group of patents and applications for patents in the field of innovative amino acid sequences, their antibodies and the use of them.. The group of patents and the applications for patents protects both the innovative protein parts, as well as the antibodies against them, and the use of all of them in the treatment of autoimmune disease patients, in general, and in the treatment of rheumatoid arthritis, in particular. This exclusive license includes twenty two patents received in the U.S., in Australia, in Israel, in Japan, in Canada and in countries in Europe, and one patent application in Israel. It is clarified that the license agreement does not involve royalties.

30.12.1.2. **Agreement with Antitope Limited**

In July 2013, the company entered into a license agreement with Antitope Limited regarding the monoclonal human antibody, Prozumab, in which future payments of royalties were specified to be paid to Antitope at the time of future sales of Prozumab.

The flowing is tabular disclosure of the material cooperation agreements according to which ProtAb is obligated for the payment of royalties to third parties:

Identity of royalties recipient	Reason for eligibility for royalties	Type of payment	Range of consideration	Comments
Antitope Limited- according to a license agreement between the company and Antitope dated 11.6.13 ("the agreement')	Providing license to company for use of Antitope's technology. Including technology for which patents have been registered	Royalties for sales of "licensed products" (as defined in the agreement).	Rate of up to 1% of sales of the company of licensed products	The royalties rate could stop after the patent expires and as detailed in the agreement.

* The validity of the license is per nation until expiration of all of the patent claims in that nation or 12 years from the start of sales in that nation, whichever is shorter.

30.12.2. Intangible Assets

30.12.2.1. **Approved Material Assets**

Patent No.	Patent Description *	Patent Rights	Predicted patent expiration	Approved countries
PCL/IL 1999/000595 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 a molecule and use of a molecule. This patent protects the general treatment of antibodies against epitopes including peptide 6. The patent as to which ProtAb filed an application (as detailed below) protects specific antibodies against peptide 6, that includes Prozumab. To the extent that the additional patent will be accepted in the various nations in the world, the importance of the patent declines.	Under the ownership of a third party; the company has exclusive usage rights for an unlimited amount of time	4.11.2019	United States (4 patents)
				Australia (patent accepted)
				Israel (primary patent accepted and application distribution prior to being accepted)
				Japan (patent accepted)
				Canada (patent accepted)
				A restraining patent was received and validation is being carried out in various countries in Europe (Austria; Belgium; Switzerland; Germany; Spain; France; Great Britain; Ireland; Italy; Holland; Sweden; Denmark and Finland).

30.12.2.2. **Application Requests for Material Assets**

Patent application name	Description of Requested Patent	Expected patent rights (as listed)	Priority date	Application date	Applied countries
PCT/IL 2010/000731 Humanized antibodies against Peptide 6 derived from protein HSP65-derived methods and their uses	Patent of the molecule and use of the molecule. The application protects humanized antibodies against Peptide 6 (including Prozumab) as well as their uses.	Ownership	6.9.2009	6.9.2010	United States (patent approved and a request to continue has been submitted)
					Australia (patent accepted)
					Israel (evaluation application)
					India (awaiting initial evaluation report)
					Russia (advanced evaluation report, response to 21.3.16 evaluation report). Indication of the examiner that a response to the report will lead to restraint.
					Mexico (an application was neglected by ProtAb's instructions dated 6.8.2015)
					Korea (waiting for an initial evaluation report)
					Brazil (waiting for an initial evaluation report)
					Japan (restraining patent)
					Canada (waiting for an initial evaluation report)
					Europe (evaluation application)

30.13. Human Capital

30.13.1. ProtAb was managed, starting from the year of 2007 and through November 30, 2015, by Ms. Shira Yair, Commencing from that date, Ms. Yair ended her function as CEO of ProtAb.

30.13.2. ProtAb is based on the research of Professor Yaakov Naparstek from the Hadassah Ein Kerem Hospital. ProtAb is dependent on the continuous involvement of Professor Naparstek in the early stages of the continued research and development.

30.13.3. In 2005 ProtAb expanded its research team and recruited a Vice President of Research and Development who has a great deal of industry experience in various fields, including the development of antibody based drugs and analytical methods in the field of antibodies.

30.13.4. As of the date of the report, Protab does not employ personnel.

30.13.5. Consulting agreement

During 2007, ProtAb entered into a consulting agreement with Hadasit which was extended during 2014 until July 31, 2015. According to the license agreement, Hadasit will grant monthly consultation by Dr, Yaakov Naparstek to ProtAb in connection with development of the leading product of ProtAb, in consideration of a monthly amount of NIS 4,200 and ProtAb will also make an additional payment to Hadasit in an amount of 25% for overhead. It is clarified that according to a consulting agreement, as it was updated during 2014, it was determined that Hadasit will grant monthly consulting by Professor Yaakov Naparstek to Protab in connection with development of the leading product of ProtAb in consideration of a monthly amount that will be paid to Professor Naparstek in an amount of NIS 4,200, as well as a monthly payment to be made to Hadasit in an amount of NIS 1,040 (representing 20% of the payment made to Professor Naparstek) with respect to overhead. Moreover, during 2012, ProtAb paid an amount of NIS 200 thousand to Hadasit with respect to a consulting agreement. During 2013, due to the financial condition of ProtAb, it was agreed that ProtAb will not be liable for payments with respect to the agreement, even though it received consulting services. In 2014, ProtAb paid an amount of NIS 48 thousand. In 2015, ProtAb paid an amount of NIS 35 thousand. Moreover, starting from December 1, 2008 and through March 31, 2014, Professor Naparstek was entitled to use a company car of ProtAb. As of the date of the Periodic Report, this agreement has not terminated and is not in effect.

30.13.6. **The right to appoint directors**

According to the bylaws of ProtAb, the directors of ProtAb are appointed by the general assembly by a regular majority of the shareholders. .As of the date of the report, three directors serves in ProtAb, all three of which serve on behalf of the company.

30.14. Materials and suppliers

The raw materials of the company are varied and numerous and arrive from an assortment of suppliers. The subcontractor engaged in manufacturing takes care in most cases of purchasing them. The company has an agreement with GE Healthcare (formerly XCellerex). As of the date of the report, ProtAb has no dependence on any of its suppliers.

30.15. Working capital

As of the date of the report, ProtAb has negative working capital of NIS 1,774 thousand.

30.16. Financing

As of the date of the report, ProtAb has not yet begun to make sales, and is, therefore, dependent on raising funds from existing and new investors for financing its operations. ProtAb finances its operations from equity raisings and from loans from shareholders and grants from the Chief Scientist in the Ministry of the Economy.

30.17. Taxation

The tax laws in Israel apply to ProtAb.

30.18. Material agreements

The material agreements of ProtAb are the agreements connected with intellectual property. See Section 30.12 for details regarding these agreements.

30.19. Legal proceedings

As of the date of the report, ProtAb is not party to material legal proceedings.

30.20. Business goals and strategy and forecast of developments in the coming year, as told to the Company by ProtAb, on the assumption of maturing of commercialization of the technology and/or obtaining sources of financing:

Medical product	Current status	2016-2017	2018
Prozumab	Advanced preclinical; after a pre-IND meeting with the FDA	End of toxicological pre-clinical on monkeys and filings with regulatory authorities in Israel for the receipt of approval to start clinical trials.	Performance of clinical trial Phase I on healthy volunteers and start of Phase I/IIa clinical trial on patients with the clinical indication selected; development subject to attaining additional financing. End of Phase I/IIa clinical trial on patients with the clinical indication selected; development subject to attaining additional financing.

The information brought in the above table includes forward looking information, as it is defined in the Securities Law, and is contingent, inter alia, on receiving the results of the trials, decisions of the board of directors and obtaining the necessary financing.

30.21. Risk factors

See Section 25 above for details regarding macro-economic risk factors and sectoral risk factors.

31. BioMarCare Technologies Inc. (hereinafter - BioMarCare")

31.1. Description of BioMarCare's Operations and the Technology Developed by it

As of the date of the Periodic Report, BioMarCare has frozen all of its activities. Also, as of the date of publishing the Periodic Report, the company does not employ personnel and team members. Commencing from March 2014, BioMarCare principally focuses on activities of locating strategic partners and investors to advance development and commercialization, without additional clinical activities. In light of the above, BioMarCare is not material to the Company.

31.1.1. BioMarCare, previously named InCure Inc., is a private company founded in Israel that has begun its business activities in August 2002. In October 2009, the company renewed activities under its new name, BioMarCare Technologies Inc.

31.1.2. BioMarCare have a number of products that have not completed the development for clinical diagnosis of cancer, based on advanced biological markers, which are aimed at early detection of cancer, monitoring, and/or personalized medicine and are expected to increase treatment efficiency and reduce the side effects that come along with it.

31.1.3. Beginning from March 2014, and as of the date of the Periodic Report, BioMarCare has frozen all of its activities, except for commercialization activities as specified below. Also, as of the date of publishing the Periodic Report, the company does not employ personnel and team members. Commencing from March 2014, BioMarCare principally focuses on activities of locating strategic partners and investors to promote development and commercialization, without additional clinical activities.

During the second quarter of 2014, BioMarCare signed an agreement with an outside consultant in the United States for the purpose of promoting technological commercialization. As of the date of the Periodic Report, BioMarCare terminated the commitment with this outside consultant.

31.1.4. **Update in relation to a project for the development of a mCRC-Strat test intended to extend the effectiveness of the medication treatment of patients with colon cancer at the metastatic stage which was supported (in the past) by the BIRD Foundation:**

In view of the notification by the BIRD Foundation to BioMarCare and Ariadne (hereafter: "**the companies**") that it has decided not to approve the application of the companies for a new work program, the companies ended the cooperation between them. As of the date of the Periodic Report, BioMarCare presented summary reports to the BIRD Foundation and is waiting to receive a final accounting from the BIRD Foundation.. Moreover, the companies are expected to cancel the cooperation agreement between them which will become effective upon receipt of the confirmation from the BIRD Foundation as to this final accountingIn view of the notification by the BIRD Foundation to BioMarCare and Ariadne (hereafter: "**the companies**") that it has decided not to approve the application of the companies for a new work program, the companies ended the cooperation between them. As of the date of the Periodic Report, BioMarCare presented summary reports to the BIRD Foundation and is waiting to receive a final accounting from the BIRD Foundation.. Moreover, the

companies are expected to cancel the cooperation agreement between them which will become effective upon receipt of the confirmation from the BIRD Foundation as to this final accounting. It is made clear that during 2015, a final accounting was received from the BIRD Foundation according to which BioMarCare must return an amount of approximately $ 6 thousand with respect to patent expenses that were not recognized.

31.1.5. **Update in relation to the Colon-MarCarePlex project, dealing with a method of diagnosing molecular biomarkers in the blood (plasma):**

In the framework of the Colon-MarCarePlex project, BioMarCare was engaged in development of a method for diagnosing molecular biomarkers in the blood (plasma), considered to be a high technological challenge and barrier.

On April 10, 2014, BioMarCare filed a patent application with the American Patent Bureau for an instrument for clinical diagnosis of colon cancer, including diagnosis of malignancy or pre cancerous lesions (polyps) by means of identification of molecular signs in the blood. Concurrently to filing the patent, during the second quarter of 2014, BioMarCare focused on analysis of the statistical results as well as on business development activities, primarily to find strategic partners and investors to promote development and commercialization of the product for which the patent was filed, this without additional clinical activity.

On August 3, 2014, BioMarCare received a payment demand in the amount of approximately NIS 106 thousand from the Docor Foundation in connection with a loan agreement dated August 25, 2005 (hereafter: "**2005 loan**") between BioMarCare, Hadasit Medical Research and Development Services Ltd., Docor and the Jerusalem Development Authority. During October 2014, BioMarCare paid the debt to the Docor Foundation with respect to the 2005 loan.

HBL-Hadasit Bio-Holdings Ltd.

Directors' Report on the Condition of the Company's Affairs

For the period ended December 31, 2015

The Board of Directors of HBL-Hadasit Bio-Holdings Ltd. (hereafter: "**the Company**") respectfully present a review of the condition of the Company's affairs, as of December 31, 2015 (hereafter: "**the date of the Directors' Report**") and the financial results of the Company for a period of three months ended December 31, 2015 and for a cumulative period of twelve months ended on December 31, 2015 (hereafter: "**the reporting period**").

The consolidated reports contain the operating results of the Company, and of the Company's two subsidiaries, KAHR Medical Ltd. and ProtAb Ltd. In addition, the Company has two affiliated companies: Cell Cure Ltd. and Enlivex Therapeutics Ltd. (which was consolidated in the accounts of the Company up to May 18, 2014 and commencing from that date is an affiliated company), whose reports are attached to this report, as well as an additional affiliated company, Biomarker Technologies Ltd., whose financial statements are not attached to this Periodic Report, since it does not comply with the qualitative tests requiring the attachment of its financial statements to the Company's financial statements for the fourth quarter of 2015.

In the context of the Directors' report, reference was not included to matters not related to the Company or that, in the opinion of the Company, are not material, or that nothing in their absence would impair the understanding of the condition of the Company's affairs.

On February 19, 2014, the Board of Directors of the Company decided to voluntarily adopt all of the concessions for a "small corporation" included in the amendment to the Securities Regulations (Periodic and Immediate Reports"-1970, to the extent that they are relevant (or will be relevant) to the Company, commencing from the Periodic Report for the year of 2014. Accordingly, the Company is not making public the report of the outside independent auditors on the internal control in this Periodic Report, and has published a concise managers' declaration, used the materiality threshold approved for small corporations in connection with the attachment of evaluations and the attachment of reports of affiliated companies, and also details regarding exposure to market risks.

On May 26, 2015, the Shareholders' General Assembly decided to approve a unification of the authorized share capital and the issued and paid-up share capital in a relation of 1:5. For additional details, see the Company's Immediate Reports dated May 12, 2015 and May 27, 2015 (Reference No. 2015-01-017565, 2015-01-029724, respectively). The data in this Directors' Report are presented after the capital unification carried out by the Company in a relation of 1:5 (hereafter: " the capital unification"), except if explicitly stated otherwise.

A. Directors' explanations in relation to the condition of the Company's affairs

1. Condensed description of the Company and its business environment

1.1. The Company was established and incorporated in Israel on September 19, 2005 and, on December 10, 2005, the Company was converted to a public company, as this term is defined in the Companies Law-1999 (hereafter: "**the Companies Law**"), and its securities began to be traded on the Tel Aviv Stock Exchange (hereafter: "**the stock exchange**").

1.2. During the year of 2011, the Company began to activate Level I Sponsored American Depository Receipts (ADR), which permit the purchase of 20 marketable shares on the Over The Counter (OTC) in the United States as one ADR unit under the symbol (OTC:HADCY).

1.3. From its establishment and as of March 30, 2016 (hereafter: "**issuance date of the Directors' Report**"), the Company is engaged in the advancement and the enhancement of the portfolio companies of the Company, as detailed below, with the goal of maximizing value to the shareholders of the Company, mostly by means of managerial support, and providing contacts and financing for the portfolio companies. The Company coordinates six biotechnological companies (hereafter- "**the portfolio companies**"), all of which are positioned after demonstrating success at the level of feasibility, namely-the efficiency of the medications on a model of animals, with four of them found in the stage of clinical trials on human beings, as well as an additional company which received approval to begin clinical trials on human beings in three centers in Israel. It should be stated that two of the companies have frozen all of their activities, except in relation to locating partners in order to commercialize the technology. The portfolio companies of the Company are companies which develop medications for the categories of cancer, inflammatory illnesses and rehabilitation of tissues by means of stem cells, areas in which the Hadassah Hospital has great knowledge and goodwill as a world leader.

The Company is actively involved in the strategic planning of part of the portfolio companies, inter alia, by means of active participation in the board of directors of the portfolio companies and by means of current guidance of the management of the companies. The management of the Company takes an active part in the structuring of work programs and budgets, raising capital, business development of part of the portfolio companies, etc.

The biotechnological industry requires the building of value over an extended period of time. The portfolio companies must advance and attain clear milestones, which in the bio-technological industry, serve as an indication that there is validity in research, clinical development, the regulatory process, business development and the other elements connected with the Company's operations, which are translated into monetary value for its owners. This value is assembled over continuous periods of time and involves the investment of substantial financial and managerial inputs.

By means of this involvement, the Company seeks to assure that the resources which it provides are utilized in the optimal manner and that the companies progress towards clinical trials that will be the basis of the strategy of creating value for the Company. It should be noted that the Company is not the controlling party in all of its Portfolio Companies; hence its involvement varies from one Portfolio Company to another, as a function of the extent of it holdings. As of the date of the report, representatives of the Company are serving on the board of directors of all of the Portfolio Companies. See Section 1.13 in the Periodic Report as well as Section 2 below for additional details regarding the Company's holdings in the portfolio companies as well as details regarding the stages in which the portfolio companies are situated.

The Board of Directors of the Company examines the company's existing in the Portfolio and the new investment opportunities based on a number of criteria, including the maturity of the product/technology, the potential market size, the life span of the intellectual property that the product is based on, the existence of an additional financial partner to fund the company, and more.

1.4. On August 31, 2015, the Company announced that the Board of Directors of the Company had decided to take a series of efficiency steps with the aim of causing a significant reduction in the Company's expenses. The efficiency steps include, among other things, decreasing the operating expenses of the Company, including cutting back manpower employed by the Company. See the Immediate Report of the Company dated August 31, 2015 (Reference No. 2015-01-110595) for further details.

2. **Rate of Holdings of the Company in the Portfolio Companies ,the area of operations and the stage in which the portfolio companies are positioned**

For details, see Section 2.15 in Chapter A to the Periodic Report.

3. **Events after the date of the report**

3.1. On January 3, 2016, the Company announced that, in continuation of the Immediate Report dated December 15, 2015 and the report amending it (Reference No. 2015-01-180396 and 2015-01-180396, respectively), regarding an investment in an amount of $ 12 million in KAHR Medical (2005) Ltd., a subsidiary of the Company (hereafter: "**KAHR**"), according to a value of $ 25 million before the money in full dilution (hereafter: "**an investment transaction**"). On December 31, 2015, the Company announced to KAHR that it will invest an amount of $ 750 thousand in the context of the Deferred Closing. See the Company's Immediate Report dated January 3, 2016 (Reference No. 2016-01-000205) for additional details.

3.2. On February 3, 2016, the Company announced that in continuation of the Immediate Report that it published that KAHR received approval of the committee \for trials on human beings (hereafter: ".**the Helsinki Committee")** of the Sourasky Ichilov Medical Center in Tel Aviv (hereafter: "**Ichilov**") for a Phase l/lla trial of the KAHR- 102 product of KAHR, which is designated for the treatment of lymphatic cancer and autoimmune diseases (hereafter: "**the clinical trial**"). KAHR received the approval of the Helsinki Committee of the Sheba Tal Hashomer Medical Center. See the Company's Immediate Report dated February 2, 2016 (Reference No. 2016-01-022366) for additional details.

3.3. On February 9, 2016,the Company announced that, continuing the decision of the Board of Directors of CellCure Neurosciences L:td (hereafter: "**CellCure**") on raising additional capital of up to $ 5,000 thousand, by way of a convertible loan from existing shareholders of CellCure on the basis of a "capital call", according to the needs of CellCure (hereafter: "**the convertible loan**"), the Company notified CellCure of its participation in an amount of $ 381 thousand, an amount reflecting 13.14% of the relative share of the Company in the convertible loan up to now. See the Company's Immediate Report dated February 9, 2016 (Reference No. 2016-01-025189) for additional details.

3.4. Continuing what was stated in Section 3.3 above, on February 14, 2016, the Company announced that it had notified CellCure of its participation in an amount of $74 thousand (in addition to its participation in an amount of $381 thousand). The two amounts together reflect 15.71% of the relative share of the Company in the convertible loan up to now. See the Company's Immediate Report dated February 14, 2016 (Reference No. 2016-01-027514) for additional details.

3.5. Continuing what was stated in Section 3.1 above, on February 17, 2016, the Company announced that, in the framework of the Deferred Closing, KAHR raised a total amount of $ 3 million from existing shareholders and others. Accordingly, the total amount of the investment in the context of the investment transaction was $ 15 million. See the Company's Immediate Report dated February 17, 2016 (Reference No. 2016-01-029341) for additional details.

3.6. On February 18, 2016, the Company announced that Ms. Tamar Kfir will cease to serve in the function of CEO of the Company, effective from May 11, 2016. See the Company's Immediate Report dated February 17, 2016 (Reference No. 2016-01-030016) for additional details.

3.7. On February 18, 2016, the Company announced that it had filed an application with the Jerusalem District Court to approve a proceeding pursuant to Section 350 of the Companies Law for the extension of the exercise period of the options (Series 8) for three additional months so

that each option (Series 8) of the applicant will be exercisable until June 30, 2016, inclusive, and to a reduction of the exercise price of the options (Series 8) to a exercise price of NIS 0.36 (unlinked)for each option (hereafter: "**the proposed arrangement**". See the Company's Immediate Report dated February 17, 2016 (Reference No. 2016-01-030760) for additional details.

On February 21, 2016, the Company announced that the court had acceded to the request to convene a General Assembly of Shareholders of the Company as well as to convene a General Assembly of holders of the Company's options (Series 8) (hereafter: "**the assemblies**") in order to approve the proposed arrangement. See the Company's Immediate Report dated February 21, 2016 (Reference No. 2016-01-031129) for additional details.

On February 22, 2016, the Company announced the summoning of the assemblies. See the Company's Immediate Report dated February 22, 2016 (Reference No. 2016-01-032365, 2016-01-032380 and 2016-01-032392) for additional details.

On March 8, 2016, the Company announced the last date for exercise for exercise of the options (Series 8) of the Company. See the Company's Immediate Report dated March 3, 2016 (Reference No. 2016-01-002466) for additional details.

On March 14, 2016 and March 23, 2016, the Company announced that the assemblies approved the proposed arrangement. See the Company's Immediate Report dated March 14, 2016 and March 23, 2016 (Reference No. 2016-01-005637 and 2016-01-013320) for additional details.

On March 26, 2016 and March 27, 2016, the Company announced that it had approached the court to approve the proposed arrangement and that the court approved the proposed arrangement. According to this, as the Company announced on March 27, 2016, the exercise period (Series 8) until June 30, 2016 (inclusive) and reduction of the exercise price to an exercise price of NIS 0.36 (unlinked) per option. See the Company's Immediate Report dated March 26, 2016 and March 27, 2016 (Reference No. 2016-01-014022, 2016-01-014220 and 2016-01-014247) for additional details.

3.8. On February 28, 2016, the Company announced that D-Pharm signed an exclusive option agreement with the Pharma Company according to which D-Pharm will grant an option to the Pharma Company to obtain an exclusive license for use of technology connected with a medication that D-Pharm develops, THR-18. See the Company's Immediate Report dated February 28, 2016 (Reference No. 2016-01-0315620) for additional details.

3.9. On March 3, 2016, the Company announced the results of a public offering published by D-Pharm in whose framework 104 units were allotted to the Company, that is composed of 52,000 ordinary shares and 104,000 options (Series 2) of D-Pharm, in consideration for a total amount of NIS 150,800. After the public offering, the Company holds at a rate of 6.05% of the issued and paid up share capital of D-Pharm. See the Company's Immediate Report dated March 3, 2016 (Reference No. 2016-01-039814) for additional details.

3.10. On March 15, 2016, the Company announced the deferral of the commencement of the date of the start of the PHASE I/IIa clinical trial of KAHR. See the Company's Immediate Report dated March 15, 2016 (Reference No. 2016-01-006471) for additional details.

3.11. See the Company's Immediate Report dated November 5, 2015 (Reference No. 2015-01-149697) for details of the status of officers of the Company, updated to the date of publishing the Directors' Report.

3.12. See the Company's Immediate Report dated January 18, 2016 (Reference No. 2016-01-012838) for details regarding the registry of shareholders of the Company, updated to the date of publishing the Directors' Report.

3.13. See the Company's Immediate Report dated January 23, 2016 (Reference No. 2016-01-016135) for details regarding the status of i9nterested parties and executive officers of the Company, updated to the date of publishing the Directors' Report.

B. The Company's financial position (consolidated)

Following is a summary of the statements of operations for the reporting period (in NIS Thousand):

2015					
	Q1	**Q2**	**Q3**	**Q4**	**Total**
Research and development expenses, net	(3,218)	(2,559)	(920)	(1,392)	(8,089)
General and administrative expenses	(1,608)	(1,500)	(1,419)	(1,850)	(6,377)
Other income	(6,492)	(36)	(114)	(2,059)	(8,701)
Operating loss	**(11,318)**	**(4,095)**	**(2,453)**	**(5,301)**	**(23,167)**
Financing income	172	3,061	437	(1,125)	2,545
Financing expenses	(554)	-	(594)	265	(883)
Company's share in losses of investee companies	(985)	(1,284)	(522)	(-)	(2,791)
Loss before taxes on income	**(12,685)**	**(2,318)**	**(3,132)**	**(6,161)**	**(24,296)**
Taxes on income	-	-	-	-	-
Net income for period	**(12,685)**	**(2,318)**	**(3,132)**	**(6,161)**	**(24,296)**

	December 31, 2015 (NIS 000) % of total balance sheet	December 31, 2014 (NIS 000) % of total balance sheet	Company's explanation
Assets			
Current assets	59,312 86%	13,081 40%	Most of the increase in the reporting period derives from equity raisings executed by the Company on March 30, 2015, August 17, 2015 and December 16, 2015 in a total of NIS 14,171 thousand See the Company's Immediate Reports dated March 31, 2015, August 17, 2015 and December 24, 2015 (Reference Nos. 2015-01-069907, 2015-01-098553 and 2015-01-187782). This information is brought by way of reference (hereafter: "**the equity raisings"),** as well as from an equity raising made by KAHR, a subsidiary of the Company, in a total amount of $ 15 million (hereafter: "**equity raising by KAHR**"). See the Company's Immediate Report dated February 17, 2016 (Reference No. 2016-01-0029341) for details. This information is brought by way of reference.
Fixed assets, net	345 0.5%	531 1.6%	Most of the decrease in the reporting period derives from current depreciation and sale of equipment by ProtAb, a subsidiary.
Balance of cash and cash equivalents	56,602 82%	6,038 19%	Most of the increase in the reporting period derives from equity raisings of the Company and an equity raising by KAHR.
Balance of cash and cash equivalents and marketable securities of parent company	9,050 13%	2,820 16%	Most of the increase in the reporting period derives from equity raisings of the Company.
Investment in marketable securities and deposits	159 0.2%	2,790 9%	The decrease in the reporting period derives from realization of marketable securities by the Company for purposes of current operations and investment in affiliated companies (KAHR, ProtAb and Cell Cure)
Financial assets available for sale	900 1.3%	2,055 6%	Most of the decrease in the reporting period derives from sale of securities of BioLine RX and by a decline in value of the shares of D-Pharm Ltd.
Balance of investment in affiliated companies	-	2,791 9%	Most of the decrease in the reporting period derives from withdrawal of equity losses of affiliated companies.
Total assets	**68,610**	**32,418**	
Current liabilities	3,082 4.5%	3,760 12%	Most of the change in the reporting period derives from a decline in liabilities with respect to leasehold improvements.
Non-current liabilities	5,227 7.6%	6,546 20%	Most of the change in the reporting period derives, from a decline in the liabilities of KAHR to pay royalties to the OCS, and an increase in liabilities payable by ProtAb, as a result of the update of poor sales forecast and a decline in value of the convertible loans of ProtAb from external shareholders.
Total liabilities	**8,309**	**10,306**	
Company equity attributed to owners of Company's equity rights	12,993	14,333	

C. Results of operations of the Company

	2015	2014	2013	Company's explanation
R&D expenses, net	(8,089)	(7,408)	(7,945)	The research and development expenses during the reporting period include the research and development expenses of KAHR and ProtAb (which was consolidated starting from September 30, 2014). See Section E. below for further details.
General and administrative expenses	(6,377)	(5,489)	(5,103)	General and administrative expenses for the reporting period include general and administrative expenses of the Company, KAHR, and ProtAb (which was consolidated starting from September 30, 2014.) See Section E below for details.
Other income (expenses), net	(8,701)	5,847	2,824	Most of the change is derived from a loss due to impairment of intangible assets of ProtAb in an amount of approximately NIS 6 million and from a loss due to impairment of the Company's holdings in D-Pharm in an amount of approximately NIS 1.3 million.
Loss	(23,167)	(7,050)	(10,224)	
Loss for period	(24,296)	(10,482)	(19,472)	

D. Sources of Funds and cash flows

	2015	2014	2013	Company's explanation
Cash flows from operating activities	(13,259)	(12,243)	(11,611)	Cash flows from operating activities for the reporting period represents principally the cash serving current operations of the Company during the period of the report (approximately NIS 4 million), of KAHR (approximately NIS 8 million) and ProtAb (approximately NIS 1.3 million).
Cash flows from (to) investment activities	1,882	644	2,078	Cash flows from investment activities for the reporting period represent mostly realization of marketable securities and the Company's investment in Cell Cure. Most of the increase results from an investment made by the Company in subsidiaries as compared with 2014.
Cash flows from financing activities	61,943	4,237	8,364	Most of the increase in the cash flows s for the reporting period, as compared to 2014 is derived from the equity raised by the Company and equity raised by KAHR.

1. Sources of Funds

The major sources of financing of the Company are raising equity. The Company is dependent on external sources of financing to finance its activities.

2. Cross reference of the outside independent auditors in the opinion

In the opinion of the outside independent auditors to the Company's shareholders as of March 30, 2016, the outside independent auditors stated as follows:

"Without qualifying our opinion, we wish to draw attention to the contents of Note 1.B. to the financial statements as of December 31, 2015. The Company has accumulated losses in the amount of approximately NIS 122,882 thousand, loss for the year in amount of NIS 24,296 thousands (in its separate reports 16,645 thousand) and negative cash flows from operating activities in the amount of NIS 13,259 thousand in its separate reports 4,434 thousand) for the period ended on that same date. Moreover, as of the balance sheet date, the Company (in its separate reports) has cash and cash equivalents and marketable securities in the amount of NIS 9,050 thousand which, according to the estimation of the Company's management in its forecast of cash flows, will permit the continuation of its operations in the coming months. The Company must obtain additional financing for purposes of continuing its operations."

E. R&D expenses in the portfolio companies

The table below lists R&D expenses net (after deducting the influence of loans from the Chief Scientist) by the Portfolio Companies:

	For the period ended December 31 (in thousands)	
	2015	**2014**
Consolidated Companies		
ProtAb	807	504
KAHR	7,322	6,858
Enlivex	-	46
Consolidation adjustment (*)	(40)	-
Total, consolidated companies	**8,089**	**7,408**
Affiliated companies		
Cell Cure	9,744	11,753
Enlivex	6,195	2,085
ProtAb	-	92
BioMarCare	-	849
Total, affiliated companies	**15,939**	**14,779**
Total R&D Expenses	**24,028**	**22,187**

The Company's investments in the companies in which it has a stake serve, mostly, to finance the companies' regular R&D activities. In addition, these investments allow the companies to raise additional capital, notably subventions from the office of the Chief Scientist of the Ministry of Industry and Trade. Note that this external funding does not dilute the Company's holdings in the Portfolio Companies and may reach 60% of all of their research and development expenses.

F. Aspects of corporate governance

1. Compensation of Senior Officials of the Company

At the meeting of the Company's Board of Directors on March 30, 2016, at which the Periodic Report was approved, the Company's Board of Directors examined the compensation terms of the five executive officers in 2015, including the reasonableness of these compensation terms and the connection between them and the contribution of each officer to the Company in 2015, and reached the conclusion that the compensation terms of those executive officers for 2015 conform to the Company's compensation policies. See Regulation 21 in Chapter D of the Periodic Report for additional details concerning the compensation terms of the officers of the Company. See Regulation 21 in Chapter D of the Periodic Report for additional information concerning the compensation policies of the Company. See the Company's Immediate Report dated October 13, 2014 (Document No.: 2014-01-175374) for additional information concerning the Company's compensation policies.

2. Charitable Contributions

As of the date of the report, the Company had not yet adopted a policy concerning charitable contributions, and during the report period a contribution was not granted by the company.

3. Report on Directors with Accounting and Financial Expertise

The board of directors resolved that the minimum number of directors with accounting and financial expertise will be two. As of the date of the Directors' Report, three directors with accounting and financial expertise serve the Company:
Mr. Yigal Erlich, Chairman of the Board, Mrs. Michal Sapir and Mr. Doron.

4. Report on Independent Directors

As of the date of the Directors Report, the Company has not yet adopted in its bylaws the provision with regard to the proportion of the independent directors (as this term is defined in Section 1 of the Companies Law). Nevertheless, the Company has classified Mr. Doron Birger as an independent director.

5. Disclosure regarding the Company's internal auditor

5.1. **Name-** Doron Cohen, CPA. the internal auditor was appointed in light of his broad experience in internal audit and pursuant to the approval of the Board of Directors as of August 31, 2016.

5.2. **Date tenure began-** August 31, 2016.

5.3. **Is he a Company employee-** the internal auditor is not an employee of the Company but grants it internal audit services by outsourcing.

5.4. **Is he an interested party-** to the best of the Company's knowledge, the internal auditor complies with the provisions of Section 146(b) of the Companies Law and is therefore, not an interested party of the Company, is not a relative of any of the interested parties in the Company or of the independent outside auditor or anyone on his behalf. Also, to the best of the Company's knowledge, the internal auditor complies with the provisions of Section 8 of the Internal Auditor Law-1992 and, therefore, does not fill a position outside of the Company that creates or could create a conflict of interest with his function as the Company's internal auditor. The internal auditor is not an officer of the Company (over and above his role as internal auditor).

5.5. **Audit program and its scope**- the annual audit program of the Company and its scope were determined in consideration of the size of the Company, the scope and complexity of its business operations and in reliance on a risks survey performed in 2011. The audit scope for the reporting period totaled approximately 100 hours. The audit program was presented by the internal auditor to the Company's Board of Directors, which approved this program on November 24, 2015.

5.6. **Audit program for 2016**- as of the date of the Periodic Report, the audit program for 2016 has not yet been approved.

5.7. **Compensation of the internal auditor-** the compensation of the internal auditor was determined in advance as an agreed fee per working hour and he is not compensated by the grant of securities of the Company. In the assessment of the Company's Board of Directors, this compensation structure does not influence his professional judgment. To the best of the Company's knowledge, the internal auditor does not hold securities of the Company. The fee of the internal auditor with respect to his services during the reporting period totaled approximately NIS 20 thousand.

5.8. **Professional standards according to which the audit was performed-** according to his notification, the internal auditor performs the internal audit according to accepted professional standards as stated in Section 4(b) of the Internal Audit Law-1992.

5.9. **The organizational function in charge of the internal auditor**- the Chairman of the Board of Directors.

5.10. **Access to information-** the internal auditor has free access, as stated in Section 9 of the Internal Audit Law-1992, including constant access to the information system of the Company and the subsidiary, including financial data.

5.11. **Internal auditor's report**- the internal auditor's report for the reporting period, which was presented in writing, included an examination concerning the security of means of payment.

5.12. **Assessment by the Board of Directors of the internal auditor's activities**- the Company's Board of Directors believes that the nature and continuity of the activities of the internal auditor and his work program are reasonable in consideration of the Company, the scope and complexity of the Company and its business, and the activities of the internal auditor and his work program to achieve the goals of the internal audit in the company.

6. Disclosure regarding salary accountant auditor

Name- Shai Nagor, CPA, from Deloitte Israel.

	2015		2014	
	Work hours	**Fees (in NIS 000)**	**Work hours**	**Fees (in NIS 000)**
Total for audit services, services connected with audit and current tax services	2,150	243	1,682	163
Total for related services	-	-	28	19
Total	2,150	243	1,710	182

The fee of the outside independent auditor is determined according to the value of the service given as is accepted in the market in which the Company operates and pursuant to the scope of the service given. The fee of the outside independent auditor was approved by the Company's Board of Directors.

7. Disclosure regarding the Process of Approval of the Financial Reports

The officers in charge of overall control are the CEO of the Company-Ms. Tamar Kfir and the Chairman of the Board of Directors- Mr. Yigal Ehrlich. See detail in Regulation 26A in Chapter D of the Periodic Report for details concerning the education and experience of Ms. Kfir and Mr. Yigal Ehrlich.
The Company established a Committee for the Examination of the Financial Statements of the Company (hereafter, in this subsection: "**the Committee**"), designated to thoroughly examine the Company's financial statements, and accordingly, to recommend to the Company's Board of Directors regarding approval of the financial statements. The Committee members are Ms. Elka Nir,

Chairperson of the Committee, (an outside director), Ms. Michal Sapir (an outside director) and Mr. Doron Birger (an independent director). The Committee members other than Ms. Nir, possess accounting and financial expertise, as defined in Regulation 1 of the Companies Regulations (Conditions and Tests for a Director Possessing Accounting and Financial Expertise and a Director Possessing Professional Competence)-2005. See Regulation 26 of Chapter D to the Directors Report regarding the qualifications and education of the Committee members. The Committee members were appointed after qualifying examinations and filling out proper declarations, as required by law.

The Company's financial statements for the year of 2015 were discussed in a meeting of the Committee held on March 27, 2015 and in a follow-up meeting on March 19, 2015. In the context of the discussion, Ms. Elka Nir, Chairperson of the Committee, Ms. Michal Sapir (an outside director) and Mr. Doron Birger (an independent director) attended. For purposes of presenting the data and providing explanations, present at the meeting were Ms. Tamar Kfir, CEO of the Company, Yoram Azulai, CFO of the Company, a representative of the Company's independent outside auditor, (Shai Nagor, CPA, of the Deloitte firm) and a representative on behalf of the Company's legal counsel (Attorney Reut Alfiah from the firm of Zysman, Aharoni, Gayer & Co., attorneys). Prior to the meeting, a draft of the financial statements for the reporting period, a draft Directors' Report and a presentation including details of profit and loss and research and development expenses as well as a presentation that included details of the profit and loss and of the research and development expenses, as well as evaluations that served for purposes of the reports and which are material evaluations and are attached to this report, were sent to the Committee members. During the meeting, inter alia, the following subjects were discussed: (1) the accounting policies adopted and the accounting treatment implemented for material matters; (2) estimates and assessments made in connection with the financial statements; (3) evaluations, including the assumptions and estimates on which the financial statements relied; (4) the internal controls connected with the financial reporting; (5) data of the Company's financial statements for the reporting period. The CFO displayed a presentation that included information related to the data included in the financial statements. The Committee members asked questions connected with the above subjects and received answers to their questions.

The recommendations of the Committee in relation to sections 1-6 above were transmitted to the members of the Board of Directors on March 27, 2015. The financial statements for the reporting period were transferred to the members of the Board of Directors on March 30, 2015, that is, 3 days prior to the date of the meeting of the Board of Directors at which the financial statements were discussed. In view of the scope and complexity of the recommendations, the Board of Directors determined that three days prior to the date of the meeting of the Company's Board of Directors is a reasonable period of time in the circumstances for transferring the recommendations. The financial statements of the Company were discussed and approved at a meeting of the Company's Board of Directors held on March 30, 2015, after these reports and the Directors' Report were sent to the members of the Board of Directors. In the context of the meeting of the Board of Directors, the recommendations of the Committee were brought before the members of the Board of Directors, and also a review and analysis was given by the Company's CEO and CFO, who presented in detail the principal parts of the financial statements, including the operating results, cash flows and the financial position of the Company. The following directors participated at the meeting of the Board of Directors: The Chairman of the Board of Directors, Mr. Yigal Ehrlich, Mr. Doron Birger (an independent director), Ms. Michal Sapir (an outside director), Ms Elka Nir (an outside director), Ms Meirav Kay (participated by telephone), Dr. Tamar Raz, Mr. Baruch Halpert and Mr. Oren Levy. For purposes of presenting the data and providing explanations, Ms. Tamar Kfir, CEO of the Company, Yoram Azulai, CFO of the Company, y, a representative of the Company's independent outside auditor, (Shai Nagor, CPA, of the Deloitte firm) and a representative on behalf of the Company's legal counsel (Attorney Eran Ben-David and Attorney Reut Alfiah from the firm of Zysman, Aharoni, Gayer & Co., attorneys), were invited and were present at the discussion. After approval of the financial statements for the reporting period by the Board of Directors as mentioned above, the managers of the Company were authorized to sign the financial statements and the Directors' Report in the name of the Board of Directors.

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

1. Disclosure regarding events subsequent to the reporting date

   As detailed in Part A of the Directors' Report.

2. Disclosure regarding critical accounting estimates

   See Note 3 to Chapter C of the Periodic Report for critical accounting estimates of the Company.

3. Disclosure regarding material evaluations

See the evaluations attached to this Periodic Report as well as detail according to Regulation 8B in Chapter D to this Periodic Report for data presenting the very material evaluations, as this term is defined in the Securities Regulations (Periodic and Immediate Reports)-1970, which served as the basis for determining the value of data in the financial statements for the reporting period.

Tamar Kfir	**Yigal Erlich**
CEO	**Chairman of the Board**

Date: 30.3.2016

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Financial Statements
As of December 31, 2015

IMPORTANT

This document is an unofficial translation of the Hebrew original "Consolidated Financial Statements", dated December 31, 2015 from the financial statements of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange ("TASE") and the Israeli Securities Authority on March 31, 2016.
The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version. This translation is for the convenience of English readers.

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Financial Statements
as of December 31, 2015

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HBL: Hadasit Bio-Holdings Ltd.
Consolidated Statements of Financial Position

	Note	As of December 31 2015 NIS thousands	2014 NIS thousands
Current Assets			
Cash and cash equivalents	5	56,602	6,038
Short-term deposit		507	504
Investments in negotiable securities		159	2,790
Receivables and debit balances	6	1,144	1,694
Tradable financial assets	8	900	2,055
		59,312	13,081
Non-current assets			
Rent receivable	17	-	172
Leasing deposit		18	18
Financial asset at fair value through profit and loss	19	2,545	1,798
Investments in affiliated companies	7	-	2,791
Fixed assets, net	9	345	531
Intangible assets, net	10	6,390	14,027
		9,298	19,337
Total Assets		68,610	32,418
Current Liabilities			
Overdraft		-	51
Vendors and service-providers	11(a)	1,157	1,834
Payables and credit balances	11(b)	1,925	1,875
		3,082	3,760
Non-current Liabilities			
Expenses payable	17	525	732
Convertible loan from outside shareholders	12	1,082	1,263
Liabilities for employee benefits		-	39
Royalties payable	16	3,620	4,512
		5,227	6,546
Equity			
Share capital	14	3,121	1,428
Premium on shares	14	130,639	116,722
Options	13	654	2,639
Capital fund from activities with controlling party		754	754
Capital fund on account of share-based payment transaction	15	707	689
Capital fund on account of marketable financial assets	8	-	(323)
		135,875	121,909
Loss Balance		(122,882)	(107,576)(*)
Total equity imputed to the owners of the parent Company		12,993	14,333(*)
Nonvoting rights		47,308	7,779(*)
Total equity		60,301	22,112
Total Liabilities and Equity		68,610	32,418

(*) Non-material adjustment, see Note 30.

March 30, 2016			
Date of approval of Financial statements	Yigal Erlich Chairman of the Board of	Tamar Kfir CEO	Yoram Azulai CFO

Directors

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Statements of Comprehensive Profit (Loss)

	Note	As of December 31		
		2015	2014	2013
		NIS thousands	NIS thousands	NIS thousands
Research and development expenses, net	21	(8,089)	(7,408)	(7,945)
Management and general expenses	22	(6,377)	(5,489)	(5,103)
Other income (expenses), net	23	(8,701)	5,847	2,824
Loss from regular operations		(23,167)	(7,050)	(10,224)
Financing income	24	2,545	1,350	267
Financing expenses	25	(883)	(1,447)	(1,637)
Financing income (expenses), net		1,662	(97)	(1,370)
Loss after financing		(21,505)	(7,147)	(11,594)
Company's share in the losses of its Portfolio Companies	7	(2,791)	(3,335)	(7,878)
Loss for the year		(24,296)	(10,482)	(19,472)
Amounts which will be classified as profit or loss in the future				
Other comprehensive loss				
Profit (loss) from adjusting the fair value of marketable financial assets		323	(441)	364
Total comprehensive loss for the year		(23,973)	(10,923)	(19,108)
Loss for the year imputed to:				
Owners of the parent company		(16,645)	(6,359)(*)	(15,190)
Non-voting rights		(7,651)	(4,123)(*)	(4,282)
		(24,296)	(10,482)	(19,472)
Total comprehensive loss for the year imputed to:				
Owners of the parent company		(16,322)	(6,800)(*)	(14,826)
Non-voting rights		(7,651)	(4,123)(*)	(4,282)
		(23,973)	(10,923)	(19,108)
Loss per regular share par value 0.01 NIS per share				
Basic and diluted loss per share (in NIS)	27	(0.47)	(0.2)(**)	(0.6)(**)
Number of shares used in the above calculation (in thousands) (**)		35,414	27,068(**)	25,305(**)

(*) Non-material adjustment, see Note 30.
(**) See Note 27.

HBL: Hadasit Bio-Holdings Ltd.
Consolidated Statement of Changes in Equity

	Capital Stock	Premium on Shares	Options	Capital Fund from Activities with Controlling Party	Capital Fund on account of Share-based Payment Transactions	Capital Fund on account of Marketable Financial Instruments	Loss Balance	Total imputed to owners of parent Company	Nonvoting Rights	Total Equity
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2013	1,265	112,979	2,065	754	1,926	(246)	(88,903)	29,840	6,022	35,862
Investment in subsidiary - transaction with minority	-	-	-	-	-	-	2,876	2,876	4,681	7,557
Fair value adjustment of financial assets available for sale	-	-	-	-	-	364	-	364	-	364
Investment in subsidiary - transaction with minority	-	-	-	-	-	-	-	-	540	540
Share based payments	-	-	-	-	36	-	-	36	-	36
Loss for year	-	-	-	-	-	-	(15,190)	(15,190)	(4,282)	(19,472)
Balance as of Dec. 31, 2013	1,265	112,979	2,065	754	1,962	118	(101,217)	17,926	6,961	24,887
Fair value adjustment of financial assets available for sale	-	-	-	-	-	(441)	-	(441)	-	(441)
Investment in subsidiary - transaction with minority	-	-	-	-	-	-	-	-	386	386
Share based payments	-	-	-	-	150	-	-	150	-	150
Expiration of options to employees	-	1,340	-	-	(1,340)	-	-	-	-	-
Forfeiture of options to employees	-	-	-	-	(83)	-	-	(83)	-	(83)
Entry into consolidation of affiliated company	-	-	-	-	-	-	-	-	3,823	3,823
Exit from consolidation of subsidiary	-	-	-	-	-	-	-	-	732	732
Issuance of shares and options, net	163	2,403	574	-	-	-	-	3,140	-	3,140
Loss for year	-	-	-	-	-	-	(6,359)(*)	(6,359)(*)	(4,123)(*)	(10,482)
Balance as of Dec. 31, 2014	1,428	116,722	2,639	754	689	(323)	(107,576)(*)	14,333(*)	7,779(*)	22,112
Investment in subsidiary - transaction with minority	-	-	-	-	-	-	1,224	1,224	(1,224)	-
Investment in subsidiary - transaction with minority	-	-	-	-	-	-	60	60	47,786	47,846
Realization of options of a subsidiary-transaction with minority	-	-	-	-	-	-	55	55	(55)	-
Fair value adjustment of financial assets available for sale	-	-	-	-	-	323	-	323	-	323
Investment in subsidiary - transaction with minority	-	-	-	-	-	-	-	-	673	673
Share based payments	-	-	-	-	81	-	-	81	-	81
Expiration of options to employees	-	35	-	-	(35)	-	-	-	-	-
Forfeiture of options to employees	-	-	-	-	(28)	-	-	(28)	-	(28)
Expiration of options	-	2,639	(2,639)	-	-	-	-	-	-	-
Issuance of shares and options, net	1,693	11,243	654	-	-	-	-	13,590	-	13,590
Loss for year	-	-	-	-	-	-	(16,645)	(16,645)	(7,651)	(24,296)
Balance as of Dec. 31, 2015	3,121	130,639	654	754	707	-	(122,882)	12,993	47,308	60,301

(*) Non-material adjustment, see Note 30.

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Statements of Financial Position

	As of December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Cash flows for current operations			
Loss for the year	(24,296)	(10,482)	(19,472)
Adjustments required to display cash flows for current operations (Appendix A)	11,037	(1,761)	7,861
Net cash used for regular operations	(13,259)	(12,243)	(11,611)
Cash flows from (for) investment activities			
Interest income	9	20	255
Investment in negotiable securities and deposits	-	(4,300)	(5,170)
Realization of negotiable securities	2,634	7,817	7,360
Investment in securities available for sale	-	(932)	-
Realization of financial assets available for sale	185		
Investment in Portfolio Companies	(1,007)	(1,846)	-
Deconsolidation of consolidated company (Appendix B)	-	(715)	-
Entry of affiliated company into consolidation (Appendix C)	-	254	-
Removal from pledge	-	440	-
Sale of fixed assets	76	-	-
Acquisition of fixed assets	(15)	(94)	(367)
Net cash produced by investment activities	1,882	644	2,078
Cash flows from (for) financing activities			
Issues of Company shares and warrants, net	13,590	3,140	-
Payments of bank fees and interest	(24)	(17)	(34)
Loans from the Chief Scientist	582	912	757
Minority investment in consolidated Company	44,014	-	7,557
Bank credit	(51)	51	-
Issuance of options to investors	-	-	84
Receipt of loans from investors	3,832	151	-
Net cash produced by financing activities	61,943	4,237	8,364
Influence of exchange-rate changes on cash and cash-equivalents on hand	(2)	603	(585)
Increase (decrease) in cash and cash equivalents	50,564	(6,759)	(1,754)
Balance of cash and cash equivalents at the start of the year	6,038	12,797	14,551
Balance of cash and cash equivalents at the end of the year	56,602	6,038	12,797

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Statements of Financial Position

APPENDIX A - ADJUSTMENTS REQUIRED TO DISPLAY CASH FLOWS FOR CURRENT OPERATIONS

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Expenses that do not involve cash flows:			
Share in losses of Portfolio Companies	2,791	3,335	7,878
Gain from exit from consolidation of investee company	-	(5,857)	-
Gain from entry into consolidation of investee company	-	(2,227)	-
Gain from changes in rates of holding of investee company	-	-	(4,441)
Loss from impairment of investment in investee company	-	2,237	18
Loss from impairment of intangible asset	7,389	-	-
Depreciation and amortization	373	405	412
Financing expenses	883	1,447	1,637
Financing income	(2,545)	(1,350)	(267)
Share-based payment	53	67	36
decrease in liabilities on account of employee benefits	(39)	(8)	(10)
Share-based based in affiliates	673	386	540
Loss from impairment of financial asset available for sale	1,294	-	1,599
Changes in asset and obligation lines:			
Decrease (increase) in receivables and debit balances	484	653	(359)
Increase (decrease) in payables, credit balances, and other liabilities	42	(1,837)	2,562
Increase (decrease) in payables	(207)	732	(2,774)
Increase (decrease) in vendors and service-providers	(154)	256	1,030
	11,037	(1,761)	7,861

APPENDIX B - DECONSOLIDATION OF CONSOLIDATED COMPANY

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Receivables and debit balances	-	105	-
Investment according to equity method	-	(3,967)	-
Fixed assets, net	-	54	-
Vendors and service-providers	-	(335)	-
Creditors and credit balances	-	(487)	-
Obligation for royalties payable	-	(2,643)	-
Obligation for termination of employment	-	(31)	-
Non-voting rights	-	732	-
Gain from exit from consolidation	-	5,857	-
Cash and cash equivalents	-	(715)	-

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Statements of Financial Position

APPENDIX C – ENTRY OF AFFILIATED COMPANY INTO CONSOLIDATION

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Receivables and debit balances	-	(96)	-
Investment according to equity method	-	4,727	-
Fixed assets, net	-	(102)	-
Intangible assets	-	(12,975)	-
Vendors and service-providers	-	205	-
Creditors and credit balances	-	228	-
Royalties payable	-	1,254	-
Obligations for employees' benefits	-	51	-
Convertible loan from outside shareholders	-	912	-
Non-voting rights	-	3,823	-
Gain from entry into consolidation	-	2,227	-
Cash and cash equivalents	-	254	-

HBL: Hadasit Bio-Holdings Ltd.
Consolidated Statements of Financial Position

Note 1 – General

A. General Description of the Company and its Activity:

HBL - Hadasit Bio-Holdings, Ltd. (hereinafter: "the Company"), was incorporated in Israel on September 19, 2005, by Hadasit Medical Research Services and Development, Ltd. (hereinafter: "Hadasit"). The Company's main offices are located in Jerusalem.

The Company, through companies in which it has holdings, engages in research and development in the medical and biotechnology fields.

In September 2005, an agreement was signed between Hadasit and the Company.
Following this step, in January 2006, Hadasit transferred to the Company its holdings in a number of high-tech companies engaged in medical and biotechnology research and development (hereinafter: "the R&D companies"). The transfer of the holdings was implemented to make it possible to raise funds from the public by means of a public offering of securities and their registration on the Tel Aviv Stock Exchange (hereinafter: "the TASE").

The Company has holdings in six biotechnology companies; Enlivex Therapeutics Ltd. (hereafter: "Enlivex"), Cell Cure Neurosciences Ltd. (hereafter: "Cell Cure"). ProtAb Ltd. (hereafter: "ProtAb"), KAHR Medical (2005) Ltd. (hereafter: "KAHR"), BioMarCare Technologies Ltd. (hereafter: "BioMarCare"), D-Pharm Ltd. (hereafter: "D-Pharm"), all of which have the status of success in the feasibility stages , namely-efficacy of the medications in the animal models, while four, including Enlivex, CellCure, D-Pharm and BioMarCare are at the stage of clinical trials on human beings, as well as an additional company, KAHR, which has received approval to start clinical trials on human beings at three medical centers in Israel. As of the date of the Periodic Report, ProtAb and BioMarCare froze all of their activities, except in relation to locating partners in order to commercialize the technology.

Hadasit is fully owned and controlled by the Hadassah Medical Organization (hereinafter: "Hadassah").

Hadassah is a medical institution that includes two hospitals in Jerusalem, Hadassah Ein Kerem and Hadassah Mount Scopus, professional schools for medical disciplines, and research centers. Hadasit is Hadassah's technology transfer company. Discoveries and developments made by physicians at Hadassah (hereinafter: "the researchers") are transferred for development by Hadasit, whose role is to safeguard the intellectual property, mobilize resources, and commercialize the scientific discovery.

Hadasit implements the commercialization of the scientific ideas and mobilization of resources by setting up Portfolio Companies to which it extends a usage license in the intellectual property and which then work to commercialize the scientific discoveries developed at Hadassah. This is how Hadasit established the R&D companies.

The company made an initial public offering of shares and options on the TASE in January 2006.

B. Business condition of the Company:

As of December 31, 2015, the Company (in its separate financial statements) had cumulative losses in an amount of approximately NIS 122,882 thousand, a loss for the year of NIS 24,296 thousand (NIS 16,645 thousand in the separate reports) and negative cash flows from current operations of NIS 13,259 thousand (NIS 4,434 thousand in the separate reports) for the period ended on that same date. Moreover, as of the balance sheet date, the Company (in its separate reports) has cash and cash equivalents and marketable securities in an amount of NIS 9,050 thousand, which according to the estimation by the Company's management of its cash flows forecast, will permit its continued operations during the coming months. The Company must obtain additional financing for purposes of continuing its operations.

The Company's management is acting in order to raise additional financing.

These factors raise significant doubts regarding the continued existence of the Company as a "going concern". In the financial statements, adjustments have not been included at all with respect to the values of the assets and liabilities and their classification which it is possible will be required if the Company will be unable to continue to operate as a "going concern".

C. Definitions:

The Company - HBL - Hadasit Bio-Holdings Ltd.

The Group - The Company and its Portfolio Companies (the R&D companies).

Related parties - As defined in IAS24.

Controlling parties - As defined in the Securities Regulations (Annual Financial Statements) 5770-2010.

Principals - As defined in the Securities Law 5728-1968, with its amendments.

Index - The consumer price index, as published by the Central Bureau of Statistics.

Dollar - The United States dollar.

Consolidated companies - Companies directly or indirectly controlled by the Company (as defined in IFRS 10) whose financial reports are fully consolidated with those of the Company.

Affiliated companies - Companies in which the Group has a material influence.

Portfolio Companies - Consolidated companies and affiliated companies.

Other companies - Companies in which the Company holds a stake but does not have control, joint control, or material influence.

Note 2 - Main Principles of the Accounting Policy

A. Statement of the Application of International Financial Reporting Standards (IFRS):

The Group's consolidated financial reports were drawn up in keeping with International Financial Reporting Standards and the Q&As to them published by the International Accounting Standards Board (IASB). The main principles of the accounting policy, as described below, were applied consistently throughout all of the reporting periods covered in these consolidated financial reports.

B. The financial statements were prepared pursuant to the Securities Regulations (Annual Financial Statements) 5770-2010 (hereinafter: "Financial Report Regulations").

C. Format of the Statement of Financial Position:

In its Statement of Financial Position, the Group breaks down its assets and liabilities into current and non-current items.

D. Format of the Analysis of Expenses recognized as Profit or Loss:

On the Profit and Loss Statement, the Group breaks down its assets and liabilities on the basis of the nature of the activity to which the expense applies. In the Group's estimation, and in light of the

Group's organizational structure, classifying expenses in this way provides reliable and relevant information.

E. Foreign Exchange:

(1) Operating Currency and Reporting Currency

The financial statements of each of the companies in the Group are drawn up in the currency of the main economic environment in which it operates (hereinafter: "the operating currency"). In order to consolidate the financial reports, the results and financial positions of each of the companies of the Group are displayed in New Israeli Shekels, which is the operating currency of the Company.

(2) Translation of Transactions Not in the Operating Currency

In the financial statements for each of the companies of the Group, transactions that were conducted in currencies other than the operating currency for that company (hereinafter: "foreign currency") were recorded at the exchange rate in force on the dates of the transactions. At each balance period, monetary items denominated in foreign currency are translated using the exchange-rate in force at that date; nonmonetary items that are measured at fair value and denominated in foreign currency are translated according to the exchange rate for the date when the fair value was set; non-monetary items measured in terms of historical cost are translated according to the exchange rates in force on the date when the transaction related to the nonmonetary item took place.

(3) Recording of Exchange-Rate Differentials

Exchange-rate differentials are recognized in the Profit and Loss Statement for the period in which they were accrued.

F. Cash and Cash Equivalents:

Cash and cash equivalents, including both demand deposits and fixed-term deposits on which there is no restriction on their use and whose maturity date, at the time of the investment, does not exceed three months.

Deposits which are restricted regarding their use and deposits with a redemption date as that exceeds a period of three months of the date that the investment was made in them are classified in the framework of short term deposits.

G. Interest Received or Paid:

Cash flows from interest received are classified on the Cash Flow Statement under investment activity. Cash flows for interest paid are classified on the Cash Flow Statement under Financing Activity.

H. Consolidated Financial Statements:

(1) General:

The Group's consolidated financial statements include the financial statements of the Company and of entities, including "consolidated structured entities", controlled by the Company, directly or indirectly. An investing company controls an invested company when it is exposed or has rights to variable returns from its holding in the invested company, and when it has the ability to influence those returns through use of force on the investee. The principle applies to all investees, including structured entities.

Potential voting rights are considered substantial when the Group has the ability to exercise them. When substantial potential voting rights exist, such as: convertible instruments, options and forward contracts with the investee held by the Company or other parties holding an investment, the realization of which will increase/decrease the voting rights of the held entity, the Group determines if the existence of substantial potential voting rights together with other voting rights which exist in the investee, lead to the existence of control.

The results of the activities of subsidiaries that were acquired or realized during the period of the report are included in the Company's Consolidated Profit and Loss Statements, starting on the date when such control was acquired or until the date when this control was terminated, as appropriate.

For the purposes of consolidation, all transactions, balances, and inter-Company income and expenses are canceled out in full.

In cases in which a subsidiary has a number of classes of shares, the Company implements the method of hypothetical liquidation at book value. As per this method, the share of the Company and of the owners of rights not providing control in the earnings of the subsidiary are determined on the assumption that on the date of the statement of financial position of the subsidiary, it sells or distributes its assets according to their book value, while considering distributions and additional investments carried out by its shareholders.

(2) Nonvoting Rights:

The share of nonvoting rights in the net assets, other than good will, of consolidated subsidiaries is displayed separately under the Group's equity. Nonvoting rights include the total sum of such rights on the date when the transactions are aggregated (see below) as well as the share of the nonvoting rights in changes that took place in the equity of the consolidated company after the date of the aggregation of the transaction.

Losses by the consolidated companies that relate to nonvoting rights and that exceed nonvoting rights in the equity of the consolidated companies are allocated to nonvoting rights, ignoring the obligations and ability of those same rights owners to make additional investments in the consolidated companies.

The results of transactions with the holders of nonvoting rights that related to realization of part of the Group's investment in the consolidated company, when control of the latter is maintained, are imputed to the equity ascribed to the owners of the parent company within the framework of the "Net Loss" section.

(3) Loss of Control:

At the time of the loss of control of a consolidated company, the company recognizes the amount of the difference between the aggregate value of the compensation received and the fair value of any investment whatsoever that remains in the formerly consolidated company, and the book value of the assets, liabilities, and nonvoting rights of the former consolidated company, as profit or loss. Any remaining investment in the formerly consolidated company is considered to be the fair value at that date with regard to the initial impact of the application of IAS 27 (amended).

I. Business combinations:

The acquisition of operations and subsidiaries is measured by use of the purchase method. The cost of the business combination is measured at the cumulative fair value (as of the exchange date) of the assets given, liabilities incurred and equity instruments issued by the Group in consideration for attaining the control of the acquired, the fair value of the holdings of the Group in the acquired entity prior to the business combination, as well as the incremental value derived from the exchange of share based payment arrangements attributed to the cost of the business combination.

Transaction costs, connected directly to the business combination, are recorded to profit or loss as incurred.

The identifiable assets of the entity acquired, the liabilities and the contingent liabilities recognized, meeting the conditions for recognition pursuant to IFRS 3 "Business Combinations"(amended), are recognized as per the provisions of the relevant standards.

Goodwill resulting from a business combination is measured to the extent of the excess acquisition cost, with the addition of the fair value of the rights not providing control, over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, or are measured to the extent of the excess acquisition cost over the Company's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, recognized on the acquisition date. If, after reevaluation, the amount of Group rights in the net fair value of the recognized identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

Rights not providing control in the acquired company are measured initially as of the business combination date to the extent of their share in the fair value of the assets, including goodwill, liabilities and contingent liabilities of the acquired entity, except for their share in good will.

Rights not providing control, which do not provide current ownership rights, such as options and the equity element of debentures convertible into shares of the acquired company are presented at fair value, except for share based payments of the acquired company that are measured on the date of the business combination as stated in Note 2.Q. with regard to share based payments. See Note 2.H.(2) regarding the accounting policies regarding the rights not providing control.

J. Investments in Affiliated Companies:

An affiliated company is an entity in which the Group has a material influence, but it is not a subsidiary, rights in a joint venture, or an entity under joint control. Material influence is the ability to take part in making decisions relevant to the financial and operating policy of the Portfolio Company, but is not control or shared control of such policy. With regard to the existence of material influence, account is taken of potential voting rights that may be realized or converted immediately into shares of the Portfolio Company.

When potential voting rights which are immediately exercisable exist, such as warrants/options/equity instruments which can be converted or exercised and can increase the Group's voting rights in another entity, or alternatively, reduce the voting rights of other parties in another entity, the Group takes into consideration these instruments when determining whether it has significant influence in another entity. Equity instruments are not considered immediately convertible or exercisable of, for example, they cannot be exercised until a certain future date or until a certain future event.

When determining whether certain potential voting rights can be immediately exercised, management's intentions and the Group's financial ability to exercise or convert said rights are not taken into account.

Affiliated companies' results, assets, and liabilities are included in these financial statements using the book-value method. According to the book-value method, investments in affiliated companies are included in the consolidated statement of financial position at a cost that is adjusted to the changes that took place, after the purchase, in the Group's share of net assets, including capital funds, less decreases, where such exist, in the value of the affiliated company. For information concerning the assessment of an impairment of an investment in an affiliated company, see Note 2.11.

Any excess of the acquisition cost of an affiliated company over the Group's share of the fair value of identified assets, liabilities, and dependent liabilities of the affiliated company that were recognized at the time of purchase are recognized as good will. Good will is included at the book value of the

investment in the affiliated company and is inspected for a loss of value as part of the investment. Any excess of the Group's share of the net fair value of identified assets, liabilities, and dependent liabilities over the acquisition cost of the affiliated company, after revaluation, are recognized immediately in the Profit and Loss Statement.

Profits or losses created by transactions between the Company and/or a consolidated company and a company affiliated with the Group, are canceled out in proportion to the Group's share of the rights in the relevant affiliated company.

In cases in which an affiliated company has a number of classes of shares, the rate of distribution of the earnings is executed according to rates that differ from the rates of holding of the equity rights (members) in the affiliated companies. The Company implements the layers while considering the arrangements for distribution of the profits and the losses.

As per this method, the share of the Company and of the owners of rights not providing control in the earnings of the subsidiary are determined on the assumption that at the end of the reporting period, the affiliated company sells or distributes its assets and repays its liabilities according to their book value, while considering distributions and additional investments carried out by the owners of the other equity rights.

The Company stops using the equity method from the date that the investment ceases to be an affiliated company or a joint venture (or when the investment is classified as held for sale, whichever is earlier). At the time of loss of significant influence, any investment remaining after the realization is measured at fair value. The difference between the book value of the investment and its fair value is recorded to profit and loss. Moreover, the amounts recognized in other comprehensive income in relation to that same investment are treated in the same manner that would have been required, had the investee entity itself realized the related assets and the related liabilities.

K. Impairment of investments handled in accordance with book value:

The Group is examining the existing of signs of an impairment in investments handled in accordance with the equity method. An impairment occurs when there is objective evidence that expected future cash flows from an investment have been adversely affected.

Determining the impairment of an investment is done for the entire investment. Accordingly, recognized impairment loss from the investment is not attributable to assets comprising the investment account, including goodwill, but is attributed to the investment as a whole, and therefore the Group recognizes the reversal of loss recognized from investments accounted for using the equity method, when there is a rise in a recoverable amount.

In order to determine the amount of loss due to an impairment, if any, an estimation is performed of the recoverable amount of the investment. A recoverable amount is the higher of the investment's fair value minus the disposal cost and the value in its use. By determining the investments value in use, the Group estimates its share in the present value of estimated future cash flows from the Company's operations, or the present value of the estimated future cash flows which are expected to be derived from dividends received from the investment and its final disposal.

L. Goodwill:

Goodwill resulting from a business acquisition is measured by the excess of the acquisition cost over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, or measured to the extent of excess of the acquisition cost over the share of the Company in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized as of the acquisition date. The manner of measuring goodwill as per the alternatives specified above is determined on an individual basis for each business combination.

Goodwill is initially recognized as an asset at its cost and is measured in subsequent periods at cost less accumulated losses from impairment of value.

For the purpose of testing impairment of value, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergy of business combinations. Cash-generating units to which goodwill has been allocated are tested for impairment of value annually, or more frequently when there is an indication of the possible impairment of value of such unit. If the recoverable amount of the cash-generating unit is lower than the book value of the unit, the loss from impairment of value is allocated first to reduce the book value of any goodwill allocated to the cash-generating unit. After that, the balance of the loss from impairment of value, if any remains, is allocated to the other assets of the cash-generating unit pro-rata to their book value. A loss from impairment of value of goodwill is not reversed in subsequent periods.

At the time of realization of a subsidiary, the amount of the relevant goodwill is included in determining the gain or the loss from realization.

See Note 10 as regards the Group's policies with regard to goodwill derived from the acquisition of an affiliated company and/or a joint venture.

M. Fixed assets:

A fixed asset is a tangible item that is held for use to provide services and which is expected to be used during more than one period. The Group displays its fixed asset items in the following manner:

The cost model - Fixed asset items are displayed on the financial statement according to their cost, less cumulative depreciation. The cost includes the acquisition cost of the assets as well as costs that can be directly attributed to bringing the asset to the location and condition required for its use in the manner intended by management.

Fixed assets are depreciated separately for each component of depreciable fixed assets that has a significant cost relative to the total cost of the item. The depreciation is implemented systematically by the straight-line method over the anticipated useful life of the components of the item, from the date when the asset is ready for its intended use, taking account of the expected residual value at the end of its useful life.

The useful life and depreciation rate used to compute depreciation are as follows:

	Depreciation rate	**Useful life**
	%	**(years)**
Computers, furniture, and office equipment	6-33	3-17
Improvements to leasehold	20	5

The residual values, depreciation method, and useful life of the asset are evaluated by the Group's management at the end of each financial year. Changes are treated as changes of estimate from this time forward.

N. Intangible Assets, Excluding Good Will:

(1) Intangible assets are identifiable non monetary assets without physical substance. Intangible assets with an indefinable useful life are not amortized and are examined for purposes of evaluating impairment of value once each year or when there is a sign indicating that impairment in value may have taken place under the provisions of IAS 36. The estimate of the useful life of intangible assets with an indefinable useful life is evaluated at the end of each reporting year. A change in estimate of the useful life of an intangible asset converting it from indefinable to definable is treated prospectively.

(2) Intangible assets with a defined useful life are straight-line depreciated over their anticipated useful life, subject to an assessment of the decline in value. A change in the estimated useful life

of an intangible asset with a defined life is treated as being from this time forward.

The depreciation rates used for depreciating intangible assets with a defined useful life are as follows:
License for intellectual property- 10 years.

(3) Intangible assets acquired in the framework of business combinations are identified and recognized separately from goodwill when they comply with the definition of an intangible asset and their fair value can be measured in a reliable manner. Intangible assets are identifiable when they are inseparable or are derived from contractual or other legal rights. Intangible assets such as these are recognized at their fair value on the date of the business combination.

In periods subsequent to initial recognition, intangible assets acquired in a business combination are presented at cost less accumulated amortization and accumulated losses from impairment of value. Amortization of intangible assets with a defined useful life is calculated in accordance with the straight line method over its estimated useful life. The estimation of useful life and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(4) Intangible Assets Created Internally - Research and Development Costs:

Costs on account of research activities are imputed to the Profit and Loss Statement at the time of their creation, less grants and participation.

An intangible asset created internally by the Group's research activities are recognized, less grants and participation, only if all of the following conditions pertain:

- It is technically feasible to develop the asset in such a way that it will be available for use or sale.
- The Group intends to develop the asset and to use it or sell it.
- The Group has the ability to develop the asset and to use it or sell it.
- It can be expected that the asset will produce future economic benefits.
- The Group possesses the technical, financial, and other available resources to complete development and to use or sell the asset.
- The costs that will be incurred during the course of development and that can be ascribed to the asset can be measured reliably.

When an intangible asset created internally cannot be recognized, the development costs are imputed to the Profit and Loss Statement at the time of their creation.

As of the date of the financial statements, the conditions for the recognition of such an asset did not exist.

For the manner of treatment of grants received from the Chief Scientist and royalties paid on account of them, see Note 2.18.

(5) Material intangible assets:

The Group holds a license to use intellectual property that complements the existing intellectual property for production of a product. The book value of the patent as of December 31, 2015 is NIS 804 thousand (as of December 31, 2014: NIS 1,052 thousand).

The Group holds an intangible asset which was recognized at the time of the entry into

consolidation of a company that was an affiliated company of the Group. The book value of the research and development asset as of December 31, 2015 is NIS 5,586 thousand (as of December 31, 2014: NIS 12,975 thousand).

O. Decline in the Value of Investments and Tangible and Intangible Assets, Excluding Good Will:

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, other than inventory, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the amount of an individual asset cannot be estimated, the Group assesses the recoverable amount of the cash-generating unit to which the asset belongs. Joint assets are also attributed to individual cash-generating units in the event that there is a reasonable and consistent basis for the allocation. In the case that the joint assets cannot be attributed to individual cash-generating units on that basis, the joint assets will be attributed to the smallest groups of cash-generating units for which a reasonable and consistent allocation can be identified.

Intangible assets with an undefined useful length of life as well as intangible assets no longer available for use, are evaluated for purposes of impairment once each year, or with greater frequency, should indications be present that point to impairment of an asset.

The recoverable amount is the higher of the fair value of the asset less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense in the statement of profit and loss, except if the relevant asset was measured according to the revaluation model. In this case, the impairment loss is treated as a reduction of the revaluation reserve, until it is zero, and the balance of the reduction, if any, is recognized in the statement of profit and loss.

Where an impairment loss recognized in prior periods is cancelled, the book value of the asset (or cash-generating unit) is increased back to the revised estimate of its recoverable amount, but not in excess of the book value of the asset (or cash-generating unit) that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit and loss, except if the relevant asset was measured according to the revaluation model. In such case, the reversal of the impairment loss is recognized directly in profit and loss up to the amount of the reversal of the impairment recognized in profit and loss in previous periods, and the balance of the increase, should there be any, is recorded to other comprehensive income.

P. Financial Assets:

(1) General:

Financial assets are recognized on the Statement of financial position when the Group becomes a party to the contractual terms of the instrument. Where the purchase or sale of an investment is

pursuant to a contract whose terms require transferring the investment within the accepted time frame of the reference market, the investment is recognized or deducted at the time of the transaction (the date on which the Group committed itself to purchase or sell the asset).

Investments in financial assets are first recognized according to the comprehensive costs of the transaction, except for those financial assets that are classified at fair value through profit or loss, which are first recognized at their fair value.

When the estimate of the fair value of financial assets that are not traded in an active market includes assumptions not supported by anticipated market prices and values, the instrument is initially recognized at the transaction price, incorporating deferred gain or loss derived from the difference between the estimated fair value and the consideration paid or received. In succeeding periods, the deferred gain or loss is recorded to profit or loss only if changes have taken place in the variables which market participants take into account at the time of costing financial assets.

Financial assets are classed in the categories listed below. This classification depends on the nature and goal of the holding of the financial asset and is set at the date of first recognition of the financial asset or in subsequent reporting periods, if the financial assets can be reclassified:

Financial assets at their fair value through profit or loss.
Loans and receivables.
Tradable financial assets.

(2) Financial Assets at Fair Value through Profit or Loss:

Financial assets are classified as financial assets at fair value through profit or loss when those assets are held for trading or when, at the time of their first recognition, they were listed as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are displayed at fair value. Any profit or loss that stems from a change in the fair value, including those whose sources is a change in exchange rates, is recognized in the Profit and Loss Statement for the period in which the change took place. The net profit or loss recognized in the Profit and Loss Statement incorporates any dividend or interest produced on account of the financial asset.

The Company has investments in marketable securities which on the date of initial recognition, it has designated at fair value through profit or loss since they are held for trading purposes. Moreover, the Company has a convertible loan that is measured at fair value through profit and loss that it had provided to Cell Cure Neurosciences Ltd, which is an affiliated company. See Note 7.B.1.

(3) Loans and Receivables:

Deposits and other receivables with payments that are fixed or that can be fixed, and which are not quoted on an active market, are classified as Loans and Receivables. Loans and Receivables are measured at depreciated cost, using the effective interest method, less any decline in value, if there is one. Interest income is recognized using the effective interest method, except for short-term receivables, where the amount of interest to be recognized is not significant.

(4) Marketable Financial Assets:

Investments in negotiable and non-negotiable capital instruments, other than derivatives, and that were not classified as financial assets at fair value through profit or loss or as Loans and Receivables are classified as Marketable Financial Assets.

Investments in capital instruments traded on an active market are displayed at their fair value as

of the date of the balance sheet. Profits or losses that stem from changes in the fair value are directly imputed to owners' equity under the heading "Equity on account of Marketable Financial Assets," except for losses from a decline in value, which are recognized directly in the Profit or Loss Statement.

When the investments in these financial assets are realized, or when they show a decline in value, the cumulative profits or losses as of the date of the realization or decline in value, as appropriate, and that were imputed to the Capital Fund, are included in the Profit or Loss Statement for the period in which the realization or decline in value took place. The Company has an investment in shares of a company which it has designated on the date of initial recognition as a financial asset available for sale.

(5) Decline in the Value of Financial Assets:

Financial assets, aside for those classified as financial assets at fair value through profit or loss, are examined at every financial reporting date in order to identify signs of a decline in value. Such a decline in value occurs when there is objectives evidence that, as a result of one or more events that took place after the date when the financial asset was first recognized, the expected future cash flows of the investment have been adversely affected.

Investments in equity instruments classified as available for sale, a significant or prolonged decline in the fair value below their cost, is an indication of impairment.

For other financial instruments, indications of a decline in value may include the following:

- Significant financial difficulties exhibited by the issuer or debtor;
- A failure to make current payments on principal or interest;
- A forecast that the debtor will file for bankruptcy or reorganization;

With regard to a salable financial asset, when there is objective evidence of a decline in value, the cumulative loss that was directly recognized in owners' equity as a result of the decline in the fair value of the financial asset is reclassified to the Profit or Loss Statement. Losses from a decline in value that were recognized, as stated, in the Profit or Loss Statement on account of an investment in a capital instrument classified as salable, are not cancelled through profit or loss. Any increase in the fair value of investments in capital instruments classified as salable in the period after the period when the loss from the decline in value was recognized are imputed to Other Comprehensive Profit.

Q. Financial Liabilities and Capital Instruments issued by the Group:

(1) Classification as Financial Obligation or Capital Instrument:

Financial instruments that are not derivatives are classified as financial liabilities or capital instruments, as a function of the nature of their underlying contracts.

A capital instrument is any contract that attests to a residual right in the assets of the Group after deduction of all liabilities. Financial instruments issued by the Group are recorded according to the return for their issue, fewer expenses related directly to the issue of these instruments.

Financial liabilities are displayed and measured under the following classifications:

- Other financial liabilities.

(2) Other Financial Liabilities:

Other financial liabilities, such as Vendors, Payables, and Payable Royalties are first recognized at fair value after deduction of transaction costs. After the date of first recognition, other financial liabilities are measured at depreciated cost, using the effective interest method.

The effective interest method is a method for computing the depreciated cost of a financial obligation and of allocating interest expenses over the relevant period. The effective interest rate is the rate that precisely discounts the expected future cash flows over the expected life of the financial obligation to its book value, or over a shorter period, where appropriate.

(3) Splitting up the Proceeds from a Securities Package Issue:

The proceeds from the issue of a package of securities are attributed to the various components of the package. The proceeds are first attributed to financial liabilities measured at fair value through profit or loss and to other financial liabilities, which are measured at fair value only on the date when they are first recognized, while the balance is attributed to capital instruments. When mixed financial instruments are included in the package of securities, the other financial liabilities are recognized as the amount of the difference between the fair value of the comprehensive mixed instrument and the fair value of the financial liabilities that are measured by fair value through profit or loss. When a number of capital instruments are issued as part of a package of securities, the proceeds for the package are attributed proportional to their relative fair values. The fair value of each component of the package measured at fair value, as stated, is set in accordance with the market prices of the securities immediately after their issuance. The issuance costs are allotted to each of the component, prorated to the value set for each of the components issued. The costs of the issue that were allotted to financial liabilities measured by fair value through profit or loss are imputed to profit and loss as of the date of the issue. The issue costs that were allocated to other financial liabilities are displayed less the liabilities and imputed to profit and loss using the effective interest method. Interest costs allocated to capital instruments are displayed less owners' equity.

R. Government Grants and Grants by the Chief Scientist:

(1) Government Grants:

Government grants are systematically recognized as income for all reporting periods when a matching entry is created on account of the costs borne by the Group in order to be entitled to the grants. Government grants and grants from other foundations and agencies, which the Group is entitled to receive as compensation for expenses or losses created or for the purpose of immediate financial support, with no ascribed future costs, are recognized in the Profit and Loss Statement for the period in which the right to them was created.

(2) Grants by the Chief Scientist:

Grants from the Chief Scientist that the Group will have to repay with interest when prescribed conditions exist, and that are not loans that can be forgiven are recognized at the time of first recognition, as a financial obligation, at fair value, based on the present value of the expected cash flows for repaying the grant, discounted at a rate of 35%-45% capitalization that reflects the

level of risk of the research and development project. This rate of capitalization is based on research data published in public sources, which normalizes the position of the Group and the stage of development at which it stands. The difference between the amount of the grant and the fair value will be treated as a government grant.

In subsequent periods, the obligation is measured at depreciated cost, using the effective interest method.

Grants by the Chief Scientist are considered to be those that are not loans that can be forgiven, taking account of the Group's position and of management's expectations of the prospects for the success of the development (based on the current stage of the Group's development and management's assessments).

S. Share-based Payments:

Share-based payments to employees and others who provide similar services that are paid by means of capital instruments of the Group, are measured at their fair value at the time when granted. At the time of the grant, the Group measures the fair value of the capital instruments that are vested by means of the Black-Scholes Model. When the capital instruments that have been vested do not mature until those employees complete a defined period of service, or as a function of the existence of defined market conditions, the Group recognizes the share-based payment arrangements in its financial statements over the maturation period against an increase in owners' equity, under the heading "Capital Fund on account of Share-based Payment Transactions." At every balance sheet date, the Group estimates how many capital instruments can be expected to come to maturity. A change in the estimate for previous periods is recognized in the Profit and Loss Statement over the balance of the maturation period.

In share based payment transactions settled by equity instruments, in which goods or services are received, the goods or services received, and the parallel increase in equity, are presented at the fair value of the goods or the services.

T. Income Tax:

In light of the losses for tax purposes that the Company and its Portfolio Companies have accumulated, and given the expectation that there will be no taxable income in the foreseeable income, the Company and the Portfolio Companies do not impute deferred taxes to be received on account of losses to be carried forward for tax purposes and for provisional allowances for the value of assets and liabilities, between the financial statement and the tax return.

In addition, the taxes that would have been incurred in the event of the realization of the investment in Portfolio Companies are not taken into account, because the Group intends to hold on to these investments and to develop them. In addition, deferred taxes on account of distribution of profits by these companies are not taken into account, because the dividends are not taxable.

U. Profit per Share:

The Group computes the amount of the basic profit per share for profit or loss, as attributed to the Group's shareholders, by dividing the profit or loss that is attributed to regular shareholders in the

Group by a weighted average of the number of regular shares outstanding during the reporting period. In order to compute the diluted profit per share, the Group adjusts the profit or loss attributed to the regular shareholders and the weighted number of the number of shares outstanding to reflect the influence of all potential diluting shares.

V. Exchange rates and Linkage Basis:

(1) Balances in foreign currency or that are linked to foreign currency are included in the financial statement according to the representative exchange rates published by the Bank of Israel and in force on the day of the end of the reporting period.

(2) Balances linked to the Consumer Price Index are displayed as per the last known index on the end of the reporting period (the index for the month proceeding the month of the financial statement) or as per the index for the last month of the reporting period (the monthly index for the month of the date of the financial statement), as a function of the terms of the transaction.

(3) Data on the dollar exchange rate and Consumer Price Index are displayed below:

	Representative dollar exchange-rate	Index in Israel(*)	
		Known Index	Actual Index
	NIS to the dollar	Points	Points
Financial statements as of:			
December 31, 2015	3.90	123.21	123.09
December 31, 2014	3.89	124.32	124.32
	%	%	%
Change from the period ending:			
December 31, 2015	0.30	(0.90)	(0.10)
December 31, 2014	12.04	(0.10)	(0.20)
December 31, 2013	(7.02)	1.91	1.82

(*) Based on the 2002 average.

Note 3 - New Financial Reporting Regulations and Interpretations

A. Amendments to Standards that Influence the Current Period and/or Previous Reporting Period:

(1) Amendment to IFRS 13 "Fair Value Measurement" (Scope of Application of Exception to Measurement on Net Basis):

The Amendment expands the application of the possibility of measuring fair value of a portfolio of financial assets and financial liabilities on the basis of the net position to other contracts as well to which IAS 39 or IFRS 9 apply. The amendment will be implemented in a prospective manner from

the beginning of the annual reporting period in which IFRS 13 is implemented for annual periods commencing on July 1, 2014 or thereafter. Early implementation is possible while making appropriate disclosure.

(2) Amendment to IAS 24 "Disclosures Connected with a Related Party" (With Regard to Key Management Personnel):

The amendment clarifies that a management company providing key management personnel services to a reporting entity is a "related party" of the reporting entity. The amendment will be implemented retroactively for annual reporting periods starting on July 1, 2014 or thereafter.

See Note 28 with regard to transactions with related parties for information concerning transactions with a management company that provides key personnel management services to the Group.

B. Standards, published interpretations, and amendments to standards, that are not valid and have not been early adopted by the Group, which will or is expected to have an influence on future periods:

IFRS 9 "Financial Instruments:

IFRS 9 (2014) “Financial Instruments” (hereafter: “the standard”) is the final standard of the financial instruments project. The standard revokes the previous stages of IFRS 9, issued during the years 2009, 2010 and 2013. The final standard includes instructions for classification and measurement of financial assets, as was published at the first stage in 2009, and also includes instructions for classification and measurement of financial liabilities as they were issued in the second stage in 2010, proposes a more updated and principle-based model for hedge accounting and presents a new model for the evaluation of a forecasted impairment loss as detailed below. In addition, the standard revokes the interpretation in IFRIC 9 “Reevaluation of Embedded Derivatives”.

- Debt instruments will be classified and measured after initial recognition according to the amortized cost or fair value through profit or loss. Determining the measurement model will be considering the entity's business model concerning the management of financial assets and in accordance with the characteristics of predicted cash flow derived from those same financial assets.

- A debt instrument which, according to the tests, has been measured at an amortized cost of fair value through profit or loss can be designated only if the designation eliminates inconsistency in recognition and measurement that would have been created if the asset had been measured at an amortized cost. Equity instruments will be measured at fair value through profit or loss.

- Embedded derivatives will not be separated from a host contract that is within the scope of the standard. Instead, mixed contracts will be measured as a whole at an amortized cost or fair value, in accordance with the business model tests and predicted cash flows.

- Debt instruments will be reclassified at an amortized cost to fair value and vice versa only when the entity changes its business model for managing financial assets.

- Investments in equity instruments that do not have a quoted price in an active market, including derivatives of these instruments, will always be measured by fair value. An alternative to measurement by cost under certain circumstances has been canceled. In addition, the standard states that under specific circumstances, the cost may be an appropriate estimate of fair value.

The standard further stipulates the following provisions with regard to financial obligations:

- A change in the fair value of a financial obligation marked at the time of first recognition at fair value through profit and loss, and attributed to changes in the credit risk of the obligation, will be imputed directly to Other Comprehensive Profit, unless such imputation creates or increases an accounting mismatch.

- When the financial liability is paid or retired, amounts credited to Other Comprehensive Profit will not be classified to profit or loss.

- All of the derivates, whether assets or liabilities, will be measured in fair value through profit or loss, including a derivative financial instrument which constitutes a liability related to an unquoted equity instrument for which the fair value cannot be measured reliably.

Impairment

The new impairment model based on anticipated credit losses will be applied to debt instruments measured at amortized cost or at fair value though other comprehensive income, receivables with respect to a lease, contractual assets recognized according to IFRS 15 and written obligations to provide loans and financial guarantee contracts.

The provision for impairment will be with respect to a probability of insolvency during the coming 12 months (during the coming year), or according to the probability of insolvency over the entire lifetime of the instrument. The examination for the entire lifetime of the instrument is required if the credit risk increased significantly from the date of the original recognition of the asset. Another approach applies if the financial asset was created or purchased when it was credit-impaired.

The standard adds instructions for presentation and disclosure in connection with impairment of financial instruments.

Effective date and possibilities for early adoption

The mandatory effective date of the standard will be for annual reporting periods commencing from January 1, 2018 or later. Early implementation is possible.

In general, the provisions of the standard with respect to financial assets and liabilities will be implemented retroactively, with certain exceptions stipulated in the transitional provisions of the standard. It was also stipulated that, despite the retroactive implementation, companies which apply the standard for the first time will not be required to adjust their comparative figures for previous periods. Also, it will be possible to adjust the comparative figures only when this adjustment does not make hindsight use of information. The provisions relating to hedging will, in general, be implemented in a prospective manner with limited retroactive application.

At this stage, management of the Company is unable to estimate the effect of implementation of the standard on its financial position and operating results.

Note 4 - Judgments in Application of Accounting Policies and Key Factors for Uncertainty in Estimates

A. Overview:

In the application of the Group's accounting policies, described in Note 2 above, in certain circumstances Group management is required to apply broad accounting discretion with regard to estimates and assumptions related to the book values of assets and liabilities that are not necessarily available from other sources. The estimates and assumptions are based on past experience and other factors deemed to be relevant. The actual results may be different from these estimates.

The estimates and assumptions underlying them are reviewed by management on a regular basis. Changes in accounting estimates are recognized only in a period when there was a change in the estimate, if the change effects only that period, or are recognized in the stated period and in future periods, if the change affects both the current period and future periods.

B. Critical Judgments in the Application of Accounting Policy:

The following relates to the critical judgments, other than those associated with estimates (see above), made by management when applying the Group's accounting policy and that have an extremely significant affect on the sums recognized in the Financial Statements.

(1) Intangible Assets Created Internally- Research and Development Costs:

The Group reviews the transfer of the entry of research and development costs from the Profit and Loss Statement to an intangible asset created internally by Group development activities that are displayed on the balance sheet.

As part of the review of the asset the Group examines, among other things, the technical feasibility of completing the development of the asset, the Group's economic ability to complete the development of the asset, the forecast of future economic benefits from the asset, and the Group's ability to sell the asset.

(2) Existence of de facto control:

Effective control is a situation in which a group may have control over another entity, despite that it holds less than one half of the voting rights in that entity. According to the provisions of IFRS 10 "Consolidated Financial Statements", at the time of examining the existence of de facto control, other than the extent of the rate of voting rights, the Group takes additional factors into account, such as:

a) The size of the holding in relation to other shareholders.

b) The number of the other votes necessary in order to be entitled to the majority of the votes in polls being carried out and the patterns of the presence of other investors in the general assemblies.

c) Net rights granted to owners of minority interests.

d) Representation in board of directors-indications of relevant actions.

(3) Impairment of intangible assets:

For purposes of determining whether an impairment has taken place of intangible assets, the Company's management prepares an estimate of the value in use of cash-generating units to which goodwill has been allotted. In order to calculate value in use, the Group calculates the approximation of the anticipated future cash flows that are derived from each of the cash generating units as well as the appropriate discount rate in order to calculate the present value.

The book value of intangible assets to which an impairment loss was allocated at the end of the reporting period is NIS 5,586 thousand, after deducting an impairment loss in an amount of NIS 7,389 thousand that was recognized in 2015 (as of December 31, 2014: NIS 12,975 thousand). See Note 10.C. and Note 10.D. for details regarding the calculation of the impairment loss.

(4) Grants by the Chief Scientist:

As stated in Note 2.18.2 above, at the time of first recognition the grant will be recognized as a financial obligation at fair value, based on the present value of the cash flows expected for repayment of the grant, discounted by a capitalization rate that reflects the degree of risk in the research and development project. The difference between the amount of the grant and its fair value will be treated as a government grant. In subsequent periods that obligation will be measured at depreciated cost using the effective interest method.

A change in the estimate of the capitalization rate or the income forecast will lead to a change in the fair value of the obligation to the Chief Scientist.

C. Fair Value of Financial Instruments:

As described in Note 2, the Group's management applies its judgment when selecting the appropriate techniques for assessing financial instruments that have no quoted price on an active exchange. The assessment techniques used by Group's management are those that are employed by participants in the market. The fair value of other financial instruments is set on the basis of capitalization of the cash flows to be expected from them, based on assumptions that are supported by observed market prices and quotations. Estimates of the fair value of financial instruments that are not registered for trade on an active exchange include a number of assumptions that are not supported by observed market prices and quotes.

Note 5 - Cash and Cash Equivalents

Composition:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Short term deposits in foreign currency	44,879	-
Short term deposits in NIS	8,500	5,368
Cash and balances in the bank	3,223	670
	56,602	6,038

Note 6 - Receivables and Debit Balances

Composition:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Government agencies	442	145
Chief scientist grants, receivable	337	1,167
Rental fees receivable	172	172
Related parties	60	133
Prepaid expenses	84	71
Others	49	6
	1,144	1,694

Note 7 - Investments in Portfolio Companies

A. Information about Consolidated Companies:

	Country of incorporation	Operating sector	Percentage Stage in Capital Rights of the Consolidated Company As of December 31	
			2015 %	2014 %
KAHR Medical (2005) Ltd.	Israel	Development of innovative treatments for cancer and autoimmune ailments.	31.71	48.91
ProtAb Ltd. (*)	Israel	Development of a medication for an innovative treatment approach to treat inflammatory intestinal diseases.	68.04	69.54

(1) KAHR Medical (2005) Ltd.

General:

KAHR is a private company incorporated in Israel in September 2005 that develops innovative treatments for autoimmune diseases and cancer based on discoveries by Prof. Mark Tykocinski and his laboratory at the University of Pennsylvania and Dr. Yaakov Rachmilevitz and his laboratory at Hadassah Hospital-Ein Kerem.

At the end of 2008, KAHR received a license from the University of Pennsylvania for the intellectual property that covers a number of innovative TSCP proteins. KAHR is continuing to develop its products, including the PP14 protein for treatment of various autoimmune diseases and is completing the negotiations with the University of Pennsylvania. The license carries a cost for milestones and royalties from future sales at a rate of 1.5%-4% in various scenarios and in the event of sub-licensing, royalties are in the range of 20% and 40% (depending on the stage in which the sub-license was given).

Capital Raising and Financing Sources:

In February 2015, a convertible loan agreement was signed between the Company and KAHR and an additional investor in the amount of $ 1,000 thousand.

Pursuant to the loan agreement, the additional investor will transfer $ 500 thousand to KAHR and the Company will have the right to participate in the balance of the amount or part of it, and, in any event, the additional investor will supplement any deficiency in the amount of the loan which will not be transferred by the Company, so that the total loan amount will stand at $ 1,000 thousand. It was also agreed that a conversion event will be a transaction or a number of transactions in a cumulative amount of $ 3,000 thousand (including the amount of the above loan) in the following manner:

(a) A commitment to invest or to provide a loan to KAHR or a commitment by a strategic partner to pay, subject to conditions which have been fulfilled or which will be fulfilled until the coming round of raising financing.

(b) According to the loan agreement, should a conversion event take place prior to April 30, 2015, the lenders, on the date of conversion, will be granted a discount at the rate of 5% of the share price. Should a conversion event take place during the period between May 1,

2015 and December 31, 2015, the lenders, on the date of the conversion, will be granted a discount at the rate of 10% of the share price, and should the conversion event not take place prior to December 31, 2015, KAHR will repay the amount of the loan and the accrued interest, or alternatively, and, in its discretion, the amount will be converted at a discount of 50% of the share price.

On November 17, 2015, the additional investor and the Company, together with KAHR, signed a new convertible loan agreement (hereafter: "**the new agreement**") to replace the loan agreement from February 2015. According to the new agreement, the additional investor and the Company will lend an additional amount to KAHR of $ 500 thousand ($ 250 thousand each) by November 20, 2015 and December 2, 2015, respectively.

The loan bears annual interest at the rate of 8%, commencing from the date of transfer of the loan. Moreover, should a conversion event (as defined in the new agreement) take place, the loan and the accrued interest will be automatically converted to the most senior preferred shares that exist in KAHR as of that date (other than the Preferred A-1 shares held by Sanofi). In the event that a conversion event will not take place by December 31, 2016, KAHR will repay the amount of the loan and accrued interest, or alternatively and at its discretion, this amount will be converted at a discount of 25% from the share price determined in the last prior investment round held by KAHR ($3.62).

Additionally, in the context of the new agreement, the terms of the February 2015 loan were changed so that they will conform to the terms of the convertible loan under the new agreement.

During the months of November and December 2015, the additional investor transferred $ 250 thousand and another $ 250 thousand (the share of the Company in the new agreement), respectively.

In the framework of the 2015 investment round, the loan given to KAHR by the Company and by the existing investor in an amount of $ 1,547 thousand (including accrued interest) was converted into preferred B shares at a price reflecting 15% in relation to the share price that will be paid by the investors under the 2015 investment agreement, as mentioned.

On July 30, 2015, KAHR and Sanofi (a shareholder of KAHR) signed a disclaimer according to which Sanofi waives the first right to carry on negotiations for KAHR-102 (hereafter "**the product**"), and also the right of Sanofi to appoint a director or observer to the Board of Directors of the Company (hereafter: "**the disclaimer**").

In consideration for the waiver of the above rights by Sanofi, KAHR became obligated to pay Sanofi an amount of up to $ 3,000 thousand (representing the amount of the investment of Sanofi in KAHR (hereafter:"the consideration"), as follows:

(a) In the event of a sale of a license for the product by KAHR to a third party other than Sanofi, KAHR will pay Sanofi the consideration in payments that will be derived from the amount received by KAHR from a third party with respect to the sale of the license, at rates to be set between the parties.

(b) Up to the date of payment of the consideration, or until the granting of a license for the product to Sanofi as described below, the shares of Sanofi in KAHR will be exchanged in a manner that KAHR will allot a new series of preferred A-1 shares to Sanofi in place of the preferred A shares.

On October 25, 2015, the Shareholders' Assembly of KAHR approved the above disclaimer and the conversion of the preferred A shares to preferred A-1 shares.

On December 10, 2015, KAHR signed an investment agreement (hereafter-"the agreement") with new investors and with part of the existing investors (hereafter-"the investors").

Following are the principles of the agreement:

(1) On the Initial Closing (as defined in the agreement), 2,303,952 preferred B shares will be issued to part of the investors in consideration for $ 12,000 thousand, and convertible loans in the amount of $ 1,547 thousand (including accrued interest) given by existing investors (see subsection D) will be converted into 349,363 preferred B shares.

On December 12, 2015, the Initial Closing took place and the consideration for the investment in an amount of $ 12,000 thousand (NIS 46,337 thousand) was received by KAHR, and the above convertible loans were converted. The amount of raising costs incurred by KAHR was NIS 3,095 thousand. (This amount includes services at a value of NIS 772 thousand in consideration for options to preferred B shares).

(2) On the Deferred Closing (as defined in the agreement), the existing investors were given the right to invest an additional amount of up to $ 3,000 thousand (hereafter-"the additional amount") up to February 15, 2016 at the same terms, and on condition that a notification of same would be submitted by January 4, 2016, so that the amount of the investment on the Initial Closing and on the Deferred Closing would not exceed $ 15,000 thousand.

By January 4, 2016, the investors gave notice of their participation in the additional amount and, as of the date of approval of the financial statements, KAHR received $ 3,000 thousand (NIS 11,717 thousand). The amount of raising costs incurred by KAHR with respect to the additional amount was NIS 548 thousand. (This amount includes services at a value of NIS 157 thousand in consideration for options to preferred B shares, and pursuant to the terms of the transaction).

As of December 15, 2015, the Company holds approximately 76% of the issued and paid up ordinary shares of KAHR, approximately 51% of the issued and paid up preferred A shares of KAHR, approximately 0% of the issued and paid up preferred A-1 shares of KAHR and approximately 4% of the issued and paid up preferred B shares of KAHR. Furthermore, both the ordinary shares and the preferred shares grant their holder voting rights at the General Assembly, so that, as of December 15, 2015, the Company holds 32% of the total voting rights of KAHR.

For purposes of evaluating the existence of control by the Company in KAHR due to the agreement, the Company examined whether it has power of influence over KAHR. In the context of this examination, it became evident that the Company holds the right to appoint half of the members of the board of directors (three directors out of six directors) , this in addition to the fact that the chairman of the board of directors of KAHR is one of the directors who was appointed on behalf of the Company and has the casting vote in the case of a deadlock of votes.

Moreover, it was stipulated in the by-laws of KAHR that until a liquidating event for KAHR, a majority of the holders of at least 60% of the preferred shares of KAHR is required for purposes of, inter alia, increasing or decreasing the number of directors of KAHR.

Despite that the Company holds less than 40% of the preferred shares of KAHR, and accordingly, cannot prevent a resolution on a change in the number of members of the board of directors, in general, and such a resolution that will cause it to hold a right to appoint less than one half of the members of the board of directors, in particular, the Company has not lost its control of KAHR in light of the fact that, as of the date of the report, this possibility does not appear to be realistic. In succeeding periods, the Company will examine the possibility of realization of this right found in the possession of the preferred shareholders.

Chief Scientist grants:

Approval date	Grant type	Budget	Participation %	Grant period	Purpose of the grant

	Israel/Abroad	NIS thousands	%	NIS thousands	
January 2013	Israel Abroad	3,000 1,900	50% 30%	-1.7.12 31.7.13	Continued production of the product abroad, advanced trials on animals and preparations for a clinical trial.
December 2013	Israel Abroad(*)	3,080 7,100	60% 30%	-1.8.13 31.7.14	Continued development of Company products by conducting toxicology trials and producing the drug under GMP conditions for the first human clinical trial.
December 2014	Israel Abroad(**)	3,775 4,504	50% 30%	-1.8.14 31.7.15	Completion of the toxicity trials on animals and production of a clinical batch of the KAHR-102 medication towards approval of a first clinical trial on humans**.**

(*) In December 2014, the Chief Scientist approved an application by KAHR to extend a foreign grant through December 31, 2015.

(**) In December 2014, KAHR received approval that the program for the foreign file will begin immediately when the foreign file for the prior year terminates, namely February 1, 2015.

Share-Based Payment :

Description of the program	Grant date	Number of Options	Vesting terms and additional terms	Vesting Addition	Share value at grant date	Fair value at grant date	Total benefit at grant date (*)
Options granted to employees and consultants exercisable into ordinary shares of KAHR.	May 2014	54,580	(1)	3.62$	3.62$	2.32$	442
Options granted to directors exercisable into ordinary shares of	September 2014	29,658	(2)	3.62$	3.62$	2.32$	249

KAHR.

Options granted to consultant exercisable into ordinary shares of KAHR.	November 2015	10,000	(3)	3.62$	3.62$	3.07$	119
Options granted to CEO of the Company and chairman of the board of directors exercisable into ordinary shares of KAHR	December 2015	39,960	(4)	3.62$	1.52$	1.03$	157

(*) in NIS thousands

(1) On May 28, 2014, KAHR granted 54,480 options to employees and to consultants of KAHR. The options were allotted under the equity route according to the provisions of Sections 102, the capital gains track, and 3(I) of the Income Tax Ordinance. Each option can be exercised into one ordinary share of the company with NIS 0.001 par value against payment of an exercise increment in the amount of $ 3.62. The options will vest over 3 years. 33% of the options will vest at the end of the first year , namely on 28.5.15, and 67% of the options will vest in 8 equal, quarterly portions at the end of each quarter during the subsequent two years.

The options will expire after ten years from the grant date. The cost of the benefit included in the options allotted as above, based on the fair value on the date of their grant, is estimated at $ 126 thousand (NIS 442 thousand).

The fair value of the options allotted as above is estimated based upon the B&S model.

The parameters used in the implementation of the model are as follows:

Component	
Share price (in dollars)	3.62
Exercise price (in dollars)	3.62
Life of the stock option plan (years)	10
Standard Deviation (in percent)	70
Risk-free interest rate (percent)	2.44
Rates of employee turnover (percentages)	0
Early exercise factor (percent)	2.5
Expected dividend rate (percent)	0

As of the balance sheet date, the quantity of exercisable options is 22,530.

(2) On September 15, 2014, KAHR granted 29,658 options to directors of KAHR. The options were allotted under the equity route according to the provisions of Sections 102, the capital gains track, and 3(I) of the Income Tax Ordinance. Each option can be exercised into one ordinary share of the company with NIS 0.001 par value against payment of an exercise increment in the amount of $ 3.62. The options will vest over 3 years. 33% of the options will vest at the end of a year from the grant date and 67% of the options will vest in 8 equal, quarterly portions at the end of each quarter during the subsequent two years.

The options will expire after ten years from the grant date. The cost of the benefit included in the options allotted as above, based on the fair value on the date of their grant, is estimated at $ 68 thousand (NIS 249 thousand).

The fair value of the options allotted as above is estimated based upon the B&S model.

The parameters used in implementing the model:

Component	
Share price (in dollars)	3.62
Exercise price (in dollars)	3.62
Life of the stock option plan (years)	10
Standard Deviation (in percent)	70
Risk-free interest rate (percent)	2.44
Rates of employee turnover (percentages)	0
Early exercise factor (percent)	2.5
Expected dividend rate (percent)	0

As of the balance sheet date, the quantity of exercisable options is 12,358.

(3) On November 25, 2015, KAHR granted 10,000 options to a consultant of KAHR.. The options were allotted under the equity route according to the provisions of Section 3(I) of the Income Tax Ordinance. Each option can be exercised into one ordinary share of the company with NIS 0.001 par value against payment of an exercise increment in the amount of $ 3.62. The options will vest over 3 years. 33% of the options will vest at the end of a year from the grant date and 67% of the options will vest in 8 equal, quarterly portions at the end of each quarter during the subsequent two years.

The options will expire after ten years from the grant date. The cost of the benefit included in the options allotted as above, based on the fair value on the date of their grant, is estimated at $ 31 thousand; NIS 119 thousand).

The fair value of the options allotted as above is estimated based upon the B&S model.

The parameters used in implementing the model:

Component	
Share price (in dollars)	3.62
Exercise price (in dollars)	3.62
Life of the stock option plan (years)	10
Standard Deviation (in percent)	73.21
Risk-free interest rate (percent)	2.29
Expected dividend rate (percent)	0

(4) On December 15, 2015, KAHR granted 39,960 options to the CEO of KAHR and to the Chairman of the Board of Directors of KAHR. The options were allotted under the equity route according to the provisions of Sections 102, the capital gains track, and 3(I) of the Income Tax Ordinance. Each option can be exercised into one ordinary share of the company with NIS 0.001 par value against payment of an exercise increment in the amount of $ 3.62. The options will vest over 3 years. 33% of the options will vest at the end of a year from the grant date and 67% of the options will vest in 8 equal, quarterly portions at the end of each quarter during the subsequent two years.

The options will expire after ten years from the grant date. The cost of the benefit included in the options allotted as above, based on the fair value on the date of their grant, is estimated at $ 41 thousand; NIS 157 thousand.

The fair value of the options allotted as above is estimated based upon the B&S model.

The parameters used in implementing the model:

Component

Share price (in dollars)	1.52
Exercise price (in dollars)	3.62
Life of the stock option plan (years)	10
Standard Deviation (in percent)	71
Risk-free interest rate (percent)	1.3
Rates of employee turnover (percentages)	0
Early exercise factor (percent)	4
Expected dividend rate (percent)	0

As of the balance sheet date, the quantity of exercisable options had not yet vested .

Rights not proving control:

Subsidiary with rights not providing control that are material:

Information in relation to the subsidiary KAHR Medical (2005) Ltd.:

	As of December 31	
	2015	**2014**
	%	**%**
Rate of rights not providing control	68.29	51.09

	As of December 31	
	2015	**2014**
	%	**%**
Balance of rights not providing control	47,158	3,964

	As of December 31		
	2015	**2014**	**2013**
	NIS thousands	**NIS thousands**	**NIS thousands**
Loss that is attributed to rights not providing control	(4,043)	(4,022)	(4,044)

Summarized financial information:

The amounts below are before executing intercompany eliminations:	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Cash and cash equivalents	47,584	4,695
Other current assets	1,306	1,843
Non-current assets	1,126	1,462
Current liabilities	1,424	1,684
Non-current liabilities	2,273	3,591

	As of December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Loss	6,916	7,874	8,636
Comprehensive loss	6,916	7,874	8,636
Net cash flows to current operations	(8,094)	(7,631)	(6,259)
Net cash flows to investment activities	(6)	(539)	(343)
Net cash flows from financing activities	50,465	748	9,035
Net increase (decrease) in cash and cash equivalents	42,365	(7,422)	2,433

Changes in rates of holdings in KAHR Medical (2005) Ltd which did not cause loss of control:

	Transaction date	Pre-transaction rate of holdings in equity rights	Post-transaction rate of holdings in equity rights	Change in equity attributed to owners of parent company
		%	%	NIS thousands
2015				
Issuance of 2,653,315 shares to Company and additional investors	December 2015	48.91	31.71	1,284
2013				
Issuance of 649,172 shares to Company and additional investors	September 2013	56.27	48.91	2,876

(2) ProtAb Ltd. (hereinafter - "ProtAb"):

General:

ProtAb is a private company incorporated in August 2005 in Israel.

ProtAb is developing drugs that use an innovative approach for the treatment of rheumatoid arthritis, inflammatory bowel disease (including Crohn's disease and ulcerative colitis) and other autoimmune diseases. The development is based on the discovery of Professor Yaakov Naparstek from Hadassah Ein Kerem hospital.

ProtAb holds an exclusive license to use the patents and patent applications for peptides and anti-bodies against them for treating autoimmune diseases. This exclusive license includes twenty-two patents obtained in the U.S, Australia, Israel, Japan, Canada, and countries in Europe, and one patent application in Israel. In addition, ProtAb has direct ownership of two patents and eighteen patent applications in a wide variety of countries that protect, inter alia, on the monoclonal antibody, Prozumab, which is in advanced development stages at ProtAb. In addition, in July 2013, a license agreement was signed with Antitope Limited regarding the monoclonal human antibody, Prozumab, in which future payments of royalties were specified to be paid to Antitope at the time of future sales of Prozumab.
In October 2012, the board of directors of ProtAb decided to reduce the scope of the activities of ProtAb, inter alia, by decreasing salaries and reducing the size of a position, in order to concentrate efforts for the benefit of deciphering an operating mechanism for the leading antibody of the company with the assistance of foreign subcontractors with expertise in the field.

In November 2015, ProtAb had utilized all of the sources of financing that were in its possession and, as of the date of the report, it does not employ personnel. The board of directors of ProtAb is focusing on activities, primarily locating strategic investors and investors to advance development and commercialization of the technology and/or raising capital.

Capital Raising and Financing Resources:

1. In July 2012, December 2012 and August 2014, ProtAb entered into an agreement with its shareholders for convertible loans in the amounts of $ 250 thousand (the full amount was transferred by the Company), $ 435 thousand ($145 thousand by the Company and $ 290 thousand by two other shareholders of ProtAb) and the amount of $ 9 thousand (the entire amount transferred by the Company), respectively.

The loans are linked to the dollar and bear annual interest at the rate pf LIBOR+3%, and they will be repaid on September 22, 2017, except if they will be converted to shares of ProtAb.

If ProtAb offers securities whose total amount bid at least $ 500,000, the Company may convert the loans (plus accrued interest) into shares ProtAb, while the discount rate of 20% of the shares in the same assignment. If ProtAb capital investment will be lower amount from $ 500,000, the Company may give written notice ProtAb conversion of the loans into shares in a company value of $ 500,000 (before money).

2. In September 22, 2014, a financing transaction (hereafter-"**the transaction**") was completed between ProtAb and the Company. In the context of the transaction, the Company placed a convertible loan of $ 460 thousand at the disposal of ProtAb.

Terms of the convertible loan are as follows:

To the extent that the amount of the cumulative investment in ProtAb will stand at $ 760 thousand within 30 days from closing the transaction, the Company will receive preferred B

shares of ProtAb. To the extent that the cumulative investment will be lower than $ 760 thousand until that date, the above amount of $ 460 will be a loan convertible into shares, at annual cumulative interest of 5%.

The amount of the loan and accrued interest (hereafter: "the loan balance") will be converted into shares at the time of a future investment in ProtAb in an amount of at least one million dollars, at a price reflecting a discount of 35% in relation to the price per share to be paid by the investors in the next investment round. Nevertheless, the Company is permitted to convert the loan balance under these terms also if the amount of the future investment is lower than one million dollars at a price reflecting a discount of 35% in relation to the share price to be paid by the investors in the next investment round, and is also permitted to convert the loan balance at any time at a price of $ 36 per preferred B share.

The loan represents the most senior debt of ProtAb, and against it, ProtAb has pledged all of its assets, including its intellectual property, in a first ranked floating lien.

The loan is repayable on the earliest date between a "default" occurrence (as defined in the convertible loans agreement) or 12 months from completion of the transaction.
In November 2015 and February 2016, the repayment date of the loan was extended until December 31, 2015 and March 31, 2016, respectively.

In the framework of the transaction, ProtAb changed its by-laws, so that, among other things, the Company will be entitled to appoint the majority of the members of the board of directors, and also, the veto rights, which had previously been granted to the preferred shareholders of Protab and had limited the ability of the Company to determine the financial and operational policies of ProtAb, were revoked. Therefore, commencing from the date of the transaction, the Company consolidates ProtAb in its financial statements. (Prior to the transaction, ProtAb was presented in the Company's financial statements according to the equity method).

The amounts of assets and liabilities recognized on the acquisition date:

	NIS thousand
Cash and cash equivalents	1,942
Other current assets	386
Fixed assets, net	102
Trade payables	(203)
Other current liabilities	(228)
Shareholders' loan	(3,917)
Liabilities for termination of employee employer relationships	(51)
Royalties payable	(1,520)
Total identifiable net assets	(3,489)

Gain from entry into consolidation of investee company:

	NIS thousand
Investment according to the equity method	(3,411)
Net assets consolidated	(3,489)
Rights not providing control	(3,823)
Excess cost allocated to products in R&D phases	12,967
Excess cost allocated to royalties payable	266
Excess cost allocated to prepaid expenses	(291)
Excess cost allocated to goodwill	8

Gain from entry into consolidation	2,227

In the context of the transaction, the Company recognized an intangible asset in an amount of NIS 12,975 thousand. out of this amount, 12,967 thousand was allocated to products in research and development phases (hereafter: "**the R&D asset**") and NIS 8 thousand to goodwill.

See also Note 10 regarding the impairment of the R&D asset.

Rights not proving control:

Subsidiary with rights not providing control that are material:

Information in relation to the subsidiary ProtAb Ltd.:

The Company holds approximately 68% of the voting rights of ProtAb. Also, the Company has the right to appoint the majority of the members of the board of directors.

	As of December 31	
	2015	**2014**
	%	**%**
Rate of rights not providing control	32%	31%
Rate of voting rights of the rights not providing control	32%	31%

	As of December 31	
	2015	**2014**
	NIS thousands	**NIS thousands**
Balance of rights not providing control	150	3,814 (*)

(*) Non-material adjustment, see Note 30.

	As of December 31		
	2015	**2014**	**2013**
	NIS thousands	**NIS thousands**	**NIS thousands**
Loss that is attributed to rights not providing control	(3,608)	(15)	-

Condensed financial information

The amounts below are before executing intercompany eliminations:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Current assets	437	1,778
Non-current assets	-	83
Current liabilities	2,259	2,500
Non-current liabilities	4,103	4,230

	As of December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Loss	974	2,146	2,505
Comprehensive loss	974	2,146	2,505
Net cash flows to current operations	(1,301)	(1,733)	(1,473)
Net cash flows from investment activities	58	111	7
Net cash flows from financing activities	59	1,744	68
Net increase (decrease) in cash and cash equivalents	(1,184)	122	(1,398)

The Jerusalem Development Authority:

During the years 2011-2014, ProtAb received grants from the Jerusalem Development Authority in a total amount of NIS 204 thousand linked to the CPI. On December 31, 2013, a liability to return the grant at a rate of royalties of 4% per year was presented, capitalized at a capitalization rate of 45%, and in accordance of an estimate of the anticipated revenues. On December 31, 2015, due to non compliance of ProtAb with the terms of the grant, the grant was classified as a short term liability and presented at a value of NIS 209 thousand in the context of other current liabilities.

B. Information on affiliated companies:

(1) Cell Cure Neurosciences Ltd. (hereafter: "Cell Cure"):

	Volume of investment in affiliated company		Rate of holding of rights in equity of affiliated company	
	As of December 31		As of December 31	
	2015	2014	2015	2014
	NIS thousands	NIS thousands	%	%
Cell Cure Neurosciences Ltd.	-	-	21.20	21.20

Condensed information from the financial statements of Cell Cure:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Current assets	7,145	5,922
Non-current assets	1,695	1,829
Current liabilities	5,771	9,490
Non-current liabilities	23,971	9,505
Net assets	(20,902)	(11,244)

	As of December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Comprehensive loss	11,265	15,128	22,040

Details of loans provided to Cell Cure:

	Amounts of loans provided in favor of affiliated company	
	As of December 31	
	2015	2014
Convertible loans provided to Cell Cure	2,545	1,798

General:

In the Company's financial statements, its investments in Cell Cure, as at December 31, 2015, is presented as follows:

	NIS thousands
Company's holdings in Cell Cure's equity	-
Loans (*)	2,545
Total	2,545

(*) The loans are presented as a financial asset at fair value through profit and loss.

Cell Cure Neurosciences Ltd. was established in November 2005, and commenced its operations in January 2006. The Company is engaged in research and development in the sector of neurodegenerative diseases by cell replacement with its main target as of the date of the financial statements, to develop a product to treat degeneration of eye retinas, including Age Related Macular Degeneration (AMD) which is based on RPE cells in suspension, named OpRegen® (hereinafter: "OpRegen®"). On October 31, 2014, the Company received approval for clinical trials on humans (IND) from the FDA and began the trial in February 2015 in the Hadassah Medical Center.

ESI agreed to grant Cell Cure an exclusive license to use its intellectual property for the development and production of nerve cells for cell-replacement treatment of neurodegenerative diseases in human beings (hereinafter: the License Agreement).
On the date of the transfer of the investment to Cell Cure, Cell Cure was granted an exclusive world license for the treatment of neurodegenerative diseases, notably Parkinson.
In August 2009, CellCure received an exclusive intellectual property license from Hadasit related to differentiation using the Directed Differentiation method of embryonic stem cells to RPE cells.

On October 7, 2010, a new agreement was signed between Cell Cure and Hadasit (hereinafter - "Hadasit License Agreement 2010"). The Hadasit License Agreement 2010 redefined the business conditions for granting a license from Hadasit to use certain inventions developed by researchers from Hadassah hospital in the field of development and usage of embryonic stem cells and RPE cells from embryonic stem cells to treat neurodegenerative diseases of retina through cell replacement (including royalties, milestone payments, expenses, etc.). In addition, the Hadasit License Agreement 2010 established special terms for granting a sub-license to Teva.

On October 7, 2010 an agreement for research and an option for an exclusive sub-license was signed between Cell Cure and Teva (hereinafter - "Teva Option Agreement") for the development and commercialization of OpRegen. The option was effective as of October 18, 2010 and until sixty days after the IND approval for OpRegen. As mentioned, the IND approval was received on October 31, 2014.

On December 29, 2014 and January 30, 2015, the period of the option to Teva was extended by 30 days and by 15 days, respectively, so that the option was extended through February 15, 2015.

On February 15, 2015, the option expired and, beginning from that date, Cell Cure is permitted to carry on negotiations with third parties. See also Note 28.A.

During 2010, an additional agreement was signed for the provision of research services by Hadasit to Cell Cure for a 5 year term, which commenced in 2011, for an aggregate amount of $ 300 thousand per year (hereafter: "the Additional Research Agreement"). In December 2010, Cell Cure transferred the amount of $ 300 thousand for 2011 to a trustee appointed by the parties pursuant to the additional research agreement for this purpose.

On March 13, 2012, Cell Cure and Hadasit signed a new agreement, which revises the additional research agreement. The agreement stipulates that the amount of $ 300 thousand transferred by Cell Cure to the trustee in December 2010, was to be transferred to Hadasit so that $ 150 thousand will be transferred immediately upon signing the agreement (i.e., on March 13, 2012) and the balance will be transferred in three equal quarterly installments commencing on May 1, 2012. In addition, the rest of the payments for additional research, which Cell Cure was supposed to transfer to the trustee for Hadasit in December 2011 and each year thereafter (and decisions regarding additional work orders) pursuant to the agreement signed in 2010, were be deferred until the earlier of: (a) June 1, 2013; (b) the raising of funds by the Company, not including

funding from the OCS or loans which are not convertible into securities, but not including a loan from current shareholders of Cell Cure provided in connection with the completion of the RPE Project; or (c) the exercise of the Teva option pursuant to the Research and Exclusive License Option Agreement between the Company and Teva, signed on October 7, 2010, as amended on July 8, 2012.

With the consent of Hadasit, following the completion of the 2012 investment agreement (see below), Cell Cure transferred $ 75 thousand to Hadasit. CellCure has yet to transfer the balance of the payments ($ 525 thousand) to Hadasit, and, accordingly, a liability for this amount was recorded in Cell Cure's accounts. As of the balance sheet date, the Company is conducting negotiations regarding continuation of the additional payments.

On February 16, 2015, Cell Cure received approval from the Ministry of Health to perform clinical trials on human beings in Phase I/IIA. The Company signed a clinical trial contract vis-à-vis Hadasit according to which CellCure will carry out the clinical trials at the Ein Kerem Hadassah Hospital.

Capital Raising and Financing Resources:

1. 2012 Raising:

On November 1, 2012, signed an investment agreement Cell Cure, and BioTime, the controlling Cell Cure BioTime which has committed to invest Cell Cure total of $ 3.5 million (hereinafter - "the investment agreement in 2012"). 2012 investment agreement was signed at a company value of $ 15.1 million (pre-money).

In an investment agreement in 2012, BioTime invested in Cell Cure total of $ 3.5 million for 87,456 ordinary shares of Cell Cure, the proceeds of which BioTime issued to Cell Cure 906,735 ordinary shares of BioTime and a value of 3.86 per share, which are records (on the NYSE: MKT) and free trade.

In addition, the investment agreement in 2012, and as a condition to the completion of an investment agreement in 2012, was signed between Cell Cure and ES Cell International Pte Ltd. (Hereinafter - "ESI") Fourth Amendment exclusive licensing agreement between Cell Cure to ESI dated 22 March 2006 as amended and updated.

Upon completion of the Investment Agreement in 2012, the Company's shareholding is 21.20% Cell Cure (And 20.05% fully diluted) of BioTime 42.27% (and 39.99% fully diluted), 20.26% of ESI (And 19.17% fully diluted) and Nature's holding 16.06% (and 15.20% fully diluted). Note that with the completion of an investment agreement in 2012, ESI and its parent company, BioTime, will jointly hold At 62.53% of the issued and paid up capital of Cell Cure (and 59.16% fully diluted).

As of the balance sheet date, Cell Cure has realized all of the BioTime shares which it had held.

2. Bridge loans:

During May, June, July and August 2013, in view of discontinuing the sale of BioTime shares during that period, Cell Cure entered into loan agreements with BioTime, in whose framework, BioTime granted bridge loans to Cell Cure in the amounts of $ 350 thousand, $ 265 thousand, $ 700 thousand and $ 500 thousand, respectively. The loan agreements stipulated that these loans will not bear interest and that Cell Cure will repay each loan within three business days after it will raise the amount of $ 800 thousand, $ 1,150 thousand, $ 1,850 thousand and $ 2,350 thousand, respectively, from the sale of BioTime shares and/or

from any other source, exclusive of any grants that it will receive from the OCS and any other loan that it will receive from BioTime.

In 2013, repaid Cell Cure the first two loans a total amount of US $ 615 thousand.

In May 2014, BioTime confirmed in a letter that the balance of the bridge loans that it had transferred to Cell Cure will be repaid only from sale of BioTime shares held by Cell Cure and not from any other source.

On February 12, 2015, BioTime co9nfirmed by letter that it will not demand the return of the balance bridge loan given to Cell Cure in an amount of $ 1,200 thousand until the date of the completion of Phase I/II. Moreover, the repayment of the loan will not be from amounts that will be received in the framework of the convertible loans and OCS grants.

3. Convertible loans:

At the meeting of the board of directors held by Cell Cure on April 30, 2014, it was decided that Cell Cure would suggest that its shareholders raise equity by means of convertible loans in a total amount of $ 4,200 thousand ("**the fund**"). The amount of the fund would be transferred in two stages, according to Cell Cure's request, on a "need" basis, with the understanding that the second stage will be at the discretion of the participating shareholder. The first stage will be in the amount of $ 2,200 thousand ("the first stage") and the second stage will be in the amount of $ 2,000 thousand ("the second stage'). The fund will bear interest at the rate of 3% per annum (together with the fund, "the loan") Any part of the loan as yet unpaid and not converted to ordinary shares of Cell Cure, as specified below, will be paid by Cell Cure within 3 years from the date of the relevant transfer. At any time prior to the date of the relevant transfer, and subject to written notice by the shareholder, Cell Cure will convert any part of the loan as yet unpaid and specified in such notice, to ordinary shares Cell Cure.

As of the balance sheet date, Cell Cure had received convertible loans from BioTime in the amount of $ 3,474 thousand and from the Company in the amount of $ 2,545 thousand and $ 5 thousand from an additional shareholder.

As of the balance sheet date, the share of the Company in these loans is presented as a financial asset at fair value through profit and loss in an amount of NIS 2,545 thousand.

At the meeting of the Board of Directors held on October 29, 2015, it was decided that Cell Cure would offer its shareholders to raise financing by means of convertible loans in a total amount of up to $ 5,000 thousand ("the principal", respectively). The amount of the principal will be transferred according to Cell Cure's request on an "as needed basis". The principal will bear interest at a rate of 3% per year (together with the principal, the "loan"). Each part of the loan as yet unpaid and which will not be converted to ordinary shares of Cell Cure, as specified below, will be paid by Cell Cure within three (3) years from transfer of the relevant loan.

As of the balance sheet date, Cell Cure had received convertible loans from BioTime in the amount of $ 1,097 thousand.

During the month of February 2016, Cell Cure received an amount of $ 1,415 thousand from BioTime, an amount of $ 456 thousand from the Company and $ 2 thousand from an additional shareholder.

Chief Scientist grants:

Approval date	Grant type Israel/Abroad	Budget NIS thousands	Participation % %	Grant period NIS thousands	Purpose of the grant
December 2013	Israel	8,252	60%	-1.1.14	Submitting an IND to the FDA
	Abroad	3,815	30%	31.12.14	and Starting clinical trials.
December 2014	Israel	8,300	60%	-1.1.15	Starting clinical trials.
	Abroad	300	30%	31.12.15	

(2) Enlivex Therapeutics Ltd. (hereinafter: "Enlivex")

	Volume of investment in affiliated company		Rate of holding of rights in equity of affiliated company	
	As of December 31		As of December 31	
	2015	2014	2015	2014
	NIS thousands	NIS thousands	%	%
Enlivex Therapeutics Ltd.	-	2,791	25.83	25.83

Condensed information from the financial statements of Enlivex:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Current assets	23,158	26,455
Non-current assets	831	64
Current liabilities	1,809	879
Non-current liabilities	5,055	3,347
Net assets	17,125	22,293

	As of December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Comprehensive loss (gain)	12,224	(3,531)	-

In the Company's financial statements, its investments in Enlivex, as at December 31, 2015, is presented as follows:

	NIS thousands
Company's share in shareholders' equity of Enlivex according to the equity method	2,079
Company's share in shareholders' equity of Enlivex according to the layers method (*)	-
Adjustment	(2,079)
Total	-

(*) See Also Note 2.J.

General:

Enlivex is a private company that was incorporated in Israel in September 2005.

Enlivex is developing a medication known as Allocetra for the treatment of graft versus host disease in marrow transplants, in Cronin's Disease and in other inflammatory and autoimmune diseases, by means of inducing immunotolerance as a substitute for the accepted treatment of immunosupression.

On October 12, 2009, the company announced that, after completing the necessary preparations for obtaining the required approvals, it had begun human clinical trials on patients (Phase I/IIa) for an initial study of the safety and efficacy of a cell-based treatment for Graft vs. Host Disease.

On March 18, 2013, Enlivex received approval from the FDA following its request to have the drug ApoCell recognized as an orphan drug for the treatment of GvHD.

In 2013, Enlivex successfully completed treatment on 13 patients as part of its clinical trial.

In January 2015, Enlivex received the status of an orphan drug for the Allocetra product from the European Medications Agency (EMA) for preventive treatment of graft versus host disease.

Capital Raising and Financing Resources:

In February 2014, Enlivex entered into a transaction with a business group led by Shai Novik (hereafter: "**the Novik group**") whose purpose, at the initial stage, was to provide a right to the Novik group, limited in time, to invest and/or raise a sum on behalf of Enlivex that is no less than $3.5 million (and up to $ 8 million) (hereafter: "**the investment**") by receipt of a convertible loan document; and at the second stage, converting Enlivex into a public company traded in the United States. The undertaking in the transaction consisted of: (1) a term sheet between the Novik group and Enlivex to provide sources of financing; (2) a convertible loan agreement between the Novik group and Enlivex; (3) an agreement between the Enlivex shareholders.

Within the framework of this transaction, in February 2014, Enlivex received a convertible loan of NIS 151 thousand from the Novik group, bearing annual interest of 8%.

In May 2014, Enlivex completed the elicitation of the convertible loan from the Novik group in the amount of NIS 7,051 thousand. Upon completing the transaction, the convertible loans were converted as following:

- The convertible loans that the Company provided to Enlivex between the years of 2007-2013 in an amount of approximately NIS 16,600 thousand (including interest) were converted into 7,079,722 ordinary shares of Enlivex.

- The convertible loans that the Novik Group provided to Enlivex in an amount of NIS 151 thousand were converted into 45,899,677 ordinary shares of Enlivex.

During the months of June and July 2014, the Novik group transferred a convertible loan of $ 275 thousand, in the context of the same raising of financing and under the same terms.

Upon completion of the transaction, the Company holds 25.83% of the issued and paid up share capital and voting rights of Enlivex. The Company also has the right to appoint two out of the eight members of the board of directors of Enlivex.

Commencing from that date, the Company lost its control of Enlivex and presents its investment according to the equity method. As a result of the loss of control, on the date of the transaction, the Company presented its investment in Enlivex at fair value and recognized a capital gain of approximately NIS 5,857 thousand in the other income, net section.

In December 2014, an additional agreement in the framework of the transaction was signed in the amount of $ 674 thousand so that the funds raised from the Novik group totaled $ 8,000 thousand. This amount was received after the balance sheet date.

Book value of net liabilities that was realized:

	As of May 18, 2014
	NIS thousands
Current assets	
Cash and cash equivalents	715
Receivables	94
	809
Non-current assets	
Fixed assets, net	54
Prepaid expenses	11
	65
	874
Current liabilities	
Loans from investors	151
Trade payables	335
Other current liabilities	336
	822
Non-current liabilities	
Royalties payable	2,643
Obligations with respect to employees' benefits	31
	2,674
Net liabilities realized	(2,622)
Rights not providing control	732
	(1,890)
Investment at fair value	3,967
Net liabilities realized	2,622
Rights not providing control	(732)
Gain on realization	5,857

Chief Scientist grants:

Approval date	Grant type Israel/Abroad	Budget NIS thousands	Participation % %	Grant period NIS thousands	Purpose of the grant
December 2013 (*)	Israel	3,300	60%	-1.10.13 30.9.14	Development of the Allocetra product for treating GvHD and research on additional diseases
May 2015	Israel Abroad	619 2,581	30% 60%	-1.1.15 31.12.15	Development of the Allocetra product for treating GvHD and research on additional diseases

(*) The program was extended until December 31, 2014.

(3) Group's share in losses of affiliated companies which were not recognized in the financial statements

	For the year ended on December 31 2015 NIS thousands	Until December 31 2015 NIS thousands
Cell Cure	2,047	5,057
Enlivex	2,583	2,583

	For the year ended on December 31 2014 NIS thousands	Until December 31 2014 NIS thousands
Cell Cure	3,010	3,010

(4) BioMarCare Technologies Ltd. (hereinafter - "BioMarCare")

Affiliated company whose financial statements were not attached to the Company's report:

During the year of 2014, BioMarCare froze all of its activities, except in relation to technology commercialization activities. Commencing from March 2014, the board of directors of BioMarCare

focuses principally on activities of locating strategic partners and investors to promote development and commercialization, without additional clinical activities. Also, as of the date of the report, BioMarCare does not employee personnel or staff members.

In 2014, due to indications of impairment of the investment, the Company recognized a loss from impairment of an investment in the amount of NIS 2,255 thousand.

In the financial statements as of December 31, 2015 and 2014, the investment account of the Company in BioMarCare stands at zero.

The reason for non-attachment of the financial statements of an affiliated company:

During the year of 2014, BioMarCare froze its clinical activities and, commencing from that date, the board of directors of BioMarCare focuses on an attempt to commercialize its technology and, accordingly, the conditions stated in Section 23 (B) (1) of the Securities Regulations (Preparation of Annual Financial Statements)-2010 were present as regards not attaching the reports of an affiliated company.

Company's share of comprehensive loss:

	As of December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
BioMarCare Technologies Ltd.	-	510	1,295

Note 8 - Tradable Financial Assets

A. In 2015, the Company realized all of its holdings in the shares of BioLine RX Ltd. The consideration for the realization was NIS 185 thousand. In the year ended December 31, 2015, the Company recognized realization of a capital reserve in an amount of NIS 14 thousand.

B. In July, 2012, as part of the acquisition of Thrombotech by D - Pharm , the Company received 6,210,785 shares of D - Pharm worth 2,787 thousand NIS.

Upon completion of the purchase transaction, the Company holds approximately 14.9% of the issued and paid up share capital and the voting rights of D-Pharm. Moreover, the Company appointed one director in the board of directors of D-Pharm. Commencing from the date of the transaction, the Company presents its investment in D-Pharm as a financial asset available for sale.

In March and December 2014, D-Pharm published a shelf proposal report according to which the Company invested an amount of NIS 932 thousand and NIS 0 thousand in consideration for 5,175,654 and 0 ordinary shares of D-Pharm, respectively.

The Company measures the investment according to fair value and the differences between the value in the accounts and the fair value are recorded to capital reserve (see Note 2.P.4).

As of December 31, 2015 and 2014, the value of the holdings of the Company in 11,386,439 ordinary shares of D-Pharm was approximately NIS 900 thousand and approximately NIS 1,856 thousand. (The rate of holding of the Company as of those dates was approximately 5.57% of the issued and paid up share capital and of the voting rights of D-Pharm).

For the year ended December 31, 2015 and 2014, the Company recognized an increase (decrease) in the capital reserve in an amount of NIS 337 thousand and NIS (441) thousand, respectively.

Note 9 - Fixed Assets, Net

Composition:

	Improvements to leasehold	Office furniture and equipment	Computers	Total
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cost				
As of January 1, 2015	1,269	566	183	2,018
Acquisitions	-	2	13	15
Dispositions	-	(249)	(2)	(251)
Cost as of December 31, 2015	1,269	319	194	1,782
Cost				
As of January 1, 2014	1,269	781	158	2,208
Acquisitions	-	28	80	108
Entry into consolidation	-	266	36	302
Exit from consolidation	-	(509)	(91)	(600)
Cost as of December 31, 2014	1,269	566	183	2,018
Accumulated Depreciation				
As of January 1, 2015	1,108	272	107	1,487
Depreciation expenses	42	47	36	125
Dispositions	-	(174)	(1)	(175)
Accumulated depreciation as of December 31, 2015	1,150	145	142	1,437
Accumulated Depreciation				
As of January 1, 2014	1,025	511	126	1,662
Depreciation expenses	83	42	27	152
Entry into consolidation	-	184	36	220
Exit from consolidation	-	(465)	(82)	(547)
Accumulated depreciation as of December 31, 2014	1,108	272	107	1,487
Amortized cost as of December 31, 2015	119	174	52	345
Amortized cost as of December 31, 2014	161	294	76	531

Note 10 - Intangible Assets, Net

A. Composition:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Cost (B)	2,407	2,407
Deduction - accumulated depreciation	(1,603)	(1,355)
	804	1,052
Entry into consolidation (C) (D)	12,975	12,975
Provision for impairment	(7,389)	-
	5,586	12,975
Total	6,390	14,027

B. In 2009, KAHR signed an agreement to license intellectual property to supplement its existing intellectual property. In return, 4.9% of the KAHR's share equity was allocated to the owners of the intellectual property. As a result of this allocation, an intangible asset of NIS 1.850 million, depreciated over ten years, was recognized.

In 2010, KAHR carried additional costs as part of the license agreement, totaling 150 thousand dollars. This amount was added to the cost of the license and is amortized over the remaining life of the license.

C. In the framework of the investment transaction in ProtAb on September 22, 2014, the Company recognized an intangible asset in an amount of NIS 12,975 thousand (NIS 12,967 of research and development asset and NIS 8 thousand of goodwill).

On May 1, 2015, ProtAb announced that it had ended analysis of the results of the pre-clinical trials, whose purpose was to reach results that would permit a decision on focusing on an indication that would lead to clinical development with Prozumab. From analysis of the results obtained in the pre-clinical trials in models for the new indications, it arose that there are no significant results that support the development of the Prozumab for these new indications. ProtAb is continuing to act to develop Prozumab for inflammatory intestinal ailments (Including Crones disease and ulcerated colons) and additional auto immune ailments, and it plans to act to raise capital for the continuation of the development.

ProtAb has used up most of the amount of the loan placed at its disposal by the Company in September 2014 for purposes of evaluation of the above indications, and, therefore, it must immediately locate additional sources of financing for purposes of continuing the development, a situation that creates cash flows pressure for ProtAb. In light of the fact that ProtAb was delayed in development of Prozumab for the leading indication, it will be required to act immediately to raise funds.

In view of the aforesaid, during the first quarter of 2015, the Company recognized signs of impairment of the investment.

The Company evaluated the recoverable amount of ProtAb as of March 31, 2015.

Cash generating unit	Book value of cash generating unit	Goodwill allotted to unit	Impairment recognized	Recoverable value of the unit	Basis for measuring recoverable value
	NIS thousands				
ProtAb Ltd.	12,967	8	5,472	7,503	Fair value less realization costs

The recoverable value of the cash generating unit is determined according to fair value less costs of realization, based on the value of ProtAb derived from the September 2014 investment round (see Note 7.A.(2)). The necessary adjustments were made to this value as of March 31, 2015 with respect to the cash flow pressure and the costs of the transaction and with respect to the delay in the development timeline.

During the three months ended March 31, 2015, the Company recognized an impairment loss from ProtAb in the amount of NIS 5,472 thousand in the other expenses section. Out of this amount, NIS 2,879 thousand was attributed to the owners of the Company.

Key assumptions used in the calculation of value in use are:

- Capitalization rate of 26%.
- Delay of one year in the development timeframe.
- Discount rate of 25% due to prompt realization including transaction costs.

The measurement of the fair value as stated above is a measurement classified at level 3 according to the fair value ranking.

Sensitivity of recoverable amount to changes in key assumptions:

- A change in the capitalization rate in a manner that increases or decreases by 5% will cause a change in the recoverable amount of NIS 218 thousand.
- A change in the discount rate that increases or decreases by 5% will cause a change in the recoverable amount of NIS 500 thousand.

D. In September 2015, ProtAb signed a non-binding agreement of understandings (hereafter: "agreement of understandings") in which it granted a third party an option for a period of 90 days to carry on negotiations to receive commercialization rights for the Prozumab product. As part of the terms of the non-binding agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the option, including the employment of workers and the preservation of its intellectual property.

In November 2015, all of the workers of ProtAb ended their employment, other than the research manager who is employed in a consulting agreement to the extent of a 20% position for purposes of scientific consultation and assistance until maturation of a transaction for the commercialization of the technology of ProtAb.

In December 2015, the validity of the agreement of understandings expired. Moreover, as of December 31, 2015, the balance of cash of ProtAb does not permit the continuation of its business operations, except for the preservation of its intellectual property.

In view of the above, during the fourth quarter of 2015, the Company identified signs of the impairment of the investment.

The Company evaluated the recoverable amount of ProtAb as of December 31, 2015.

Cash generating unit	Book value of cash generating unit	Goodwill allotted to unit	Impairment recognized	Recoverable value of the unit	Basis for measuring recoverable value
	NIS thousands				
ProtAb Ltd.	7,503	-	1,917	5,586	Fair value less realization costs

Key assumptions used in the calculation of value in use are:

- Capitalization rate of 22.15%.
- Discount rate of 5% due to selling costs.

The measurement of the fair value as stated above is a measurement classified at level 3 according to the fair value ranking.

Sensitivity of recoverable amount to changes in key assumptions:

- A change in the capitalization rate in a manner that increases or decreases by 5% will cause a (decrease) or increase in the recoverable amount of NIS (332) and NIS 366 thousand, respectively.
- A change in the discount rate that increases or decreases by 5% will not cause a material change in the recoverable amount.

Note 11 - Additional Details Concerning Current Liabilities

A. Vendors and Service Providers:

Composition:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Payable expenses	1,040	911
Open accounts	117	923
	1,157	1,834

B. Creditors and Credit Balances:

Composition:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Current maturities of long-term liabilities (*)	483	732
Employees and institutions on account of salary	630	548
Related parties	442	274
Loan from outsiders	120	111
Other creditors	250	210
	1,925	1,875

(*) For further details, see Note 17.B.

Note 12 - Convertible loan from outside shareholders:

Composition:

	Annual interest rate	As of December 31	
	31/12/15	2015	2014
	%	NIS thousands	NIS thousands
Loans from shareholders of subsidiary (*)	Libor + 3%	1,082	1,263

(*)Loan given by outside shareholders in ProtAb. See Note 7.A.2. for details.

Note 13 – Receipts on Account of Options

A. In September 2012, the Company issued 2,598,716 options (Series 6). The options are exercisable into an ordinary share of NIS 0.05 par value against an exercise increment of NIS 2.30. In September 2015, the options (Series 6) expired, and the Company correspondingly classified the amount of NIS 455 thousand to premium.

B. In July 2014, the Board of Directors of the Company approved the extension of the exercise period of the Company's options (Series 4) traded on the stock exchange, so that they will be exercisable until February 26, 2015 (instead of August 30, 2014), and also approved the reduction of the exercise increment so that the exercise increment for each option will stand at NIS 0.26 (instead of NIS 1.75) In July 2014, the Company presented a request to the Jerusalem District Court to approve the changes in the options as above.

In September 2014, the court approved the extension of the exercise period and the reduction of the exercise price according to the request. In February 2015, 1,768,740 options (Series 4) expired.

C. In March 2015, 3,593,971 options (Series 7) expired, after the arrangement proceeding made by the Company according to the provisions of Section 350 of the Companies Law-1999 did not receive the necessary majority required in assemblies convened by the court. The Company correspondingly classified the amount of NIS 2,184 thousand to premium.

D. Receipts on account of options:

Series	Exercise ratio	Exercise increment	Linkage basis	Exercise date	Amount received on issuance	Section in statement of financial position
		Agoroth			NIS	
Series 4	1:1	26	Unlinked	Feb. 26, 2015	1,610	Options
Series 6	1:1	46	Unlinked	Sep. 30, 2015	455	Options
Series 7	1:1	22.5	Unlinked	Feb. 26, 2015	574	Options
Series 8	1:1	75	Unlinked	March 30, 2016	654	Options
Total					3,293	

Note 14 – Share Capital

A. Composition:

	As of December 31	
	2015	2014
	Issued and outstanding	
Regular shares at 0.05 par value	62,420,114	-
Regular shares at 0.01 par value	-	142,782,972

	As of December 31	
	2015	2014
	Registered	
Regular shares at 0.05 par value	79,000,000	-
Regular shares at 0.01 par value	-	275,000,000

The new regular shares grant the right to attend and vote at meetings of the Company's General Assembly, the right to participate in a distribution of profits, and the right to participate in the distribution of the Company's surplus assets when it is liquidated.

B. In July 2014, the Company's Board of Directors approved an increase in the Company's authorized capital of 75,000,000 ordinary shares of NIS 0.01 par value each, so that the authorized capital of the Company after the increase stood at 275,000,000 ordinary shares.

C. On April 21, 2015 and May 26, 2015, the Board of Directors and the General Assembly, respectively, approved the unification and reallocation of the registered share capital and of the issued and paid up capital of the Company, accordingly and an amendment to the Company's by- laws, in a manner that each 5 existing ordinary shares of NIS 0.01 par value will be consolidated into one ordinary share of NIS 0.05 par value each, and also each option not registered for trading, and options of the

Company registered for trading, namely the Series 6 and Series 8 options, will be adjusted in a similar manner, so that each five options will be consolidated into one option, exercisable into one ordinary share of NIS 0.05 par value. The exercise price of the option registered for trading and not registered for trading will be adjusted according to the capital consolidation.

The date determined for the capital consolidation is June 4, 2015 and the exercise increment after execution of the capital consolidation is:

- Exercise increment in relation to the Series 6 options of the Company is NIS 2.3 per option.
- Exercise increment in relation to the Series 8 options of the Company is NIS 0.75 per option.

D. On April 15, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the Company, respectively, approved an increase in the authorized capital of the Company by 120,000,000 ordinary shares of NIS 0.01 par value each so that the authorized capital of the Company after the increase will stand at 395,000,000 ordinary shares of NIS 0.01 par value each (79,000,000 ordinary shares of NIS 0.05 par value each after the capital unification as described in Note 4 K above).

E. Movement in fully paid up share capital

	Ordinary shares		
	2015	**2014**	**2013**
	Thousands of shares	**Thousands of shares**	**Thousands of shares**
Balance of shares at beginning of year	142,783	126,524	126,524
Issuance of shares	32,932	16,259	-
Unification of capital	(140,572)	-	-
Exercise of options	-	-	-
Issuance of shares	27,277		
Balance of shares at end of year	62,420	142,783	126,524

F. On March 30, 2015, the Company, in the framework of a raising of equity, issued by way of public offering according to a shelf proposal report published by the Company on March 29, 2015, a quantity of 32,932,000 ordinary shares of the Company and a quantity of 32,932,000 options registered for trade (Series 8) of the Company. The immediate proceeds received by the Company with respect to the allotment of securities offered by the above shelf proposal report is NIS 4,445 thousand gross (NIS 4,279 thousand net).

On April 6, 2015, approval was received from the Securities Authority regarding the opening of trading of the option (Series 8).

G. On August 17, 2015, the Company, in the framework of raising capital by way of a public offering according to a supplementary prospectus published by the Company on July 22, 2015, and the amendment to it dated August 3, 201,5 issued a quantity of 2,343,000 ordinary shares of the Company. The gross immediate proceeds received by the Company with respect to the allotment of the securities offered according to the shelf proposal report as above were NIS 750 thousand, gross The proceeds less issuance costs were NIS 636 thousand.

H. On December 20, 2015, the Company, in the framework of raising capital by way of a public offering according to a shelf proposal report published by the Company on December 16, 2015, issued a quantity of 24,934,000 ordinary shares of NIS 0.05 par value of the Company. The gross immediate proceeds received by the Company were NIS 8,976 thousand (gross). The proceeds less issuance costs were NIS 8,675 thousand.

Note 15 – Share-Based Payment

Composition:

Plan description	Grant date	Vesting terms and additional terms	No. of Options	Exercise Price	Share price at time of grant	Fair value at time of grant	Total benefit at time of grant
				NIS	NIS	NIS	NIS thousands
Options granted to directors	January 2014	(a)	1,000,000	0.34	0.24	0.135	135
Options granted to CFO, Chairman of the Board and a director	May 2014	(b)	1,700,000	0.27	0.19	0.10	170
Options granted to directors	May 2015	(c)	16,000	0.8290	0.5450	0.1625	2.6
Options granted to Chairman of the Board(*)	August 2015	(d)	140,000	1.37	3.5	1.24	17
Options granted to CEO (*)	September 2015	(e)	253,100	3.76	3.04	1.8	46
Options granted to CFO (*)	September 2015	(f)	176,700	3.76	3.04	1.8	32
Options granted to Chairman of the Board(*)	September 2015	(g)	72,950	3.76	3.04	1.8	13

(*) A capital unification in a ratio of 1:5 was made in June 2015.

A. Each option is exercisable into one ordinary share of NIS 0.01 par value of the Company.

The vesting period of the options will be in four equal annual tranches, commencing on January 1, 2014.

The following parameters used in implementing the model:

Element	
Share price (in NIS)	0.24
Exercise price (in NIS)	0.34
Life of the options plan (in years)	7
Standard deviation range (in percentages)	59
Risk-free interest range (in percentages)	5.5
Expected dividend rate (in percentages)	0

B. Each option is exercisable into one ordinary share of NIS 0.01 par value of the Company.

The vesting period of the options will be in four equal annual tranches, commencing on May 20, 2014.

The following parameters used in implementing the model:

Element	
Share price (in NIS)	0.19
Exercise price (in NIS)	0.27

Life of the options plan (in years)	7
Standard deviation range (in percentages)	69
Risk-free interest range (in percentages)	2.72
Expected dividend rate (in percentages)	0

C. On May 26, 2015, the General Assembly of the Company granted options to directors. The vesting period of the options will be in three equal annual tranches, commencing May 26, 2015 and ending on May 26, 2018. The options will be exercisable into 16,000 ordinary shares of NIS 0.05 each of the Company.

The following parameters used in implementing the model:

Element	
Share price (in Agora)	10.9
Exercise price (in Agora)	16.58
Life of the options plan (in years)	7
Standard deviation range (in percentages)	91
Risk-free interest range (in percentages)	0
Expected dividend rate (in percentages)	0

D. On May 19, 2014 and on May 20, 2014, the Compensation Committee and the Board of Directors of the Company, respectively, approved a program for the allotment of non-marketable options to the Chairman of the Board of Directors of the Company for no consideration. On August 6, 2015, the General Assembly ratified the allotment.

The vesting period of the options will be in four equal annual tranches, commencing May 19, 2014 and ending on May 19, 2018. The options will be exercisable into 140,000 ordinary shares, each of NIS 0.05 par value of the Company.

The following parameters used in implementing the model:

Element	
Share price (in Agora)	35
Exercise price (in Agora)	136.6
Life of the options plan (in years)	7
Standard deviation range (in percentages)	64
Risk-free interest range (in percentages)	0.19
Expected dividend rate (in percentages)	0

E. On September 10, 2015, the Compensation Committee and the Board of Directors of the Company approved a program for the allotment of non-marketable options to the CEO of the Company for no consideration. On October 25, 2015, the General Assembly ratified the allotment.

The vesting period of the options will be in three equal annual tranches, commencing September 10, 2015 and ending on September 10, 2018. The options will be exercisable into 253,100 ordinary shares, each of NIS 0.05 par value of the Company.

The following parameters used in implementing the model:

Element	
Share price (in Agora)	30.4
Exercise price (in Agora)	37.56
Life of the options plan (in years)	7
Standard deviation range (in percentages)	65
Risk-free interest range (in percentages)	1.95
Expected dividend rate (in percentages)	0

F. On August 31, 2015, the Compensation Committee and the Board of Directors of the Company approved a program for the allotment of non-marketable options to the CFO of the Company for no consideration.

The vesting period of the options will be in four equal annual tranches, commencing September 20, 2015 and ending on September 20, 2019. The options will be exercisable into 176,700 ordinary shares, each of NIS 0.05 par value of the Company.

The following parameters used in implementing the model:

Element	
Share price (in Agora)	30.4
Exercise price (in Agora)	37.56
Life of the options plan (in years)	7
Standard deviation range (in percentages)	65
Risk-free interest range (in percentages)	1.95
Expected dividend rate (in percentages)	0

G. On September 10, 2015, the Compensation Committee and the Board of Directors of the Company approved a program for the allotment of non-marketable options to the Chairman of the Board of Directors of the Company for no consideration. On October 25, 2015, the General Assembly ratified the allotment.

The vesting period of the options will be in four equal annual tranches, commencing September 10, 2015 and ending on September 10, 2019. The options will be exercisable into 72,950 ordinary shares, each of NIS 0.05 par value of the Company.

The following parameters used in implementing the model:

Element	
Share price (in Agora)	30.4
Exercise price (in Agora)	37.56
Life of the options plan (in years)	7
Standard deviation range (in percentages)	65
Risk-free interest range (in percentages)	1.95
Expected dividend rate (in percentages)	0

H. Additional details of options granted:

	As of December 31, 2015		**As of December 31, 2014**	
	No. of options	**Weighted average of exercise price**	**No. of options**	**Weighted average of exercise price**
		NIS		**NIS**
Options granted to employees:				
In circulation at the start of the period	725,000	3.50	157,000	10.00
Granted	518,750	0.39	580,000	1.46
Forfeited	119,479	1.25	-	-
Expired	12,000	10.00	12,000	10.00
Outstanding at end of period (balance of contractual length of life is 7 years from the grant date)	1,112,271	2.70	725,000	3.50
Exercisable at end of period	328,521	4.97	133,000	10.00

Note 16 – Royalties Payable

Composition:

Type of grant	Amount of grant	Conditions of OCS grant
OCS grants	18,218	As of December 31, 2015, subsidiaries of the Group received loans from the OCS in the amount of NIS 18,218 thousand and recognized OCS grants receivable in the amount of NIS 337 thousand, linked to the dollar exchange rate and bearing annual interest of LIBOR. The loans will be repaid according to a rate of royalties of sales. The Company recognized liabilities for repayment of the loans according to a royalties rate of 3%-3.5%, a capitalization rate of 32%-45% and according to an estimate of the forecasted revenues.
Grants receivable	337	
Total	18,555	

Note 17 – Contracts and Pending Liabilities

A. Management agreement:

During 2014, in the context of understandings reached by the Company and Hadasit Medical Research and Development Ltd., it was agreed on administrative services granted to the Company by Hadasit. Due to these services, the annual management fees for 2014 will stand at NIS 430 thousand.

On November 17, 2014, the General Assembly approved the management agreement for 2014 and the debt was paid on January 5, 2015.

The validity of this management agreement ended on January 1, 2015.

B. Rental agreement:

On February 5, 2008, a rental contract was signed between the Company and another company (hereinafter: "the other company") for approximately 860 square meters in the biotechnology park whose construction was completed in April 2009 (Hereinafter:"the rented property").

The rental agreement is for a period of five years, with the Company granted an option to extend it for five more years, at an increase in the rent. The rental agreement stipulated that the Company will pay a monthly rate of NIS 64 per square meter. In addition, throughout the rental period and the option period the Company will pay a sum of NIS 43 (index linked) for modifications that were made by the other company.

The Company recorded a liability against recognition of a leasehold improvements asset with respect to an obligation to pay the cost of the modification works during the option period as well.

The Company's offices moved to the technology park in June 2009 and five of its Portfolio Companies also transferred their activities (offices and laboratories) to the park. The part of the leasehold that is rented in a sublease to portfolio companies was rented at identical terms, with the necessary changes, to those at which the Company rented the leasehold from the other company.

In November 2013, the Company notified the other company of its wish to terminate the rental agreement without exercising the above option. As a result, in the financial statements as of December 31, 2013, the liability with respect to the payment of the modification works was classified to short-term.

In August 2014, the Company signed an addendum to the rental agreement according to which it was agreed, inter alia, on new rental terms for offices with space of 63 square meters, rented by the Company for purposes of its operations, and for the spreading of the payments of the modification works of approximately NIS 2,359 thousand (linked to the CPI). During 2014, the Company paid the amount of NIS 900 thousand in the framework of spreading of the payments of the modification works. Moreover, as of the balance sheet date, the balance of the debt is in the amount of NIS 1,008 thousand. Of this amount, NIS 483 thousand is presented in the framework of other current liabilities as a current liability, and NIS 525 thousand is presented in the framework of accrued expenses in non-current liabilities. Moreover, the asset with respect to the leasehold was fully depreciated.

In August 2014, a spreading agreement of an obligation for improvements to a leasehold between the Company and CellCure (a portfolio company which rented space from the Company), according to which from each payment of the Company to the other company, CellCure will repay the relative portion. As of the date of the financial statements, the liability of CellCure to the Company is in the amount of NIS 172 thousand and presented in the section of receivables as a current asset.

In February 2016, the Company and the lessor agreed on a renewed spreading of the balance of the debt. The balance will be paid in 34 payments commencing from March 1, 2016. The debt bears interest at a rate of 3% per year.

Note 18 – Noncash Transactions

During 2015, 2014, and 2013, the Group recorded royalties payable to the Chief Scientist on account of receivables from the Chief Scientist in the amount of 64,000 NIS, 340,000 NIS, and 614,000 NIS respectively.

In May 2014, convertible loans which the Company provided to Enlivex in the amount of approximately NIS 16,600 thousand (including interest) were converted to 7,079,722 ordinary shares of Enlivex. See also Note 7.B.(2).

In November 2015, the convertible loan in the amount of approximately NIS 1,987 thousand, that the Company had provided in favor of KAHR, was converted into 118,212 Preferred B shares of KAHR. See also Note 7.A(1).

Note 19 – Financial Instruments

A. Capital Management Policy:

The group manages its capital in such a way as to guarantee that its entities will be able to continue to exist as going concerns while increasing the return to the holders of its equity, by maintaining an optimum capital-to-debt ratio. Nevertheless, part of the companies of the Group (among them the Company) has a going concern comment in their financial statements. In 2015, no changes took place in the Group's capital management policies.

B. Main Points of Accounting Policy:

Details of the main points of accounting policy and the methods adopted, including the conditions for recognition, the measurement basis, and the basis on which income and expenses were recognized with regard to each group of financial assets, financial liabilities, and capital instruments, can be found in Note 2.O.

C. Groups of Financial Instruments:

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Financial assets:		
Cash and cash equivalents	56,602	6,038
Short term deposit	507	504
Marketable securities	159	2,790
Salable financial assets	900	2,055
Loan and receivables	3,163	3,448
	61,331	14,835
Financial liabilities:		
Financial liabilities measured at a depreciated cost	7,792	9,341
Financial liabilities measured at fair value through profit and loss	194	567

D. The Goals of Financial Risk Management:

The financial division of the Group provides services to the business operations, permits access to local and international financial markets, supervises and manages the financial risks connected with the operations of the Group who analyze the extent of the exposure to risks according to their level and intensity. These risks include market risks (currency risk, fair value risk with respect to the interest rate, price risk and cash flow risk with respect to the interest rate), credit risk and liquidity risk.

E. Currency Risk:

The Group conducted a number of transactions denominated in foreign currency. This created an exposure to exchange-rate fluctuations, principally in the dollar. Exchange-rate risk stems from expenses, assets, and liabilities that have been recognized as denominated in a currency that is not the Group's operating and reporting currency.

The book values of the Group's financial assets and liabilities denominated in foreign currency are as follows:

	Liabilities		Assets	
	As of December 31		As of December 31	
	2015	2014	2015	2014
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Dollar	4,929	6,949	50,064	7,651

Foreign Currency Sensitivity Analysis

The table below displays the sensitivity to a 5% decline in the relevant exchange rate. The sensitivity analysis includes existing balances of financial items denominated in foreign currency and translates them at the end of the period to a 5% change in exchange rates.

The sensitivity analysis includes external loans as well as loans for external activities of the Group that are denominated in a currency which differs from the currency of the lender or the borrower. A positive number in the table indicates a rise in the profit or the loss or an increase in equity when the NIS currency becomes stronger by 5% in relation to the relevant currency, or a decline in in the profit or the loss or an decrease in equity when the NIS currency becomes weaker by 5% in relation to the relevant currency.

Influence of a 5% decline in the NIS exchange rate vs. other currencies:

	Influence of the dollar	
	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Profit and Loss	2,257	35

F. Exposure to the Price of the Capital Instruments of other Entities:

The Group is exposed to share-price risks as a result of its investments in other companies, which are treated as salable financial assets (see Note 2.O).

The value of the investments exposed to share price risk is NIS 900 thousand. See Note 8 for further information.

Share Price Sensitivity Analysis

The following sensitivity analysis was determined based on exposure to price risks in shares at the reporting date.

If the prices of the shares owned were 50% lower, the after-tax impact would be as follows:

	Effect of change in share price	
	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Loss	450	1,028

G. Financial Instruments Displayed in the Financial Statement at Fair Value:

	As of December 31, 2015			As of December 31, 2014		
	In foreign currency or linked to it	In NIS, index linked	In NIS, unlinked	In foreign currency or linked to it	In NIS, index linked	In NIS, unlinked
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Cash and cash equivalents	47,361	-	9,241	5,367	-	670
Receivables at cost and or depreciated cost	-	-	618	-	344	1,306
Held for trade and deposits	159	507	-	615	504	2,176
Financial asset at fair value	2,545	-	-	1,798	-	-
Financial assets available for sale measured at fair value	-	-	900	-	-	2,055
	50,065	507	10,759	7,780	848	6,207

Financial liabilities						
Financial liabilities measured at depreciated cost	4,281	-	3,511	6,422	1,836	1,083
Financial liabilities measured at fair value through profit and loss	194	-	-	567	-	-

H. Management of Liquidity Risk:

The Group manages its liquidity risk by maintaining appropriate funds and bank instruments by constant supervision of actual and anticipated cash flows, and by modification of the maturity terms of its financial liabilities and assets.

In addition, the Group is exposed to interest risk because the companies of the Group borrow and lend at variable interest rates.

(1) Financial Liabilities that are not Derivatives:

The tables below provide details of the Group's outstanding contractual repayment dates on account of financial liabilities that are not derivatives. The tables were drawn up based on the uncapitalized cash flows of the financial liabilities and the earliest date at which the Group may be asked to repay them. The table includes cash flows on account of interest and on account of principal.

	Interest rate	Up to one month	One month to three months	Up to one year	1-5 years	Over 5 years	Total
	%	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
As of December 31 2015							
That do not bear interest		2,158	-	-	-	-	2,158
Instruments that bear variable interest	Libor + 3%	-	-	-	889	-	889
Liabilities bearing fixed interest	3%-8%	120	121	362	525		1,128
Instruments bearing variable interest	Libor	-	-	-	4,508	18,337	22,845
		2,278	121	362	5,922	18,337	27,020
As of December 31 2014							
That do not bear interest		2,620	183	488	732	-	4,023
Instruments that bear variable interest	Libor + 3%		-	-	696	-	696
Liabilities bearing fixed interest	8%	111					111
Instruments bearing variable interest	Libor		-	-	11,534	8,754	20,278
		2,731	183	488	12,962	8,754	25,108

(2) Financial Assets that Are Not Derivatives:

The tables below list the expected redemption dates of the Group's financial assets that are not derivatives. The tables were drawn up on the basis of the uncapitalized anticipated redemption dates of the financial assets, including interest that may be produced by these assets, except for cases in which the Group anticipates that the cash flow will take place in a different period. The tables were prepared based on cash payments/receipts for derivatives that are settled on a net basis and uncapitalized gross cash receipts/payments for derivatives that require a net settlement.

	Up to one year	1-5 years	Total
	NIS thousands	NIS thousands	NIS thousands
2015			
Cash and cash equivalents	56,602	-	56,602
Financial assets at fair value through profit and loss			
Marketable securities	159	-	159
Salable financial assets measured at fair value			
Shares	900	-	900
Loans, deposits and receivables	1,125	-	1,125
	58,786	-	58,786
2014			
Cash and cash equivalents	6,037	-	6,037
Financial assets at fair value through profit and loss			
Marketable securities	2,790	-	2,790
Salable financial assets measured at fair value			
Shares	2,055	-	2,055
Loans, deposits and receivables	1,982	172	2,154
	12,865	172	13,037

Note 20 – Fair Value

A. Assets and liabilities measured in the Financial Status at fair value:

In order to measure the fair value of its financial instruments, the Group ranks the financial instruments measured at fair value in the Statement of Financial Position on three levels:

Level 1: Quoted prices (unadjusted) in active markets that are accessible by the entity at the measurement date for identical assets or identical liabilities.

Level 2: Data, other than quoted prices included in Level 1, which can be anticipated for the asset or the liability, directly or indirectly.

Level 3: Data that cannot be anticipated for the asset or the liability.

The classification of financial instruments measured at fair value is based on the lowest level of which significant use was made to measure the fair value of the overall instrument.

The table provides details on the Group's financial instruments, measured at fair value, by level:

Financial instruments at fair value:

	As of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	NIS thousands	**NIS thousands**	**NIS thousands**	**NIS thousands**
Financial assets at fair value through profit and Loss:				
Investment in tradable securities	159	**-**	**-**	159
Financial asset at fair value	**-**	**-**	2,545	2,545
Financial assets available for sale	900	-	-	900
Total financial assets	1,059	-	2,545	3,604
Financial liabilities at fair value through profit and loss	-	-	(194)	(194)
Total financial liabilities	-	-	(194)	(194)

	As of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	NIS thousands	**NIS thousands**	**NIS thousands**	**NIS thousands**
Financial assets at fair value through profit and Loss:				
Investment in tradable securities	2,790	**-**	**-**	2,790
Financial asset at fair value	**-**	**-**	1,798	1,798
Financial assets available for sale	2,055	-	-	2,055
Total financial assets	4,845	-	1,798	6,643
Financial liabilities at fair value through profit and loss	-	-	(567)	(567)
Total financial liabilities	-	-	(567)	(567)

According to the Group's policies, the Group considers the date on which an event occurred, or of a change in the relevant circumstances as to which a change should be made in the level of measurement of fair value at the end of the period in which the event occurred or the change in circumstances took place for which the level of measurement of fair value should be changed, as the date on which the financial instrument being measured at fair value was transferred from a certain level to another level.

The value in the accounts of financial instruments not presented at fair value in the statement of financial position is nearly identical to their fair value, except for royalties payable to the OCS which are presented at amortized cost.

During September 2014, the Company provided convertible loans to Cell Cure in an amount of approximately $ 466 thousand. The loan will bear interest at a rate of 3% per annum. Each part of the loan that has not yet been repaid and which was not converted to ordinary shares of Cell Cure, will be paid by Cell Cure within 3 years from the date of the relevant transfer. At any time prior to the date of the relevant transfer, subject to written notification from a shareholder, Cell Cure will convert each as yet unpaid portion of the loan stated in that notification to ordinary shares of Cell Cure.

The Company designated the convertible loans (the hybrid instrument) in its entirety as a financial asset at fair value through profit and loss. Any gain or loss derived from a change in fair value is recognized in profit or loss, except for the difference between the fair value on the date of original recognition and the value of the consideration ("deferred difference"). The deferred difference will be spread in a straight line over the length of life of the loan and will be recorded to profit or loss. See Note 7.B.1 for details.

Following the entry into consolidation of ProtAb during September 2014, the Company, in its consolidated financial statements, presents the loans that ProtAb received from outsiders, and that has a conversion element measured at fair value. See also Note 7.A,2 for details.

Transfers out of and into level 3:

- As part of the merger transaction between Thrombotech and D-Pharm,, inter alia, limitations were prescribed on the resale of D-Pharm shares according to the restrictions stipulated in Section 15 C of the Securities Law- and, correspondingly, until the end of the period of restrictions, the investment is presented in the Company's financial statements at fair value, namely, market value less a premium for non tradability. In July 2014, this period of restrictions ended and as of December 31, 2014, the shares are being presented at fair value as mentioned above. See Note 8.B.

Financial assets available for sale (holding of shares of D-Pharm) level 3:	**For the year ended December 31**
	2014
	NIS thousands
Balance as of January 1, 2014	1,261
Recognized profit and loss:	-
Other comprehensive loss	(150)
Measurement according to level 1 (*)	(1,111)
Balance as of December 31, 2014	-

(*) In July 2014, the restriction period of the D-Pharm shares ended and from that date, the investment in the shares of D-Pharm is measured at level 1.

Financial assets at fair value through profit and loss:	**For the year ended December 31**
	2015
	NIS thousands
Balance as of January 1, 2015	1,798
Loan provided to affiliated company	1,007
Recognition of deferred difference	1,808
Revaluation to fair value	(2,232)
Exchange rate differences	164
Balance as of December 31, 2015	2,545

Financial liabilities at fair value through profit and loss:	**For the year ended December 31**
	2015
	NIS thousands

Balance as of January 1, 2015	(567)
Revaluation of fair value	373
Balance as of December 31, 2015	(194)

Financial instruments not measured at fair value:

Other than what is itemized in the following table, the Group believes that the book value of the financial assets and liabilities presented at amortized cost in the financial statements is nearly identical to their fair value.

	As of December 31, 2015	
	Book value	**Fair value**
	NIS thousands	**NIS thousands**
Royalties payable	3,620	3,715
	3,620	3,715

Following a change in the Company's credit risk during the reporting period, a decrease occurred in the fair value of liability to pay royalties of approximately 18 million NIS, with a book value as of December 31, 2015 of 3,620 thousand NIS, so that the fair value at the reporting date is 3,715 thousand NIS.

For purposes of estimating the fair value, the Company used a capitalization rate of 32%-45%, reflecting the risk level of the subsidiary.

Description of the measured instrument	Fair value as of December 31, 2015	Fair value as of December 31, 2014	Estimation technique	Description of unanticipated data
Financial asset designated at fair value (1) (2)	6,651 (**)	4,780 (**)	(OPM) Option Pricing Method	Value of base asset
Conversion element of convertible loan received from owners of rights not providing control (3)	194	567	(OPM) Option Pricing Method	Value of base asset

(*) In the financial statements as of December 31, 2105 and as of December 31, 2014, the loan is presented at an amount of NIS 2,545 thousand and in an amount of NIS 1,798 thousand, respectively. The difference between the fair value of the loan to the balance in the accounts is deferred gain which is spread over the period of the loan. See Note 20.B.

(1) A financial asset, that is not an asset held for trading, is designated as a financial asset at fair value through profit or loss at the time of initial recognition, when it is part of a contract that includes one or more embedded derivatives and the entire mixed contract may be designated at fair value through profit or loss. Therefore, the convertible loan provided by the Company to Cell Cure Neurosciences (affiliated company, hereafter-"Cell Cure") was designated at the time of initial recognition at fair value through profit or loss.

(2) The significant fact that is not anticipated which served in determining the fair value of the convertible loans provided to Cell Cure is the value of the Cell Cure shares. A significant change in the value of the CellCure shares is likely to cause a significant change in the fair value of the convertible loan.

A change in the rate of the basis asset in a manner that it will increase or decrease by 20% will cause an increase (decrease) of the convertible loans in an amount of approximately NIS 1,235 thousand and NIS (1,227) thousand, respectively.

(3) The significant fact that is not anticipated which served in determining the fair value of the conversion component of a convertible loan received from rights not providing control (hereafter-"the conversion component") by ProtAb Ltd (a subsidiary, hereafter- "ProtAb") is the value of the basis asset. A change in the rate of the basis asset in a manner that it will increase or decrease by 20% will cause an increase (decrease) of the conversion component in the amount of approximately NIS 43 thousand and NIS (47) thousand, respectively.

B. Deferred gain or loss:

In September 2014, and April and September 2015, the Company provided convertible loans to Cell Cure in an amount of approximately $ 466 thousand, approximately $ 188 thousand and approximately $ 66 thousand, respectively. The loans bear interest at a rate of 3% per annum. Each part of the loan that has not yet been repaid and which was not converted to ordinary shares of Cell Cure, will be paid by CellCure within 3 years from the date of the relevant transfer. At any time prior to the date of the relevant transfer, subject to written notification from a shareholder, Cell Cure will convert each as yet unpaid portion of the loan stated in that notification to ordinary shares of Cell Cure.

The Company designated the convertible loans (the hybrid instrument) in its entirety as a financial asset at fair value through profit and loss. Any gain or loss derived from a change in fair value is recognized in profit or loss, except for the difference between the fair value on the date of original recognition and the value of the consideration ("deferred difference"). The deferred difference will be spread in a straight line over the length of life of the loan and will be recorded to profit or loss.

Deferred gain or loss resulting from initial recognition

	As of December 31	
	2015	2014
	NIS thousands	NIS thousands
Balance as of January 1	3,057	-
Receipt of convertible loan	2,835	3,334
Amortization to profit or loss	(1,808)	(277)
Balance as of December 31	4,084	3,057

Note 21 – R&D Expenses, Net

Composition:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Consultants and sub-contractors	5,817	6,972	5,782
Salary and benefits	2,259	2,180	2,219
Depreciation and amortization	334	260	252
Registering a patent	514	455	489
Materials	205	375	365
Other	759	548	757
	9,888	10,790	9,864
Less OCS grants	(1,799)	(3,382)	(1,919)
	8,089	7,408	7,945

Note 22 – Management and Miscellaneous Expenses

Composition:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Salary and benefits	2,766	2,331	2,167
Consultants and sub-contractors	2,848	1,798	1,523
Office maintenance	617	638	556
Management fees	-	430	500
Depreciation	39	152	159
Other	107	140	198
	6,377	5,489	5,103

Note 23 – Other Income (expenses), Net

Composition:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Loss from impairment of intangible asset	(7,389)	-	-
Loss from impairment of financial assets available for sale	(1,294)	-	(1,599)
Capital loss from sale of fixed assets	(18)	-	-
Gain from exit from consolidation of investee company	-	5,857	-
Gain from entry into consolidation of investee company	-	2,227	-
Gain from changes in rates of holding in investee company	-	-	4,441
Loss from impairment of investment in investee company	-	(2,237)	(18)
	(8,701)	5,847	2,824

Note 24 – Financing Income

Composition:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Exchange rate differences	525	605	-
Changes in fair value of financial liabilities measured at amortized cost	1,470	476	-
Changes in fair value of financial liabilities measured at fair value through profit or loss	373	-	-
Exchange differences with respect to financial asset for sale measured at fair value through profit or loss	166	116	-
Revaluation of options	-	70	12
Income from interest of securities	2	59	142
Income from interest of short-term bank deposits	9	24	113
	2,545	1,350	267

Note 25 – Financing Expenses

Composition:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Changes in fair value of financial liabilities measured at amortized cost	433	883	224
Changes in fair value of financial liabilities measured at fair value through profit or loss	2,232	824	-
Recognition of deferred gain with respect to financial instrument measured at fair value through profit or loss	(1,808)	(277)	-
Payment of interest and fees to banks	24	17	34
Change in fair value of financial assets	-	-	701
Exchange rate differences	2	-	606
Redemption of securities		-	34
	883	1,447	1,637

Note 26 – Income Tax

A. In light of tax losses accrued in the Company and its Portfolio companies, and due to the non existence of expectation taxable income in the foreseeable future, the Company and its Portfolio companies did not opt for benefits under the Encouragement of Capital Investments Law or other tax benefits.

B. As at December 31, 2014, the Company had a cumulative loss for tax purposes to be carried forward

to coming years of NIS 27 million.

C. The Company does not anticipate any taxable income in the foreseeable future. Consequently, the Company did not impute deferred taxes on account of losses to be carried forward for tax purposes or to temporary differentials for assets and liabilities between the tax basis and their book value.

Note 27 – Loss Per Share

The computations of the basic loss per share and the diluted loss per share allocated to regular share holders based on the following data:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Loss used for basic and diluted loss per share	16,645	6,359 (*)	15,190
Weighted average of number of regular shares	35,414	27,068	23,305

(*) Non material adjustment, see Note 30.

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1	28,557	23,305	25,305
Including the issuance of shares	6,857	1,763	-
Including options exercised into shares	-	-	-
Weighted average of the number of ordinary shares used to calculate basic loss per share	35,414	27,068	25,305

Instruments which could potentially dilute the basic earnings per share, but were not included in the calculation of the diluted loss per share since their effect was anti-dilutive.

	For the year ended December 31		
	2015	2014(*)	2013(*)
Tradable and non-tradable options	8,078,915	6,518,184	4,675,853

(*) Quantity after capital unification, see Note 14.C.

Note 28 – Transactions with Interested Parties and Related Parties

A. Liabilities of the Group to interested and related parties:

As of December 31, 2015:	Short-term liabilities Book value	Long-term liabilities Book value
	NIS thousands	NIS thousands
Parent company (A)	51	-
Executive key personnel (B)	929	-
Other (C)	225	-
Loans from related parties in subsidiary (D)	-	1,082
Total	1,205	1,082

As of December 31, 2014:	Short-term liabilities Book value	Long-term liabilities Book value
	NIS thousands	NIS thousands
Parent company (A)	273	-
Executive key personnel (B)	375	32
Other (C)	1,136	-
Loans from related parties in subsidiary (D)	-	1,263
Total	1,784	1,295

(a) The parent company of the Company is Hadasit Medical Research and Development Services Ltd., which holds 25.42% of the Company's equity. The balance of the liability at the end of the year is with respect to management fees for 2015, which have not yet been paid as of the date of the report, offset by VAT refunds which the parent company is to transfer to the Company. See Note 17.

(b) Represents the liabilities vis-à-vis the CEO of the Company and the CEO of the subsidiaries with respect to salary, provision for vacation and severance pay, as well as the liabilities to pay fees to the directors of the Company.

(c) With respect to foreign R&D services received by a subsidiary from a subcontractor, which is a related party to this company.

(d) Loan received from outside shareholders of a subsidiary. See also Note 7.A. for details.

B. Receivables and loans given to interested parties and related parties:

As of December 31, 2015:

	Short-term assets			Long-term assets		
	Interest rate	Linkage Basis	Book value	Interest rate	Linkage Basis	Book value
	%		NIS thousands	%		NIS thousands
Parent company (1)	Non	Non	60	-	-	-
Portfolio Company (2)	Non	Non	172	-	-	-
Loan to affiliated company (3)	-	-	-	3%	Linked to the dollar	2,545
Total	-	-	232	-	-	2,545

As of December 31, 2014:

	Short-term assets			Long-term assets		
	Interest rate	Linkage Basis	Book value	Interest rate	Linkage Basis	Book value
	%		NIS thousands	%		NIS thousands
Parent company (1)	Non	Non	128	-	-	-
Portfolio Company (2)	Non	Index-linked	175	-	Index-linked	172
Loan to affiliated company (3)				3%	Linked to the dollar	1,798
Total	-	-	303	-	-	1,970

(1) With respect to VAT refunds that Hadasit is required to transfer to the subsidiaries.

(2) With respect to debt vis-à-vis the Company for the payment of modification works. See Note 17.

(3) With respect to convertible loans given to CellCure. See Note 7.B.1.

C. Transactions with affiliated companies:

During the year, the Company entered into services and sublease agreements with affiliated companies in the following volumes:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Portfolio Companies			
Cell Cure	-	686	626
ProtAb **(*)**	-	58	121
BioMarCare	-	282	100

(*) Up to September 22, 2014. Beginning from this date, ProtAb is consolidated into the financial statements of the Company.

Payments of the affiliated companies are for controllership services provided by the Company as well as with respect to reimbursement of rentals and electricity as a sub-tenant.

The following are balances existing in the statement of financial position as of the reporting date with respect to these transactions. These balances are included with the short term receivables in the assets.

	Receivables	
	For the year ended December 31	
	2015	2014
	NIS thousands	NIS thousands
Cell Cure (a)	172	348
BioMarCare (a)	-	1
Total	172	349

(a) Debt with respect to leasehold improvements. See also Note 17.B.

D. Remuneration and Benefits Granted to Stakeholders and Related Parties:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Salary and benefits to stakeholders employed in the group (a)	1,101	959	846
The number of people to which the benefit refers	1	1	1
Remuneration of directors not employed in the group (b)	474	419	308
The number of people to which the benefit refers	8	7	5
Other related parties (c)	-	430	842
The number of companies to which the remuneration refers	-	1	1

The following is a breakdown of total remuneration granted to executive key personnel, which was recognized as an expense during the year, by employee type:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands	NIS thousands	NIS thousands
Short-term employee benefits (a)	927	756	550
Post-transaction benefits (a)	126	126	267
Directors' fees	473	371	302
Share-based payment	49	125	35
	1,575	1,378	1,154

(a) Salaries and benefits of the Company CEO. Salary starting April 2013 with this being the date of the direct transaction. Until this date, the balances are for reimbursement of car expenses and share-based payment expenses for CEO options.

(b) Directors' fees and expenses with respect to share based payments to directors.

(c) Management fees to Hadasit. See also Note 17.A. And the CEO's salary until April 2013, since until then the CEO was employed through Hadasit.

Debts which the Company and its subsidiaries have guaranteed:

	As of December 31, 2015		As of December 31, 2014	
	Amount of guaranteed debts	Amount of liabilities recognized in reports	Amount of guaranteed debts	Amount of liabilities recognized in reports
	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Debts of affiliated companies	120	120	111	111

Note 29 – Events after the Balance Sheet Date

A. In February 2016, KAHR completed the Deferred Closing and raised an additional amount of $ 3,000 thousand from existing investors and from new investors. Out of this amount, the Company invested an amount of $ 750 thousand. See Note 7.A.1.

B. In February 2016, the Company granted a convertible loan to CellCure in an amount of $ 456 thousand. See Note 7.B.1.

C. In March 2016, in the framework of an equity raising by way of a public offering as per a shelf proposal report, D-Pharm raised an amount of NIS 1,566 thousand (gross proceeds). The Company participated in the offering with an amount of approximately NIS 151 thousand. The rate of holding of the Company in D-Pharm after the offering is 6.05% (5.57% prior to the raising).

D. Pursuant to a decision of the court on March 27, 2016, the last date for exercising the Series 8 options will fall on June 30, 2016. Each option will be exercisable to one ordinary share of the Company at an exercise price of 0.36 NIS until the final date for exercise.

HBL- Hadasit Bio-Holdings Ltd.

Separate Financial Information

As of December 31, 2015

IMPORTANT
This document is an unofficial translation of the Hebrew original "Consolidated Financial Statements", dated December 31, 2015 from the financial statements of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange ("TASE") and the Israeli Securities Authority on March 31, 2016.
The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version. This translation is for the convenience of English readers.

HBL- Hadasit Bio-Holdings Ltd.

Separate Financial Information

As of December 31, 2015

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HBL- Hadasit Bio-Holdings Ltd

Statements of Financial Position

	Note	As of December 31	
		2015	2014
		NIS Thousands	
		Audited	
Current assets			
Cash and cash equivalents	2	8,891	30
Investment in marketable securities		159	2,790
Financial assets available for sale		900	2,055
Other accounts receivable		2,273	300
		12,223	5,175
Non-current assets			
Convertible loans to investee companies	5	1,507	2,071
Investments in affiliated companies	5	-	7,416(*)
Fixed assets, net		41	56
Lease fees receivables		-	172
Financial assets at fair value through profit or loss	5	2,545	1,798
		4,093	11,513
Total assets		16,316	(*) 16,688
Current liabilities			
Bank credit		-	51
Trade accounts payable		333	285
Other accounts payable		573	555
Lease fees receivables	6	483	732
		1,389	1,623
Long- term liabilities			
Liabilities over assets in investees		1,409	-
Lease fees payables	6	525	732
		1,934	732
Share-holders' Equity			
Ordinary share capital		3,121	1,428
Additional paid-in capital		130,639	116,722
Equity reserve from operations with controlling shareholder		754	754
Equity settled employee benefits reserve		707	689
Options		654	2,639
Capital reserve from financial assets available for sale		-	(323)
Accumulated deficit		(122,882)	(*) (107,576)
Total Shareholders' equity (deficiency)		12,993	(*) 14,333
Total liabilities and shareholders' equity		16,316	(*) 16,688

(*) Non-material adjustment. See Note 12.

March 30, 2016			
Date of approval of	**Yigal Erlich**	**Tamar Kfir**	**Yoram Azulai**

HBL- Hadasit Bio-Holdings Ltd

Statements of Comprehensive Loss

	For the year ended December 31		
	2015	2014	2013
	NIS Thousand		
General and administrative expenses	(4,266)	(4,086)	(3,578)
Other income, net	(5,444)	5,847	2,824
Profit (loss) from regular activities	(9,710)	1,761	(754)
Financing income	169	789	460
Financing expenses	(798)	(40)	(286)
Financing (income) expenses, net	(629)	749	174
Profit (loss) after financing	(10,339)	2,510	(580)
Company's share in the losses of its affiliated companies	(6,306)	(8,869)(*)	(14,610)
Loss for the period	(16,645)	(6,359)(*)	(15,190)
Other comprehensive profit (loss):			
Profit (loss) gain on financial assets available for sale	323	(441)	364
Comprehensive loss for the period	(16,322)	(6,800)(*)	(14,826)

(*) Non-material adjustment. See Note 12.

HBL- Hadasit Bio-Holdings Ltd

Condensed Interim Statements of Cash Flows

	For the year ended December 31		
	2015	2014	2013
	NIS Thousand		
Cash flows - operating activities			
Loss for the period	(16,645)	(6,359)(*)	(15,190)
Adjustments required to reconcile cash flows for operating activities (Appendix A)	12,211	2,611(*)	11,637
Net cash used in operating activities	(4,434)	(3,748)	(3,553)
Cash flows - investing activities			
Interest receipts	-	10	242
Convertible loans to investee companies	(1,067)	(3,535)	(1,126)
Investment in marketable securities	-	(3,800)	(5,170)
Realization of marketable securities	2,634	7,817	7,360
Investment in affiliate companies	(1,987)	(932)	(721)
Realization of financial assets available for sale	185	-	-
Purchase of fixed assets	(4)	(55)	(9)
Restricted cash repayment	-	440	-
Net cash provided by investing activities	(239)	(55)	576
Cash flows from financing activities			
Interest payments and bank fees	(5)	(4)	(17)
Issuance of shares capital and warrants, net	13,590	3,140	-
Bank credit	(51)	51	-
Net cash provided by financing activities	13,534	3,187	(17)
Effect of exchange rates changes on balance of cash and cash equivalents hold in foreign currencies	-	36	4
Increase (decrease) in cash and cash equivalents	8,861	(580)	(2,990)
Cash and cash equivalents at the beginning of the period	30	610	3,600
Cash and cash equivalents at the end of the period	8,891	30	610

(*) Non-material adjustment. See Note 12.

HBL- Hadasit Bio-Holdings Ltd

Statements of Cash Flows

Appendix A - Adjustments Required to Present Cash Flows from Operating Activities

	For the year ended December 31		
	2015	2014	2013
	NIS Thousand		
Expenses not related to cash flows:			
Company's share in the losses of affiliated companies	6,306	8,869(*)	14,610
Capital gain from realization of affiliated companies	-	(5,847)	(4,441)
Depreciation	19	44	77
Financing expenses	798	40	286
Financing income	(169)	(789)	(460)
Share-based payment	53	68	36
Loss from impairment of financial assets available for sale	1,294	-	1,617
Provision for impairment of investee companies	4,150	-	-
Changes in assets and liabilities items:			
Decrease (increase) in other accounts receivable	156	1,590	(157)
Increase (decrease) in trade accounts payable	49	(191)	109
Increase in other accounts payable	7	130	316
Increase in leas fees payables	(245)	(2,035)	2,404
Decrease (increase) in leas fees payables long term	(207)	732	(2,760)
	12,211	2,611	11,637

(*) Non-material adjustment. See Note 12.

Note 1 - General

A. The separate interim financial statements of the Company have been prepared in accordance with Regulation 9C and the Tenth Addendum to the Securities Law Regulations (Periodic and Immediate Reports) - 1970.

As of December 31, 2015, the Company had losses in an amount of approximately NIS 122,882 thousand, a loss for the year of NIS 16,645 thousand and negative cash flows from current operations of NIS 4,434 thousand for the period ended on that same date. Moreover, as of the balance sheet date, the Company has cash and cash equivalents and marketable securities in an amount of NIS 9,050 thousand, which according to the estimation by the Company's management of its cash flows forecast, will permit its continued operations during the coming months. The Company must obtain additional financing for purposes of continuing its operations.

The management of the Company is acting to obtain additional financing.

These factors raise significant doubts regarding the continued existence of the Company as a "going concern". In the financial statements, adjustments have not been included at all with respect to the values of the assets and liabilities and their classification which it is possible will be required if the Company will be unable to continue to operate as a "going concern".

B. Definitions:

The Company - HBL - Hadasit Bio-Holdings Limited.

Subsidiaries and other companies - as defined in Note 1 of the Consolidated Financial Statements of the Company as of December 31, 2015.

C. Accounting Policies:

The financial information of the Company has been prepared according to the accounting policies detailed in Note 2 to the consolidated financial statements of the Company, other than the amounts of the assets, the liabilities, the revenues, the expenses and the cash flows with respect to investee companies, as specified below:

(1) The assets and the liabilities are presented at the amount of their value in the consolidated reports that are related to the Company itself as a parent company, except for investments in investee companies.

(2) Investments in the investee companies are presented as a net amount of the total assets less the amount of the liabilities which present financial information with respect to the investee companies, including goodwill, in the consolidated reports of the Company.

(3) The amounts of the revenues and the expenses reflect the revenues and the expenses included in the consolidated reports that are related to the Company itself as a parent company, broken down between profit and loss and between other comprehensive income, except for the amounts of the revenues and expenses with respect to investee companies.

Note 1 - General (Cont.)

C. Accounting Policies: (Cont.)

(4) The share of the Company in the results of investee companies is presented as a net amount of the total revenues less the total expenses which present the operating results with respect to investee companies in the consolidated reports of the Company, including impairment or cancellation of goodwill, broken down between profit and loss and between other comprehensive income.

(5) The amounts of the cash flows reflect the amounts included in the consolidated reports that are related to the Company itself as a parent company, except for the amounts of the cash flows with respect to investee companies.

(6) Loans given to investee companies are presented to the extent of the amount related to the Company itself as a parent company.

(7) Balances of income and expenses with respect to transactions with investee companies, which were eliminated in the framework of the consolidated reports, have been measured and presented in the context of the relevant sections in the data on the financial position and on the comprehensive income and loss, in the same manner as if these transactions would have been measured and presented, had they been carried out vis-à-vis third parties. Net deferred gains (losses) are presented as a deduction (addition) from the sections of the Company's share in earnings (losses) of investee companies and investments in investee companies so the profit (loss) for the company is the same separate profit (loss) attributable to the Company's consolidated to the holders of the Company.

Note 2 - Cash and cash equivalents

Composition:

	For the year ended December 31	
	2015	2014
	NIS Thousand	
Cash and cash equivalents denominated in NIS	8,885	30
Cash and cash equivalents denominated in other currencies	6	-
Total cash and cash equivalents	8,891	30

Note 3 - Financial Assets and Liabilities

A. Management of Liquidity Risk

The Company manages the liquidity risk by conserving appropriate funds, bank sources and loan sources, by continuous supervision over the actual cash flows and those anticipated, and matching the redemption aspects of financial assets and liabilities.

Note 3 - Financial Assets and Liabilities (Cont.)

A. Management of Liquidity Risk (Cont.)

Financial Liabilities that are not Derivatives:

The tables below provide details of the company's outstanding contractual repayment dates on account of financial liabilities that are not derivatives. The tables were drawn up based on the uncapitalized cash flows of the financial liabilities and the earliest date at which the company may be asked to repay them. The table includes cash flows on account of interest and on account of principal.

	Up to one year	1-5 years	Total
	NIS thousands		
For the year ended December 31 2015			
That do not bear interest	1,202	525	1,727
For the year ended December 31 2014			
That do not bear interest	1,520	732	2,252

B. Details regarding investments in other companies:

(1) Details regarding amounts of investments in other companies:

	Amounts of loans provided in favor of investee company As of December 31	
	2015	2014
	NIS thousands	
Company Name:		
ProtAb Ltd.	3,465	3,765
Cell Cure	2,545	1,798
	6,010	5,563

Note 3 - Financial Assets and Liabilities (Cont.)

B. Details regarding investments in other companies:

(2) Details regarding other income (expenses) recognized with respect to holdings in other companies:

	For the year ended December 31		
	2015	2014	2013
	NIS thousands		
Company Name:			
D-Pharm Ltd (1)	(1,294)	-	-
BioMarCare Ltd. (5)	-	(2,237)	258
ProtAb Ltd. (2)	(4,150)	2,227	-
Cell Cure (3)	-	-	4,184
Enlivex Therapeutics Ltd. (4)	-	5,857	-
	(5,444)	5,847	4,442

(1) Loss as a result of impairment of shares of D-Pharm Ltd.

(2) In 2014, capital gain created as a result of a rise in the rate of holding and entry into consolidation on September 22, 2014. See Note 7 to the consolidated financial statements of the Company as of December 31, 2015.

(3) In 2015, capital loss created as a result of impairment of intangible assets. See Note 10 C and D to the consolidated financial statements of the Company as of December 31, 2015.

(4) Capital gain created as a result of a decline in the rate of holding from the January 2013 transaction with the controlling shareholder of Cell Cure. See Note 7 B to the consolidated financial statements of the Company as of December 31, 2015.

(5) Capital gain created as a result of a decline in the rate of the holding and exit from consolidation on May 18, 2014. Also see Note 7 B to the consolidated financial statements of the Company as of December 31, 2015.

(6) Due to indications of impairment of investment, the Company created a provision for impairment in its accounts so that the investment in BioMarCare in its financial statements became zero.

Note 4 - Income Taxes

A. In view of losses for tax purposes, accumulated by the Company and the investee companies, and due to the lack of expectation of taxable income in the foreseeable future, the Company and the investee companies do not record deferred taxes payable with respect to losses carried forward for tax purposes and with respect to temporary differences in the values of assets and liabilities between the financial reporting and the reporting for tax purposes.

Note 4 - Income Taxes (Cont.)

B. The Company has accumulated losses for tax purposes in the amount of approximately NIS 27.2 million as of December 31, 2015.

C. As of the date of approval of the financial statements, the Company has an assessment considered as final with respect to the 2010 tax year.

Note 5 - Significant Engagements and transactions with Investee Companies

A. KAHR Medical (2005) Ltd.:

In February 2015, KAHR entered into an agreement with its shareholders to provide a convertible loan in the amount of $ 1,000 thousand. See also Note 7 to the consolidated reports.

On November 17, 2015, the additional investor and the Company, together with KAHR, signed a new convertible loan agreement (hereafter: "the new agreement") to replace the loan agreement from February 2015. According to the new agreement, the additional investor invested an additional amount $ 500 thousand. See Note 7 to the consolidated reports.

On July 30, 2015, KAHR and Sanofi (a shareholder of KAHR) signed a disclaimer according to which Sanofi waives the first right to carry on negotiations for KAHR-102 (hereafter "**the product**"), and also the right of Sanofi to appoint a director or observer to the Board of Directors of the Company (hereafter: "**the disclaimer**"). See Note 7 to the consolidated financial statements.

On December 10, 2015, KAHR signed an investment agreement (hereafter-"the agreement") with new investors and with part of the existing investors (hereafter-"the investors").
Following are the principles of the agreement:

(1) On the Initial Closing (as defined in the agreement), 2,303,952 preferred B shares will be issued to part of the investors in consideration for $ 12,000 thousand, and convertible loans in the amount of $ 1,547 thousand (including accrued interest) given by existing investors (see subsection D) will be converted into 349,363 preferred B shares.

On December 15, 2015, the Initial Closing took place and the consideration for the investment in an amount of $ 12,000 thousand (NIS 46,337 thousand) was received by KAHR, and the above convertible loans were converted. The amount of raising costs incurred by KAHR was NIS 3,095 thousand. (This amount includes services at a value of NIS 772 thousand in consideration for options to preferred B shares).

(2) On the Deferred Closing (as defined in the agreement), the existing investors were given the right to invest an additional amount of up to $ 3,000 thousand (hereafter-"the additional amount") up to February 15, 2016 at the same terms, and on condition that a notification of same would be submitted by January 4, 2016, so that the amount of the investment on the Initial Closing and on the Deferred Closing would not exceed $ 15,000 thousand.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

A. KAHR Medical (2005) Ltd.: (Cont.)

(2) (Cont.)

By January 4, 2016, the investors gave notice of their participation in the additional amount and, as of the date of approval of the financial statements, KAHR received $ 3,000 thousand (NIS 11,717 thousand). The amount of raising costs incurred by KAHR with respect to the additional amount was NIS 548 thousand. (This amount includes services at a value of NIS 157 thousand in consideration for options to preferred B shares, and pursuant to the terms of the transaction).

As of December 15, 2015, the Company holds approximately 76% of the issued and paid up ordinary shares of KAHR, approximately 51% of the issued and paid up preferred A shares of KAHR, approximately 0% of the issued and paid up preferred A-1 shares of KAHR and approximately 4% of the issued and paid up preferred B shares of KAHR. Furthermore, both the ordinary shares and the preferred shares grant their holder voting rights at the General Assembly, so that, as of December 15, 2015, the Company holds 32% of the total voting rights of KAHR.

For purposes of evaluating the existence of control by the Company in KAHR due to the agreement, the Company examined whether it has power of influence over KAHR. In the context of this examination, it became evident that the Company holds the right to appoint half of the members of the board of directors (three directors out of six directors), this in addition to the fact that the chairman of the board of directors of KAHR is one of the directors who was appointed on behalf of the Company and has the casting vote in the case of a deadlock of votes.

Moreover, it was stipulated in the by-laws of KAHR that until a liquidating event for KAHR, a majority of the holders of at least 60% of the preferred shares of KAHR is required for purposes of, inter alia, increasing or decreasing the number of directors of KAHR.

Despite that the Company holds less than 40% of the preferred shares of KAHR, and accordingly, cannot prevent a resolution on a change in the number of members of the board of directors, in general, and such a resolution that will cause it to hold a right to appoint less than one half of the members of the board of directors, in particular, the Company has not lost its control of KAHR in light of the fact that, as of the date of the report, this possibility does not appear to be realistic. In succeeding periods, the Company will examine the possibility of realization of this right found in the possession of the preferred shareholders.

B. ProtAb Ltd. (hereafter: "ProtAb"):

(1) In July 2012, December 2012 and August 2014, ProtAb entered into an agreement with its shareholders for convertible loans in the amounts of $ 250 thousand (the full amount was transferred by the Company), $ 435 thousand ($145 thousand by the Company and $ 290 thousand by two other shareholders of ProtAb) and the amount of $ 9 thousand (the entire amount transferred by the Company), respectively.

The loans are linked to the dollar and bear annual interest at the rate of LIBOR+3%, and they will be repaid on September 22, 2017, except if they will be converted to shares of ProtAb.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

B. ProtAb Ltd. (hereafter: "ProtAb"): (Cont.)

(1) (Cont.)

In the case that ProtAb will offer securities in an offering with a total amount of at least $ 500,000, the shareholders will be permitted to convert the loans (with the addition of accrued interest) to shares of ProtAb with a discount rate of 20% from the value of the shares in that allotment. In the case that an investment will be carried out in the equity of ProtAb in an amount below $ 500,000, the shareholders will be permitted to give ProtAb a written notification of the conversion of the loans to shares at a company value of $ 500,000 (before the money).

(2) On September 22, 2014, a financing transaction (hereafter-"the transaction") between ProtAb and the Company was completed. In this context, the Company placed a convertible loan in the amount of $ 460 thousand at the disposal of ProtAb, as described below:

To the extent that the amount of the cumulative investment in ProtAb will stand at $ 760 thousand within 30 days from closing the transaction, the Company will receive preferred B shares of ProtAb. To the extent that the cumulative investment will be lower than $ 760 thousand until that date, the above amount of $ 460 will be a loan convertible into shares, at annual cumulative interest of 5%.

The amount of the loan and accrued interest (hereafter: "the loan balance") will be converted into shares at the time of a future investment in ProtAb in an amount of at least one million dollars, at a price reflecting a discount of 35% in relation to the price per share to be paid by the investors in the next investment round. Nevertheless, the Company is also permitted to convert the loan balance under these terms if the amount of the future investment is lower than one million dollars at a price reflecting a discount of 35% in relation to the share price to be paid by the investors in the next investment round, and is also permitted to convert the loan balance at any time at a price of $ 36 per preferred B share.

The loan balance will be repayable on a date which is the earlier of a "default" event (as defined in the convertible loans agreement) or 12 months from the date of completing the transaction.

The loan balance represents the most senior debt of ProtAb, against which ProtAb has pledged all of its assets, including intellectual property, in a first ranked floating lien in favor of the Company.

The preferred B shares have been provided with protection from dilution of the full ratchet type in the event of allotment of securities at a price lower than $ 36. Moreover, in the bylaws of ProtAb the preferred B shares have been granted identical rights to those existing for the preferred A shares, but their rights take precedence over those of the preferred A shares.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

B. ProtAb Ltd. (hereafter: "ProtAb"): (Cont.)

(2) (Cont.)

In the context of this transaction, the terms of the existing loans (provided by the shareholders in the past) of ProtAb were amended so that their balance will be positioned for repayment on the earliest date between a "default" event or 36 months from the date of closing the transaction. Moreover, it was clarified that to the extent that they are converted in connection with the allotment of preferred B shares according to the terms specified above, they will be converted at the same price ($ 36 per share) and will not be eligible for a discount in relation to the price of the allotment of these preferred B shares.

In the context of the transaction, ProtAb changed its bylaws so that they include, inter alia, provisions according to which the Company will have a majority of the board of directors of ProtAb, and the veto rights were cancelled. Therefore, commencing from the date of the transaction, the Company consolidates ProtAb in its financial statements.

Gain from entry into consolidation of an Investee Company:

	NIS thousands (Unaudited)
Investment according to the equity method	(4,718)
Net assets consolidated	(2,182)
Rights not providing control	(3,823)
Excess cost created	12,950
Gain from entry into consolidation	2,227

(3) On May 1, 2015, ProtAb announced that it had ended analysis of the results of the pre-clinical trials, whose purpose was to reach results that would permit a decision on focusing on an indication that would lead to clinical development with Prozumab. From analysis of the results obtained in the pre-clinical trials in models for the new indications, it arose that there are no significant results that support the development of the Prozumab for these new indications.

ProtAb is continuing to act to develop Prozumab for inflammatory intestinal ailments (Including Crones disease and ulcerated colons) and additional auto immune ailments, and it plans to act to raise capital for the continuation of the development.

Therefore, and in light of the fact that ProtAb was delayed in development of Prozumab for the leading indication, and will be required to act immediately to raise funds, the Company recognized signs of impairment of the investment, and accordingly, the Company evaluated the recoverable amount of ProtAb as of March 31, 2015.

As a result, the Company recorded an impairment loss in the amount of NIS 5,472 thousand with respect to intangible assets that were recognized as a result of the investment round in September 2014.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

B. ProtAb Ltd. (hereafter: "ProtAb"): (Cont.)

(4) In September 2015, ProtAb signed a non-binding agreement of understandings (hereafter: "agreement of understandings") in which it granted a third party an option for a period of 90 days to carry on negotiations to receive commercialization rights for the Prozumab product. As part of the terms of the non-binding agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the option, including the employment of workers and the preservation of its intellectual property.

In November 2015, all of the workers of ProtAb ended their employment, other than the research manager who is employed in a consulting agreement to the extent of a 20% position for purposes of scientific consultation and assistance until maturation of a transaction for the commercialization of the technology of ProtAb.

In December 2015, the validity of the agreement of understandings expired. Moreover, as of December 31, 2015, the balance of cash of ProtAb does not permit the continuation of its business operations, except for the preservation of its intellectual property.

As a result, the Company recorded an additional impairment loss in the amount of NIS 1,917 thousand with respect to intangible assets that was recognized as a result of the investment round in September 2014.

C. D-Pharm Ltd. (during 2012, Thrombotech Ltd. was merged into D-Pharm Ltd.):

In March 2016, D-Pharm published a shelf proposal report for an offering by way of a public tender.

On March 2, 2016, D-Pharm published the results of the offering. The immediate gross proceeds totaled approximately NIS 1,566 thousand. The Company participated in the offering with an amount of NIS 151 thousand and the rate of the Company's holding in D-Pharm after the offering is 6.05%.

As of the balance sheet date, the balance of the investment in D-Pharm is presented at its fair value and stands at the amount of approximately NIS 900 thousand.

D. Cell Cure Neurosciences Ltd. (hereafter-"CellCure"):

(1) On November 1, 2012, an investment agreement was signed between Cell Cure and Bio-Time Inc., the controlling shareholder of the Company, pursuant to which BioTime committed to invest a total amount of $ 3.5 million (hereafter: "2012 investment agreement"). The 2012 investment agreement was signed according to a company value of $ 15.1 million (before the money).

Pursuant to the 2012 investment agreement, BioTime invested a total amount of $ 3.5 million in consideration for 87,456 ordinary shares of Cell Cure, in exchange for which BioTime issued 906,735 ordinary shares of BioTime, registered (on NYSE:MKT) and freely tradable, to CellCure at a value of $ 3.86 per share.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

D. Cell Cure Neurosciences Ltd. (hereafter-"CellCure"): (Cont.)

(1) (Cont.)

The value was set by the average price of BioTime shares on the NYSE:AMEX during 10 days of trading prior to signing the agreement.

In the event that the average value of the BioTime shares will decline or rise by more than 15% below or above $ 3.86 during 10 trading days commencing on May 1, 2013, an adjustment will be made (by the issuance of additional shares of Cell Cure to BioTime or the issuance of additional BioTime shares to Cell Cure, as the case may be), but this adjustment will only apply to the relative part of the shares of BioTime which have remained in the possession of Cell Cure at that time, and, in any case, this adjustment will not exceed 33%. BioTime shares to be issued to the Company are not protected by a lock-up period. Any decision to sell BioTime shares must be approved by a committee of the board of directors of Cell Cure (in consultation with the CEO and the CFO of Cell Cure). Cell Cure will appoint a professional entity to be responsible for the sale of the shares with the intention that this entity will coordinate all of the sales of BioTime shares on behalf of other companies belonging to the BioTime group, and will divide the offerings and the proceeds from the sale of the shares on a relative basis among them, according to the average price received for them in the event that more than one company wishes to offer BioTime stock for sale on that day.

In addition, in the framework of the 2012 investment agreement, and as a condition of completing the 2012 investment agreement, a fourth amendment was signed between Cell Cure and ES Cell International Pte Ltd. (hereafter-"ESI") to the exclusive license agreement between Cell Cure and ESI dated March 22, 2006, as amended and revised.

Upon completion of the 2012 investment agreement, the Company's holding in Cell Cure is 21.20% (20.05% on a fully diluted basis), of BioTime 42.27% (39.99% on a fully diluted basis), of ESI 20.26% (19.17% on a fully diluted basis) and of Teva 16.06% (15.20% on a fully diluted basis). It should be stated that upon closing the 2012 investment agreement, ESI and its parent company, BioTime, together hold 62.53% of the issued and paid up capital of CellCure (and 59.16% fully diluted).

The 2012 investment agreement was subject to the fulfillment of suspended conditions which were fulfilled in January 2013 and during February 2013, Cell Cure began the sale of BioTime shares.

As of the balance sheet date, Cell Cure has realized all of the BioTime shares which it had held.

(2) Loans from controlling shareholder of Cell Cure:

During May, June, July and August 2013, in view of discontinuing the sale of BioTime shares, Cell Cure entered into loan agreements with BioTime, in whose framework, BioTime granted bridge loans to the Company of $ 350 thousand, $ 265 thousand, $ 700 thousand and $ 500 thousand, respectively.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

D. Cell Cure Neurosciences Ltd. (hereafter-"CellCure"): (Cont.)

(2) Loans from controlling shareholder of Cell Cure:

The loan agreements stipulated that these loans will not bear interest and that Cell Cure will repay each loan within three business days after it will raise the amount of $ 800 thousand, $ 1,150 thousand, $ 1,850 thousand and $ 2,350 thousand, respectively, from the sale of BioTime shares and/or from any other source, exclusive of any amounts that it will receive from the OCS and any other loan that it will receive from BioTime. In May 2014, BioTime confirmed by letter that the balance of the bridge loans transferred to Cell Cure will be repaid solely from the sale of BioTime shares held by Cell Cure and not from any other source.

On the date of initial recognition, these loans were classified as equity, since the repayment of the loans is conditional on a future event under Cell Cure's control, so that Cell Cure has an unconditional right to avoid payment of the loan in cash. See also Note 2.O.(1) of the consolidated reports as to classification as a financial liability or as an equity instrument. During 2013, Cell Cure repaid the first two loans in a total amount of $ 615 thousand, and as of the balance sheet date, the last two loans in a total of $ 1,200 thousand stand for immediate repayment pursuant to the above terms, and therefore, they were classified from equity to liabilities in the accounts of Cell Cure.

At the meeting of the board of directors held on April 30, 2014, it was decided that Cell Cure would suggest that its shareholders raise financing by means of convertible loans in a total amount of $ 4,200 thousand ("the fund"). The amount of the fund would be transferred in two stages, according to Cell Cure's request, on a "need" basis, with the understanding that the second stage will be at the discretion of the participating shareholder. The first stage will be in the amount of $ 2,200 thousand ("the first stage"), and the second stage will be in the amount of $ 2,000 thousand ("the second stage"). The fund will bear interest at the rate of 3% per annum (jointly with the fund, "the loan"). Each part of the loan as yet unpaid and not converted to ordinary shares of Cell Cure, as specified below, will be paid by Cell Cure within 3 years from the date of the relevant transfer. At any time prior to the relevant transfer date, subject to written notice by the shareholder, the Company will convert any part of the loan as yet unpaid and specified in the above notice, to ordinary shares of Cell Cure.

As of the balance sheet date, Cell Cure has received convertible loans from BioTime in an amount of $ 3,474 thousand $ 721 thousand from the Company and $ 5 thousand from an additional shareholder.

As of the balance sheet date, the share of the Company in these loans is presented as a financial asset at fair value through profit and loss in an amount of NIS 2,545 thousand.

At the meeting of the Board of Directors held on October 29, 2015, it was decided that Cell Cure would offer its shareholders to raise financing by means of convertible loans in a total amount of up to $ 5,000 thousand ("the principal", respectively). The amount of the principal will be transferred according to Cell Cure's request on an "as needed basis". The principal will bear interest at a rate of 3% per year (together with the principal, the "loan"). Each part of the loan as yet unpaid and which will not be converted to ordinary shares of Cell Cure, as specified below, will be paid by Cell Cure within three (3) years from transfer of the relevant loan.

Note 5 - Significant Engagements and transactions with Investee Companies (Cont.)

D. Cell Cure Neurosciences Ltd. (hereafter-"CellCure"): (Cont.)

(2) Loans from controlling shareholder of Cell Cure: (Cont.)

As of the date of the balance sheet, Cell Cure had received convertible loans from BioTime in an amount of $ 1,097 thousand.

During the month of February 2016, Cell Cure received convertible loans in an amount of $ 1,415 thousand from BioTime, an amount of $ 456 thousand from the Company and $ 2 thousand from an additional shareholder.

E. Enlivex Therapeutics Ltd. (hereafter- "Enlivex"):

In February 2014, Enlivex Therapeutics Ltd (hereafter-"Enlivex") entered into a transaction with a business group led by Shai Novik (hereafter: "the Novik group") whose purpose, at the initial stage, was to provide a right to the Novik group, limited in time, to invest and/or raise a sum on behalf of Enlivex that is no less than $3.5 million (and up to $ 8 million) (hereafter: "**the investment**") by receipt of a convertible loan document; and at the second stage, converting Enlivex into a public company traded in the United States. The undertaking in the transaction consisted of: (1) a term sheet between the Novik group and Enlivex to provide sources of financing; (2) a convertible loan agreement between the Novik group and Enlivex; (3) an agreement between the Enlivex shareholders.

Within the framework of this transaction, in February 2014, Enlivex received a convertible loan of NIS 151 thousand from the Novik group, bearing annual interest of 8%.

In May 2014, Enlivex completed the elicitation of the convertible loan from the Novik group in the amount of NIS 7,051 thousand. Upon completing the transaction, the convertible loans were converted as following:

(1) The convertible loans that the Company provided to Enlivex between the years of 2007-2013 in an amount of approximately NIS 16,600 thousand.

(2) The convertible loans that the Novik Group provided to Enlivex in an amount of NIS 151 thousand were converted into 45,899,677 ordinary shares of Enlivex.

During the months of June and July 2014, the Novik group transferred a convertible loan of $ 275 thousand, in the context of the same raising of financing and under the same terms.

Upon completion of the transaction, the rate of holding of the Company declined to 25.6% (approximately 19% fully diluted) Since the Company has the right to appoint two out of the eight members of the board of directors of Enlivex, the Company has significant influence in Enlivex.

In December 2014, an additional agreement in the framework of the transaction was signed in the amount of $ 674 thousand so that the funds raised from the Novik group totaled $ 8,000 thousand. As of the balance sheet date, the funds with respect to the additional agreement signed in December have not yet been transferred to Enlivex.

As a result of the decline in the rate of holding as above, the Company recorded a capital gain of approximately NIS 5,857 thousand in the section of other income.

Note 6 - Material transactions during the reporting period

A. On May 28, 2014, the Company published a shelf proposal for the issuance to the public of shares and options for shares by means of a tender on the unit price. The offer consisted of an issue of up to 20,000,000 ordinary shares and 20,000,000 options (Series 7) exercisable into ordinary shares of NIS 0.01 per value each.

The securities being tendered were offered to the public in 200,000 parcels, with the composition of each parcel being 100 ordinary shares at a price of NIS 0.20 per share and 100 Series 7 options without consideration, namely a minimum price of NIS 20 per parcel.

On June 2, 2014, the Company received notifications of the acquisition of 142,588 parcels for the purchase of 14,258,800 ordinary shares of NIS 0.01 par value each and 14,258,800 options (Series 7) of the Company, representing approximately 71.29% of the total eligible units, for proceeds in the amount of NIS 2,852 thousand (gross). The proceeds, net of the issuance costs, amounted to NIS 2,740 thousand.

B. In July 2014, the Company's Board of Directors approved an increase in the Company's authorized capital of 75,000,000 ordinary shares of NIS 0.01 par value each, so that the authorized capital of the Company after the increase stood at 275,000,000 ordinary shares.

C. In July 2014, the Board of Directors of the Company approved the extension of the exercise period of the Company's options (Series 4) traded on the stock exchange, so that they will be exercisable until February 26, 2015 (instead of August 30, 2014), and also approved the reduction of the exercise increment so that the exercise increment for each option will stand at NIS 0.26 (instead of NIS 1.75) During July, the Company presented a request to the Jerusalem District Court to approve the changes in the options as above.

On September 21, 2014, the court approved the extension of the exercise period and the reduction of the exercise price according to the request. In February 2015, 8,843,700 options of the Company expired.

D. In July 2014, the Board of Directors of the Company approved a private placement to Poalim IBI Underwriting and Issuance Ltd. and Yair Capital Ltd. (hereafter: "the offerees") of 1,711,054 Series 7 options (1,078,156 and 632,898 warrants, respectively), exercisable into 1,711,054 ordinary shares of the Company with NIS 0.01 par value each at an exercise price of NIS 0.225 per share. This private placement is in accordance with a commitment of the Company in a shelf proposal report published on May 28, 2014, to allot to the offerees a quantity equivalent to 8% of the quantity of shares and options actually issued to the public according to the shelf proposal. The above options are being granted to the offerees as part of the consideration paid to them for the services provided to the Company in order to execute the shelf proposal.

E. In February 2015, the Audit Committee of the Company, and, subsequently, the Board of Directors of the Company, approved the extension of the exercise period of the options (Series 7) that are traded on the stock exchange so that they will be exercisable until February 26, 2016 instead of February 26, 2015. In March 2015, 17,969,854 of options (Series 7) expired, after the arrangement proceeding made by the Company according to the provisions of Section 350 of the Companies Law-1999 did not receive the necessary majority required in assemblies convened by the court.

Note 6 - Material transactions during the reporting period (Cont.)

F. In August 2014, the Company signed an addendum to the lease agreement (dated February 5, 2008) according to which it was agreed, inter alia, to spread the payments for the modification works totaling approximately NIS 2,359 thousand.

G. On February 4, 2015, the Company turned in writing to the court for the convening of a General Assembly of holders of Series 7 options and to extend the exercise period of the options until February 26, 2016.

On February 5, 2015, the District Court approved giving temporary relief for extending the exercise date of the Series 7 options until February 26, 2016.

H. In February 2015, a convertible loan agreement was signed between the Company and KAHR and an additional investor in the amount of $ 1,000 thousand.

Pursuant to the loan agreement, the additional investor will transfer $ 500 thousand to KAHR and the Company will have the right to participate in the balance of the amount or part of It until April 3, 2015, and, in any event, the additional investor will supplement any deficiency in the amount of the loan which will not be transferred by the Company, so that the total loan amount will stand at $ 1 million.

It was also agreed that a conversion event will be a transaction or a number of transactions in a cumulative amount of $ 3 million (including the amount of the above loan) in the following manner:

(1) A commitment to invest or to provide a loan to the company or a commitment by a strategic partner to pay, subject to conditions which have been fulfilled or which will be fulfilled until the coming round of raising financing.

(2) According to the loan agreement, should a conversion event take place prior to April 30, 2015, the lenders, on the date of conversion, will be granted a discount at the rate of 5% of the share price. Should a conversion event take place during the period between May 1, 2015 and December 31, 2015, the lenders, on the date of the conversion, will be granted a discount at the rate of 10% of the share price, and should the conversion event not take place prior to December 31, 2015, the company will repay the amount of the loan and the accrued interest, or alternatively, and, in its discretion, the amount will be converted at a discount of 50% of the share price.

Note 7 - Contracts and Pending Liabilities

See Note 17 of the consolidated financial statements of the Company as of December 31, 2015.

Note 8 - Noncash Transactions

In November 2015, a convertible loan provided by the Comp-any in favor of KAHR in an amount of approximately NIS 1,987 thousand was converted into 118,212 preferred shares B of KAHR Medical Ltd. (an investee company).

In May 2014, convertible loans in the amount of NIS 16,600 thousand were converted to shares of Enlivex Therapeutics Ltd. (an investee company).

Note 9 - Share Based Payment

See Note 15 to the consolidated financial statements of the Company as of December 31, 2015.

Note 10 - Share Capital

A. Composition:

	As of December 31	
	2015	2014
	Issued and paid –up	
Ordinary shares of NIS 0.05 par value each	62,420,114	-
Ordinary shares of NIS 0.01 par value each	-	142,782,972

	As of December 31	
	2015	2014
	Authorized	
Ordinary shares of NIS 0.05 par value each	79,000,000	-
Ordinary shares of NIS 0.01 par value each	-	275,000,000

The ordinary shares have the right to participate and vote in the General Assemblies of the Company, the right to participate in distribution of earnings and the right to participate in division of the surplus assets of the Company at the time of liquidation.

B. In July 2014, the Company's Board of Directors approved an increase in the Company's authorized capital of 75,000,000 ordinary shares of NIS 0.01 par value each, so that the authorized capital of the Company after the increase stood at 275,000,000 ordinary shares.

C. On April 21, 2015 and May 26, 2015, the Board of Directors and the General Assembly, respectively, approved the unification and reallocation of the registered share capital and of the issued and paid up capital of the Company, accordingly and an amendment to the Company's by-laws, in a manner that each 5 existing ordinary shares of NIS 0.01 par value will be consolidated into one ordinary share of NIS 0.05 par value each, and also each option not registered for trading, and options of the Company registered for trading, namely the Series 6 and Series 8 options, will be adjusted in a similar manner, so that each five options will be consolidated into one option, exercisable into one ordinary share of NIS 0.05 par value. The exercise price of the option registered for trading and not registered for trading will be adjusted according to the capital consolidation.

The date determined for the capital consolidation is June 4, 2015 and the exercise increment after execution of the capital consolidation is:

- Exercise increment in relation to the Series 6 options of the Company is NIS 2.3 per option.
- Exercise increment in relation to the Series 8 options of the Company is NIS 0.75 per option.

Note 10 - Share Capital (Cont.)

D. On April 15, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the Company, respectively, approved an increase in the authorized capital of the Company by 120,000,000 ordinary shares of NIS 0.01 par value each so that the authorized capital of the Company after the increase will stand at 395,000,000 ordinary shares of NIS 0.01 par value each (79,000,000 ordinary shares of NIS 0.05 par value each after the capital unification).

E. Movement in fully paid up share capital:

	Ordinary shares		
	2015	2014	2013
	Thousands of shares		
Balance of shares at beginning of year	142,783	126,524	126,524
Issuance of shares	32,932	16,259	-
Unification of capital	(140,572)	-	-
Exercise of options	-	-	-
Issuance of shares	27,277	-	-
Balance of shares at end of year	62,420	142,783	126,524

F. On March 30, 2015, the Company, in the framework of a raising of equity, issued by way of public offering according to a shelf proposal report published by the Company on March 29, 2015, a quantity of 32,932,000 ordinary shares of NIS 0.01 par value each of the Company and a quantity of 32,932,000 options registered for trade (Series 8) of the Company. The immediate proceeds received by the Company with respect to the allotment of securities offered by the above shelf proposal report were NIS 4,445 thousand gross the proceeds after deducting issuance costs were NIS 4,279 thousand).

On April 6, 2015, approval was received from the Securities Authority regarding the opening of trading of the option (Series 8).

G. On August 17, 2015, the Company, in the framework of raising capital by way of a public offering according to a supplementary prospectus published by the Company on July 22, 2015, and the amendment to it dated August 3, 2015 issued a quantity of 2,343,000 ordinary shares of the Company. The gross immediate proceeds received by the Company with respect to the allotment of the securities offered according to the shelf proposal report as above were NIS 750 thousand, gross the proceeds less issuance costs were NIS 636 thousand.

H. On December 20, 2015, the Company, in the framework of raising capital by way of a public offering according to a shelf proposal report published by the Company on December 16, 2015, issued a quantity of 24,934,000 ordinary shares of NIS 0.05 par value of the Company. The gross immediate proceeds received by the Company were NIS 8,976 thousand (gross). The proceeds less issuance costs were NIS 8,675 thousand.

I. On September 21, 2014, the court approved the extension of the exercise period and the reduction of the exercise price according to the request. In February 2015, 11,768,740 options (Series 4) of the Company expired.

J. In March 2015, 23,593,571 options (Series 7) expired, after the arrangement proceeding made by the Company according to the provisions of Section 350 of the Companies Law-1999 did not receive the necessary majority required in assemblies convened by the court. The Company correspondingly classified the amount of NIS 2,184 thousand to premium.

Note 11 - Events after the Balance Sheet Date

A. In February 2016, KAHR completed the Deferred Closing and raised an additional amount of $ 3,000 thousand from existing investors and from new investors. Out of this amount, the Company invested an amount of $ 750 thousand.

B. In February 2016, the Company granted a convertible loan to CellCure in an amount of $ 456 thousand.

C. In March 2016, D-Pharm published a shelf proposal report for an offering by way of a public tender. On March 2, 2016, D-Pharm published the results of the offering. The immediate gross proceeds amounted to approximately NIS 1,566 thousand. The Company participated in the offering with an amount of approximately NIS 151 thousand. The rate of holding of the Company in D-Pharm after the offering is 6.05%.

D. Pursuant to a decision of the court on March 27, 2016, the last date for exercising the Series 8 options will fall on June 30, 2016. Each option will be exercisable to one ordinary share of the Company at an exercise price of 36 until the final date for exercise

Note 12 - Non Material Adjustment of Comparative Figures

As of December 31, 2014 and as of March 31, 2015, the Company adjusted the comparative figures with respect to the allocation of losses between owners of the rights not providing control and losses allocated to the parent company, in light of the fact that the Company found differences in implementation of the method of hypothetical liquidation at book value, as it was implemented the reports of the Company, as compared with the implementation, as it should have been according to the accounting policies of the Company.

A. Statement of financial position:

	As of December 31, 2014		
	As previously reported	**Effect of restatement**	**As reported in these financial statements**
	NIS thousand	**NIS thousand**	**NIS thousand**
Investment in investee Company	8,101	(685)	7,416
Deficit	(106,891)	(685)	(107,576)
Shareholders' equity	15,018	(685)	14,333
Total liabilities and shareholders' equity	17,373	(685)	16,688

Note 12 - Non Material Adjustment of Comparative Figures

B. Data on the comprehensive income (loss):

	As of December 31, 2014		
	As previously reported	Effect of restatement	As reported in these financial statements
	NIS thousand	NIS thousand	NIS thousand
Share of the Company in losses of investee companies	(8,184)	(685)	(8,869)
Loss attributed to shareholders of the Company	(5,674)	(685)	(6,359)
Total comprehensive loss for the year	(6,115)	(685)	(6,800)

C. Data on the cash flows:

	As of December 31, 2014		
	As previously reported	Effect of restatement	As reported in these financial statements
	NIS thousand	NIS thousand	NIS thousand
Loss for the period	(5,674)	(685)	(6,359)
Adjustments necessary to present cash flows to current operations	1,926	685	2,611