HBL-Hadasit Bio-Holdings Ltd.

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

For the period ended March 31, 2015

The Board of Directors of HBL-Hadasit Bio-Holdings Ltd. (hereafter: "**the Company**") respectfully presents a review of the condition of the Company's affairs, as of March 31, 2015 (hereafter: "**the date of the Directors' Report**") and the financial results of the Company for the period of three months ended March 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: CellCure Ltd., 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 financial statements 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 Biomarker Technologies Ltd. does not comply with the qualitative tests requiring the attachment of its financial statements to the Company's financial statements for the first quarter of 2015.

The scope of the Directors' Report for the reporting period is limited and it was prepared on the assumption that the reader also has before him the annual Periodic Report for the year of 2015, published on March 23, 2015 (Document No.:) and the supplementary report dated May 31, 2015 (Document Nos. 2015-01-058795 and 2015-01-035280, respectively) (hereafter: "**the Periodic Report"**), and it does not repeat what was included in the Periodic Report.

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 due to 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 controls 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.

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

1. Condensed description of the Company and its business environment

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**').

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:HADSY).

From its establishment and as of March 23, 2015 (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 efficacy of the medications on a model of animals, with four of them found in the stage of clinical trials on human beings. 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 stated that not all of the portfolio companies are under the control of the Company, so that the measure of involvement varies between the different portfolio companies. As of the date of publishing the Directors' Report, representatives on behalf of the Company serve in all of the Boards of Directors of the portfolio companies. See Section 1.13A of Chapter A of the Periodic Report 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 evaluates the existing portfolio companies and additional investment opportunities according to a list of criteria, including the measure of maturity of the product/technology, the size of the potential market, the competition, the length of life of the intellectual property that is the basis of the product, the presence of an additional financial partner for financing the company, etc.

2. The rate of the Company's holdings, the area of operations and the stage in which the portfolio companies are positioned as of the date that the Directors' Report was published

Name of company	Rate of holdings		Area of activities	Stage in which company is found
	Undiluted	Fully diluted		
CellCure Neurosciences Ltd. (hereafter**: CellCure)**	21.2%	20.05%	Development of stem cell based treatment of the Dry-AMD disease	CellCure has begun to recruit patients for the Phase I/IIa clinical trial at Hadassah Medical Center in Ein Kerem, Jerusalem. The main objective of the clinical trial is proof of the safety, tolerance, and the assessment of the efficacy of the OpRegen® product to slow down the progress of the disease. See Section 2.2 below for further details.
Envilex Therapeutics Ltd. (hereafter: "**Envilex**")	25.83%	15.35%	Development of a system (instrument and medication)for treatment of the GvHD disease in transplants and inflammatory and autoimmune diseases	Successfully terminated the Phase I/IIa clinical trial for the treatment of the GvHD disease. Preparations for the Phase IIb or Phase III clinical trial subject to FDA guidelines and approval. See Section 2.3 below for further details.
D-Pharm Ltd. (hereafter: "**D-Pharm**") (public company traded on the stock exchange)	5.57%	5.55%	Primarily treatment of diseases of the central nervous system (CNS). D-Pharm has 3 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, and (3) the DP-b99 product designated to treat patients suffering from acute severe pancreatitis. This development was frozen by D-Pharm until obtaining the financing needed/strategic cooperation with a large pharmaceutical company. In this matter, see Immediate Report of D-Pharm dated February 15, 2015 (Document No. 2015-01-031003).	See the Periodic Report for the first quarter of 2015 published on May 4, 2015 (Document No.2015-01-011982). See also Section 2.4 below for further details.
Kahr Medical (2005) Ltd. (hereafter: "**Kahr**")	48.91%	42.84%	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	During the first quarter of 2015, Kahr continued development of the pre-clinical stage of its products KAHR-101 and KAHR-102 for the treatment of different types of cancer and autoimmune diseases. In this framework, Kahr

			diseases.	continued to concentrate on the pre-clinical development of the KAHR-102 product which showed significant activity in different models of cancer in animals, mostly lymphatic cancer, as well as models of autoimmune diseases in animals. During the quarter, Kahr ended the toxicological trials of the KAHR-102 product on rodents and monkeys. The final toxicological reports are expected to be received during the second quarter of 2015. See Section 2.5 below for further details.
ProTab Ltd. (hereafter: "**ProTab")**	69.54%	58.9%	Inflammatory intestinal diseases (including Crone's disease and ulcerative intestinal inflammation) and additional autoimmune diseases.	ProTab completed the analysis of the results of pre-clinical trials whose purpose was to achieve results that would permit a decision on focusing of the leading indication for the clinical development with Prozomab. From an analysis of the results received in the pre clinical trials on models of the new indications, it appears that there are no significant results supporting the development of Prozomab for additional indications that were examined. Pursuant to the above, ProTab continues to act to develp Prozomab for inflammatory intestinal diseases (including Crone's disease and ulcerative intestinal inflammation) and plans to act to raise equity for continuation of development. See Section 2.6 below for further details.
BioMarker Technologies Ltd (hereafter: "**BioMarker**")	65.1%	62.18%	Development of a kit for the early disclosure of intestinal cancer by blood tests.	As of the date the report was published, Biomarker has frozen all of its activities, and it does not employ staff, and for the most part, focuses on activities to locate strategic partners and investors for the advancement of development and commercialization, without additional clinical activities.

The continuation of the present rate of holdings of the Company in the portfolio companies is conditional on a range of considerations made by the Company and evaluated from time to time, subject to the investment principles in the portfolio companies, inter alia, the feasibility of the investment, the stage in

which the portfolio company is found, the financial ability of the portfolio company as well as the financing sources of the Company. It is not inconceivable that in the additional capital raising rounds of the portfolio companies, the Company will make a decision not to participate in the investment round. Therefore, it is possible that the current rate of holdings in the portfolio companies (in whole or in part) will not be maintained.

The Company continuously acts in order to locate the best sources of financing for its activities and for the operations of the portfolio companies.

2. <u>Events during the reporting period and after the balance sheet date- the information is brought here by way of reference</u>

2.1 **The Company**

2.1.1 <u>Update to Section 6 of Chapter A of the Periodic Report-investments in the Company's equity and transactions in its shares</u>

2.1.1.1 On February 2, 2015, the Company published an Immediate Report concerning the last date for exercising the Company's options (Series 4). See the Company's Immediate Report dated February 2, 2015 (Document No. 2015-01-023152) for additional details.

2.1.1.2 On February 2, 2015, the Company published an Immediate Report regarding the last date for exercising the Company's options (Series 7). See the Company's Immediate Report dated February 2, 2015 (Document No. 2015-01-023152) for additional details.

2.1.1.3 On February 2, 2015, the Company published an Immediate Report regarding the decision of the Company's Board of Directors concerning deferral of the last exercise date of the options (Series 7) until February 26, 2015. See the Company's Immediate Report dated February 2, 2015 (Document No. 2015-01-023233) for additional details.

2.1.1.4 On February 4, 2015, the Company petitioned 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 Company's options (Series 7) by 12 additional months, so that each option (Series 7) of the Company will be exercisable until February 26, 2016 (inclusive), instead of until February 26, 2015 (inclusive) (hereafter: "**the proposed arrangement**"). See the Company's Immediate Report dated February 4, 2015 (Document No. 2015-01-025219) for additional details.

In addition, on February 4, 2015, the Company petitioned the Jerusalem District Court with an urgent request on the part of the Company (ex parte) to provide temporary relief in the context of a proceeding for the change of the terms of the Company's options (Series 7), pursuant to the proposed arrangement. See the Company's Immediate

Report dated February 4, 2015 (Document No. 2015-01-025231) for additional details.

2.1.1.5 On February 5, 2015, the Company announced that the court had approved the request for temporary relief for the extension of the exercise period of the Company's options (Series 7) until the earlier of February 26, 2016 (inclusive) or when until another ruling is given. See the Company's Immediate Report dated February 5, 2015 (Document No. 2015-01-026167) for additional details.

2.1.1.6 On February 8, 2015, the Company announced that the court had approved the convening of a General Assembly of holders of the Company's options (Series 7) for purposes of approving the proposed arrangement. See the Company's Immediate Reports dated February 4, 2015 and February 8, 2015 (Document Nos. 2015-01-025219 and 2015-01-026797, respectively) for additional details.

2.1.1.7 On February 8, 2015, the Company petitioned the court with a request for a clarification in connection with the court's decision of January 5, 2015, as announced by the Company on February 8, 2015 (Document No. 2015-01-026797). See the Company's Immediate Report dated February 8, 2015 (Document No. 2015-01-027001) for additional details.

2.1.1.8 On February 8, 2015, the Company announced that the court consented to the Company's request to provide clarification following the Company's application for the proposed arrangement pursuant to Section 350 of the Companies Law for extending the exercise period of the Company's options (Series 7). See the Company's Immediate Report dated February 8, 2015 (Document No. 2015-01-027697) for additional details.

2.1.1.9 On February 9, 2015, the Company petitioned the court with a written request according to which the Securities Authority approached the Company and claimed that its position is that the proposed arrangement should be approved, inter alia, pursuant to the provisions of Section 275 of the Companies Law, namely, to bring up the proposed arrangement to a vote at the assembly of the Company's shareholders. See the Company's Immediate Report dated February 9, 2015 (Document No. 2015-01-028357) for additional details.

2.1.1.10 On February 9, 2015, the Company announced that the court requested, inter alia, that, in addition to convening an assembly of the owners of the options (Series 7), the Company should convene a General Assembly of the Company's shareholders for purposes of approving the proposed arrangement. See the Company's Immediate

Report dated February 9, 2015 (Document No. 2015-01-028363) for additional details.

In continuation of the above decision of the court, on February 11, 2015, the Company convened a General Assembly of the holders of the Company's options (Series 7), and a General Assembly of the Company's shareholders, on whose agenda is approval of the proposed arrangement pursuant to Section 350 and Section 275 of the Companies Law. See the Company's Immediate Report dated February 11, 2015 (Document No. 2015-01-029947) for additional details.

2.1.1.11 On March 4, 2015, the Company announced that it had received a notification from the stock exchange according to which, in light of results of the shareholders' assembly, there is ambiguity regarding the last date to exercise the Company's options (Series 7). Following this, trading of the options (Series 7) was stopped.

Following the results of the above assemblies, on March 4, 2015, the Company approached the court to present a notice of the results of the assembly of the option holders and the assembly of shareholders of the Company. In light of the results of the assemblies, on March 4, 2015, the court was instructed to order the expiration of the options. See the Company's Immediate Report dated March 4, 2015 (Document No. 2015-01-044555) for additional details.

2.1.1.12 On March 4, 2015, the Company convened assemblies of holders of the Company's options (Series 7) and an assembly of the Company's shareholders for purposes of approving the proposed arrangement. The proposed arrangement was not approved by the shareholders' assembly and therefore was not approved. See the Company's Immediate Reports dated March 4, 2015 (Document Nos. 2015-01-044077 and 2015-01-044137) for additional details.

2.1.1.13 On March 8, 2015, the Company announced that the court had instructed that, since the assembly did not approve the extension of the exercise date in relation to the Company's options (Series 7), the temporary injunction that it had given was revoked. See the Company's Immediate Report dated March 8, 2015 (Document No. 2015-01-045808) for additional details.

In accordance with the above, on March 8, 2015, the Company gave notice of the expiration of the Company's options (Series 7). See the Company's Immediate Report dated March 8, 2015 (Document No. 2015-01-046078) for additional details.

2.1.1.14 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 an allotment of securities offered by the above shelf proposal report were NIS 4,445,820. See the Company's Immediate Report dated March 29, 2015 and March 30, 2015 (Documents No. 2015-01-065320 and 2015-01-067615, respectively) for additional details.

2.1.1.15 On May 26, 2015, the Company issued a quantity of 80,000 non tradable options of the Company to directors of the Company in the framework of a private offering report. See the Company's Immediate Report dated May 27,, 2015 (Document No. 2015-01-029724) for additional details.

2.1.2 Update to Regulation 26 in Chapter D of the Periodic Report-directors of the Company

2.1.2.1 On March 31, 2015, the Company announced the termination of the tenure of Mr. Yaron Kolis in the role of an outside director of the Company. See the Company's Immediate Report dated March 31, 2015 (Document No. 2015-01-067672) for additional details.

2.1.2.2 On May 27, 2015, the Company announced the termination of the tenure of Dr. Rafi Hopstein as a director of the Company. See the Company's Immediate Report dated May 27, 2015 (Document No. 2015-01-029736) for additional details.

2.1.2.3 On May 27, 2015, the Company announced the appointment of Ms. Elka Nir in the role of an outside director of the Company. See the Company's Immediate Report dated May 27, 2015 (Document No. 2015-01-029733) for additional details.

2.1.3 Update to Regulation 29(a) in Chapter D of the Periodic Report-liability insurance policy for directors and officers

On February 1, 2015, the Compensation Committee and the Board of Directors of the Company approved a liability insurance policy for the Company's directors and officers, as they will exist from time to time, including officers who are controlling shareholders of the Company, pursuant to the Company's compensation policies. See the Company's Immediate Report dated February 1, 2015 (Document No. 2015-01-022672) for additional details.

2.1.4 Update to Regulation 29(c) to the Periodic Report-decisions of the Special General Assembly

On May 26, 2015, the Shareholders' General Assembly of the Company approved the following resolutions:

(a) Reappointment of the independent outside auditors of the Company, and authorization of the Board of Directors to determine their fee for 2015.
(b) Consolidation of the capital of the Company and amendment of the Company's bylaws accordingly.
(c) Increase of the authorized capital of the Company and amendment of the Company's bylaws accordingly.
(d) Amendment of the bylaws of the Company in a manner that after the amendment, the appointment of directors to the Board of Directors of the Company will be made by a decision passed in the context of the annual assembly or a special assembly of shareholders of the Company.
(e) Grant of participation compensation and annual compensation to Prof. Yakov Nefrestek with respect to his tenure as a director of the Company, according to "the fixed sum" for a company with the rating of the Company, as it appears in the Second and Third Addendum to the Companies Regulations (Rules Concerning Compensation and Expenses to an Outside Director, 2000 (hereafter: "**the compensation regulations**").
(f) Appointment of Ms. Elka Nir in the role of an outside director of the Company for a period of three years, and approval of her eligibility for participation compensation and annual compensation according to "the fixed sum" for a company with the rating of the Company, as it appears in the Second and Third Addendum to the compensation regulations, as well as approval of the grant of 60,000 options, unregistered for trading, and the inclusion of Ms. Nir in the framework of insurance policy for officers of the Company, and grant of exemption and indemnification, as accepted in the Company.
(g) Grant of 20,000 options, unregistered for trading, to Mr. Doron Birger, an independent director of the Company.
(h) See the Company's Immediate Reports dated April 21, 2015 and May 26, 2015 and May 27, 2015 (Document Nos. 2015-01-004722, 2015-01-004713 and 2015-01-029724, respectively) for additional details.

2.1.5 General

2.1.6 On February 20, 2015, the Company published a presentation regarding the Company. See the Company's Immediate Report dated February 20, 2015 (Document No. 2015-01-035428) for additional details.

2.1.7 On March 31, 2015, the Company announced that it had filed the first draft of a shelf prospectus with the Securities Authority on the basis of the Company's financial statements for the year of 2014. See the Company's Immediate Report dated March 31, 2015 (Document No. 2015-01-069883) for additional details.

2.1.8 On May 31, 20i5, the Company published a supplementary report to the Periodic Report. See the Company's Immediate Report dated May 31, 2015 (Document No. 2015-01-035280) for additional details.

2.1.9 On May 31, 2015, the Company announced that, in view of deliberations held vis-à-vis the staff of the Securities Authority, inter alia, in connection with issues related to disclosure regarding transactions between subsidiaries controlled by the Company and the controlling shareholder of the Company, as itemized in Section 3.4 to the Company's report that supplements the Periodic Report, as published by the Company on May 31, 2015 (Document No. 2015-01-035280), as of this date, the Company decided to withdraw the application for the aforementioned shelf prospectus.. The Company intends to act to file an additional application for a shelf prospectus at a time that will be coordinated with the Securities Authority. Moreover, in light of the above, the Company intends not to make use of the shelf prospectus of the Company which will be valid until June 24, 2015. See the Company's Immediate Report dated May 31, 2015 (Document No. 2015-01-035457) for additional details.

2.1.10 On May 31, 2015, the Company published time schedules for the performance of the actions necessary in connection with the capital consolidation. See the Company's Immediate Report dated May 31, 2015 (Document No. 2015-01-035010) for additional details.

2.1.11 See the Company's Immediate Report dated March 31, 2015 (Document No. 2015-01-067678) for details of the registry of the Company's shareholders.

2.1.12 See the Company's Immediate Report dated March 31, 2015 (Document No. 2015-01-067678) for details of the status of the holdings of interested parties and executive management.

2.2 **CellCure Neurosciences Ltd. (hereafter: "CellCure')**

2.2.1 Update to Section 26.1 of Chapter A of the Periodic Report-description of the activities of CellCure and the technology that it is developing

On February 17, 2015, the Company announced that CellCure had received Helsinki approval from Hadassah for the commencement of the Phase l/lla clinical trial and that, therefore, the Company announced the beginning of the clinical trial at the Ein Kerem Hadassah Medical Center. The principal goal of the clinical trial is proof of the safety, tolerance and assessment of effectiveness of the OpRegen® product. The secondary goal of the experiment is the evaluation of the ability of the OpRegen® product to slow down the progress of the illness. See the Company's Immediate Report dated February 17, 2015 (Document No. 2015-01-032644) for additional details.

2.2.2 Update to Section 26.2 of Chapter A of the Periodic Report-loans and investments in the share capital of CellCure

On April 4, 2015, the Company announced that, continuing the disclosure given by the Company in Section 26.2.2 of the Periodic Report concerning the raising of equity by CellCure by means of convertible loans in a total amount of $ 4,200 thousand, in the

framework of the second stage of $ 2,000 thousand, the Company transferred the amount of $ 188 thousand to CellCure, reflecting the relative share of the Company in the second stage up tol now, after, on February 13, 2015, BioTime had transferred its share of $ 700 thousand to CellCure in the framework of the second stage as mentioned. See the Company's Immediate Report dated April 4, 2015 (Document No. 2015-01-074170) for additional details.
On May 17, 2015, BioTime transferred an amount of $ 394 thousand as an additional part of the second stage of the convertible loan.

2.2.3 Update to Section 26.12.3 of Chapter A of the Periodic Report-research agreement and option for license with Teva

2.2.3.1 On January 1, 2015, the Company published an Immediate Report regarding the extension of the option period of Teva Pharmaceuticals Industries Ltd (hereafter:"**Teva**") in the context of a license agreement with CellCure. (hereafter: "**the license agreement**"), according to which the option period was extended by an additional thirty days through January 31, 2015, See the Company's Immediate Report dated January 1, 2015 (Document No. 2015-01-000100) for additional details.

2.2.3.2 On January 31, 2015, the Company announced that CellCure and Teva have decided to once again extend the option period, through February 15, 2015. See the Company's Immediate Report dated January 31, 2015 (Document No. 2015-01-0121730) for additional details.

2.2.3.3 On February 16, 2015, the Company announced expiration of the option of Teva by force of the license agreement with CellCure, by which CellCure had granted an option to Teva to obtain a world-wide exclusive license to develop and commercialize CellCure's OpRegen® product. See the Company's Immediate Report dated February 15, 2015 (Document No. 2015-01-031918) for additional details. This information is brought here by way of reference.

2.2.4 Update to Section 26.12.4.1 of Chapter A to the Periodic Report-material approved patents

On February 17, 2015, the Company announced that CellCure received approval to register a patent in the United States. The patent is owned by Hadasit Research and Development Services Ltd which granted CellCure an exclusive license to use the patent. See the Company's Immediate Report dated February 17, 2015 (Document No. 2015-01-032809) for additional details.

Update to Section 26.11.21 of Chapter A to the Periodic Report-OCS grants

On May 13, 2015, the Company announced that CellCure, a company held to the extent of 21.2% by the Company, had received approval from the OCS in the Economic Ministry for financing the

ninth year in order to continue the clinical development of the OpRegen® product, which generates embryonic stem cells and is designated for treatment of degeneration of eye retinas, including the Dry-AMD disease, subject to the terms of the approval, as follows: one budget was approved for purposes of continued development in Israel in an amount of NIS 9.3 million at a participation rate of 60% of the research and development expenditures, and an additional budget to continue development abroad of approximately NIS 2.2 million at a participation rate of 30% of research and development expenses. See the Company's Immediate Report dated May 31, 2015 (Document No. 2015-01-018234) for additional details.

2.3 Enlivex Therapeutics Ltd. (hereafter: "Enlivex")

2.3.1 Update to Section 27.1 of Chapter A of the Periodic Report- description of the activities of Enlivex and the technology it is developing

2.3.1.1 On January 22, 2015, the Company announced that the leading product of Enlivex received approval of the status of an Orphan Drug for the ApoSell product in Europe. This recognition could provide Enlivex with concessions from the regulatory requirements during development, and assistance in development and registration of the medication. See the Company's Immediate Report dated January 22, 2015 (Document No. 2015-01-016990) for additional details.

2.3.1.2 On March 22, 2015, the Company announced an amendment to the reports of Enlivex as of June 30, 2014 and September 30, 2014 with respect to the classification of the convertible loans in the reports of Envilex 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.

2.3.1.3 In February 2014, Enlivex entered into a transaction with a business group led by Shai Novik (hereafter: "**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 statement regarding a convertible loan; and at the second stage, to convert Enlivex into a public company traded in the United States (hereafter: "**the transaction**"). As of the date of the report, the amount raised from the Novik group totals approximately $ 8,000 thousand.

2.3.2 Update to Section 27.12 of Chapter A to the Periodic Report- human resources of Enlivex

On May 27, 2015, Mr. Eyal Pima was appointed as CEO of Enlivex.

2.4 D-Pharm Ltd. (hereafter: "D-Pharm")

2.4.1 On January 21, 2015, the Company announced that D-Pharm Ltd. (hereafter: "**D-Pharm**") published results of an issuance of rights according to a shelf proposal report which was issued on December 25, 2014. The immediate gross proceeds received by D-Pharm with respect to the rights issued in the framework of the rights issuance totaled NIS 12,775 thousand. See the Company's Immediate Report dated January 21, 2015 (Document No. 2015-01-016156) for additional details.

2.4.2 On February 15, 2015, the Company announced that D-Pharm held discussions on approving its working program for 2015, in view of the issuance of rights that it completed, with a volume of proceeds of approximately NIS 12.8 million (gross), as mentioned above. See the Company's Immediate Report dated February 15, 2015 (Document No. 2015-01-031099) for additional details.

2.4.3 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.

2.4.4 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.

2.4.5 On May 14, 2015, the Company announced that D-Pharm, traded on the Tel Aviv Stock Exchange and held approximately 5.57% by 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 IPA 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.

2.4.6 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.

2.5 Kahr Medical Ltd. (hereafter: "Kahr")

2.5.1 Update toSection 27.1 of Chapter A to the Periodic Report- description of the activities of Kahr and the technology being developed by it

2.5.1.1 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.

2.5.1.2 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 2..5.1.1 above. See the Company's Immediate Report dated February 11, 2015 (Document No. 2015-01-030793) for additional details.

2.5.1.3 On March 5, 2015, the Company announced that an amendment had been signed to Kahr's convertible loan agreement, as detailed in paragraph 2.5.1.2 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.

2.5.1.4 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 2015. . See the Company's Immediate Report dated April 2, 2015 (Document No. 2015-01-074173) for additional details.

2.6 ProTab Ltd. (hereafter:"ProTab")

2.6.1 Update to Section 30.1 of Chapter A to the Periodic Report- description of the activities of ProTab and the technology it is developing

Continuing the disclosure given by the Company in the context of Section 30.1 of Chapter A to the Periodic Report, regarding the performance of pre-clinical trials of ProTab in models of animals for the evaluation of the efficacy of the Prozomab antibody, in new clinical indications, part of which represent development of an Orphan Drug indication, and part of which are indications that there is a real need for new medications (unmet clinical needs) (hereafter: "**the pre-clinical trials**"), the Company gave notice on May 1, 2015, that on April 30, 2015, ProTab had notified the Company that it had ended the analysis of the results of the pre-clinical trials whose purpose was to reach results that would make a decision possible on focusing on the leading indication for the clinical development of Prozomab.

From an analysis of the results received from the pre-clinical trials in models for the new indications, including trials in models for Behcet's disease, carried out in the National Institute of Health in the United States, it appears that there are no significant results supporting the development of Prozomab for these indications.
According to the above, ProTab continues to act to develop Prozomab for intestinal diseases (including Crone's disease and ulcerative intestinal inflammation) and additional autoimmune diseases and plans to act to raise equity to continue the development. See the Company's Immediate Report dated May 1, 2015 (Document No. 2015-01-009933) for additional details.
ProTab has utilized most of the amount of the loan made available by the Company in September 2014 for purposes of evaluating these indications, and, therefore, financing sources are required to be located immediately for purposes of continuing the development, a situation which creates cash flows pressure at ProTab.

In view of the fact that ProTab has delayed developing Prozumab for the leading indication and will be required to act to immediately raise funds, as mentioned above, the Company has identified signs of impairment and, therefore, has examined the recoverable amount of ProTab as of the balance sheet date. After this examination, the Company recorded an impairment loss for ProTab in the amount of NIS 5,472 thousand, of which amount, an impairment loss of NIS 3,805 thousand was attributed to the Company (the owners of the parent company).

2.6.2 Update to Section 30.12.3.1 of Chapter A to the Periodic Report- material approved patents

2.6.2.1 On April 13, 2015, the Company announced that ProTab received approval for the registration of a patent in Israel, whose headline is: antibodies directed against peptides of epitopes of B cells, preparations containing them and their uses (hereafter in this subsection: "the patent").
The patent is owned by Hadasit Research and Development Services Ltd. (hereafter: "Hadasit"), while pursuant to the license agreement signed between ProTab and Hadasit, ProTab has an exclusive license to use the patent.
The patent relates to innovative antibodies against protein fragments (peptides) and to use of these peptides for treatment of patients with autoimmune and inflammatory diseases, and together with the parent patent, includes protection for the two parts: the peptides and the antibodies. See the Company's Immediate Report dated April 13, 2015 (Document No. 2015-01-011194) for additional details.

2.6.2.2 On May 5, 2015, the Company announced that ProTab received an approval for the registration of a patent in Australia whose headline is: Humanized antibodies specific for Hsp65-derived peptide 6 methods and their uses (Australian Patent Application No. 2010290844) (hereafter in this subsection: "the patent").
The patent relates to various sequences of antibodies that underwent a humanization process and includes the Prozomab antibody, found in the forefront of ProTab's development efforts. Moreover, the patent includes the use of these sequences for the treatment of rheumatoid arthritis and inflammatory intestinal diseases.
The patent was filed for registration approval in a wide variety of nations, and has already received approval for registration in the United States and China. See the Company's Immediate Report dated May 5, 2015 (Document No. 2015-01-012096) for additional details.

A. The Company's financial position (consolidated)

	March 31 (NIS 000) % of total balance sheet		December 31, 2014 (NIS 000) % of total balance sheet	Company's explanation
	2015	2014		
Assets				
Current assets	9,823 44%	22,515 70%	13,081 40%	Most of the decrease in the reporting period derives from use of cash by the Company and subsidiaries and the investment of the Company in CellCure, offset by equity raisings executed by the Company on June 2, 2014 and July 14, 2014. . See the Company's Immediate Reports dated May 28, 2014 (Document Nos. 2014-01-082311 and 2014-01-113148) for additional details (hereafter: "**the equity raisings").**
Fixed assets, net	427 1.9%	522 1.62%	531 1.6%	Most of the decrease in the reporting period derives from current depreciation.
Balance of cash and cash equivalents	4,603 20.6%	11,523 36%	6,038 19%	Most of the decrease in the reporting period derives from use of cash by the Company and subsidiaries, and investment in the affiliated company CellCure, offset by equity raisings of the Company.
Balance of cash and cash equivalents and marketable securities of parent company	1,329 5.9%	6,414 20%	2,820 9%	Most of the change in the reporting period derives from use of cash and realization of marketable securities by the Company for purposes of the current operations and investment in two affiliated companies (ProTab and CellCure), offset by equity raisings by Company
Investment in marketable securities and deposits	628 2.8%	6,745 21%	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 two affiliated companies (ProTab and CellCure).
Financial assets available for sale	1,447 6.5%	1,663 5%	2,055 6%	Most of the change in the reporting period derives from an additional investment by the Company is shares of D-Pharm as part of the issuance of rights executed by D-Pharm, offset by a decline in value of the shares.
Balance of investment in affiliated companies	1,804 8%	7,828 24%	2,791 9%	Most of the decrease in the reporting period derives from withdrawal of equity losses of affiliated companies and impairment of affiliated company, and entry into consolidation of ProTab, and, on the other hand, exit from consolidation of Enlivex and its inclusion in this section as an affiliated company.
Intangible assets	8,495 38%	1,238 3.8%	14,027 43%	Following indications of impairment of the investment in ProTab, the Company executed a provision for impairment with respect to an intangible asset. See Note 5 to the financial statements for details.
Total assets	**22,323**	**32,126**	**32,418**	
Current liabilities	3,369 15%	5,042 16%	3,760 12%	Most of the decrease in the reporting period derives from a decline in liabilities with respect to leasehold improvements and exit of Enlivex from

				consolidation
Non-current liabilities	7,056 32%	4,661 15%	6,546 20%	Most of the change in the reporting period derives, on the one hand, from exit of Envilex from consolidation and, on the other hand, from entry into consolidation of ProTab, and from recognition of loans received from the minority of ProTab in the consolidated report and also from long term liabilities with respect to leasehold improvements
Total liabilities	**10,425**	**9,703**	**10,306**	
Company equity attributed to owners of Company's equity rights	6,554	15,642	15,018	Most of the change in the reporting period derives from increase of minority rights as a result of the entry into consolidation of ProTab and from a decline with respect to the Group's losses.

B. Results of the Company's business operations

	Period of three months ended March 31 (NIS 000)		**Year ended December 31, 2014 (NIS 000)**	**Company's explanation**
	2015	**2014**		
Research and development expenses, net	(3,218)	(450)	(7,408)	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.
General and administrative expenses	(1,608)	(1,141)	(5,489)	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. The increase is derived mainly from an increase of the Company's general and administrative expenses
Other income (expenses), net	(6,492)	(521)	5,847	The recognition of other income is as the result of the recognition of capital loss from the continued decline of the shares of D-Pharm, as well as from loss due to a provision for impairment of ProTab of NIS 5,472 thousand.
Operating income (loss)	(11,318)	(2,112)	(7,050)	
Net income (loss) for period	(12,684)	(2,371)	(10,482)	

C. Sources of financing and cash flows

	Period of three months ended March 31 (NIS 000)		**Year ended December 31, 2014 (NIS 000)**	**Company's explanation**
	2015	**2014**		

Cash flows from operating activities	(5,863)	(1,951)	(12,243)	Cash flows from operating activities for the reporting period represents principally the cash serving current operations of the Company in the amount of NIS 1.4 million and KAHR in the amount of NIS 4.1 million, as well as the cash serving current operations of ProTab in the amount of NIS 250 thousand.
Cash flows from (to) investment activities	2,246	(19)	644	Cash flows from investment activities for the reporting period represent mostly realization of marketable securities.
Cash flows from financing activities	2,118	646	4,237	Cash flows from financing activities for the reporting period represents mostly a loan received from the minority by a subsidiary and funds received from the OCS by the subsidiaries

1. Sources of financing

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

"Without qualifying our conclusion as above, we draw your attention to the contents of Note 1.A. to the financial statements. As of March 31, 2015, the Company (in its separate financial statements) has cumulative losses of approximately NIS 115,791 thousand and negative cash flows from current operations of NIS 1,453 thousand for the period ended on that same date. Moreover, as of the balance sheet date, the Company (in its separate statements) has cash and cash equivalents and marketable securities of NIS 1,329 thousand, which according to the estimation by the Company's management of its cash flows forecast, will permit its continued operations to be possible for the coming months. The Company must obtain additional financing for purposes of continuing its operations.

The Board of Directors and the management of the Company are taking action in order to raise additional financing from existing and new investors, and it has the ability, if necessary, to realize liquid investments in its possession whose value as of the balance sheet date totaled approximately NIS 1,447 thousand.

These factors raise substantial doubts regarding the continuation of the existence of the Company as a "going concern". No adjustments to the values of the assets and liabilities and their classification have been included in the financial statements, that it is likely will be necessary should the Company not be able to continue to operate as a "gong concern"."

E. Research and development expenses of portfolio companies

Following is detail of net R&D expenses (after participation of the OCS and foundations) incurred by the portfolio companies of the Company:

	Period of three months ended March 31 (NIS 000)	
	2015	**2014**
	Subsidiaries	

Enlivex (2)	-	14
Protab (3)	248	0
Kahr	2,970	436
Total subsidiaries	3,218	450
	Affiliates	
CellCure	3,333	2,422
Enlivex (4)	1,655	0
ProtAb (5)	-	(328)
Biomarker	-	58
Total affiliates	4,988	2,662
Total R&D expenses	8,206	3,112

(2) Consolidated in the Company's accounts until May 2014, an affiliate company as of the date of the reports.

(3) Consolidated in the Company's accounts starting September 2014, an affiliate company until the reporting date.

(4) Consolidated in the Company's accounts until May 2014, an affiliate company as of the date of the reports.

(5) Consolidated in the Company's accounts starting September 2014, an affiliate company until the reporting date.

The investments of the Company in the investee companies, for the most part, serve for the financing of the current R&D expenses of the companies. In addition, these investments assist the investee companies in order to raise additional funds, and, in particular, financial support from the OCS of the Ministry of the Economy. It should be stated that this external financing from the OCS does not dilute the holdings of the Company in the portfolio companies and can reach a scope of 60% of all of their R&D expenses.

F. Aspects of corporate governance

1. Compensation of executive management

At the meeting of the Company's Board of Directors on May 28, 2015, at which the Periodic Report was approved, the Company's Board of Directors examined the compensation terms of the five executive officers in 2014, and reached the conclusion that the compensation terms of those executive officers for 2014 conform to the Company's compensation policies. See Regulation 21 in Chapter D of the Periodic Report for additional information concerning the compensation terms of the officers. See the Company's Immediate Report dated October 13, 2014 (Document No.: 2014-01-175374) for additional information concerning the Company's compensation policies. As of the date of the Directors' Report, no material change as to this subject has taken place, except in relation to Mr. Doron Birger and Prof. Nefrestek. See the Company's Immediate Report dated May 27, 2015 (Document No.: 2015-01-029724) for details. This information is brought by way of reference.

2. Contributions

As of the date of the Directors' Report, the Company has not yet approved a contributions policy, and no contribution was given by the Company during the reporting period.

3. Report concerning directors with accounting and financial expertise

The Board of Directors has decided that the minimal number of directors with the accounting and financial expertise advisable for the Company is two directors. As of the date of issuance the Directors' Report, 3 directors with accounting and financial expertise serve the Company: Mr. Yigal Ehrlich, Chairman of the Board, Ms. Mihal Sapir and Mr. Doron Birger.

4. Report concerning 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 internal auditor

As of the date of the Directors 'Report, no material change has taken place in relation to disclosure given in the Periodic Report regarding the Company's internal auditor. See Section 5 F to the Periodic Report for further details regarding the Company's internal; auditor. This information is brought by way of reference.

6. Disclosure regarding the approval of the financial statements

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, Ms. Mihal Sapir (an outside director) and Mr. Doron Birger (an independent director). Ms. Elka Nir possesses 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 the Company's Immediate Report dated May 27, 2015 (Document No.: 2015-01-029733) regarding the qualifications and education of Ms. Elka Nir. See Regulation 26 of Chapter D to the Directors Report regarding the qualifications and education of Ms. Mihal Sapir and Mr Doron Birger. The Committee members were appointed after qualifying examinations and filling out proper declarations, as required by law.
The Company's financial statements for the first quarter of 2015 were discussed in a meeting of the Committee held on May 25, 2015 and in a follow-up meeting on May 26, 2015. In the context of the discussion, Ms. Elka Nir, Ms. Mihal Sapir, Chairperson of the Committee (an outside director) and Mr. Doron Birger (an independent director) participated. For purposes of presenting the data and providing explanations, present at the meeting were Liat Simhayoff, CPA, CFO of

the Company, Mr. Yoram Azulai, the Company's Investment Manager, 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 Alfia from the firm of Zisman, Aharoni, Gayer & Co., attorneys). Prior to the meeting, drafts 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 evaluations that served for purposes of the reports and which are material evaluations 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) completeness and fairness of disclosure in the financial statements; (6) 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 May 26, 2015. The financial statements for the reporting period were transferred to the members of the Board of Directors on May 26, 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 May 28, 2015 and in the follow up meeting on May 29, 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: Mr. Doron Birger (independent director), Ms. Mihal Sapir (outside director), Ms Meirav Kay (director), Ms. Elka Nir (outside director) and Dr. Tamar Raz (director). For purposes of presenting the data and providing explanations, Ms. Tamar Kir, CEO of the Company, Liat Simhayoff, CFO of the Company, Mr.Yoram Azulai, Director of Investments 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 Eran Ben-David and Attorney Reut Alfia from the firm of Zisman, 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

   3.1 The following is data regarding material evaluations, as this term is defined in the Securities Regulations (Periodic and Immediate Reports)-1970 (hereafter: "**Securities Regulations**"), which served as the basis for determining the value of data in the financial statements for the reporting period, according to Regulation 8B of the Securities Regulations

Identity of subject of evaluation	Evaluation date	Value of subject of evaluation close to date of evaluation	Value-31.12.2014	Value-31.3.2015	Identity, characterization, experience in performing evaluations, and dependence on the Company of the appraiser,	Evaluation model	Assumptions according to which valuation was made
Royalties payable by Kahr	31.3.15	11,092	3,590	4,338	Internal valuation of the Company	Capitalization of cash flows	Capitalization of cash flows expected to be paid to the OCS according to the sales forecast received from the CEO of Kahr, capitalized at a rate of 32%-35%. The

							date that the Company will have to start paying royalties to the OCS- 31.12.2016
Financial asset designated at fair value through profit or loss (CellCure loans)	31.3.15	1,705	1,798	1,629	Sagie Ben Slush, CPA, CEO of "I.F.S Consulting and Investments" consulting company. Has BA, over 12 years in the field of evaluations and economic and financial consulting, including performance of hundreds of evaluations of options and other derivatives, companies and businesses, etc., and economic works in a variety of sectors for private and public companies and government institutions. The appraiser has no dependence on the Company and there are no indemnification agreements	Black & Scholes (B&S) model & Option Pricing Method (OPM)	Based on November 2012 investment round of the Company Calculated capital cost of the Company estimated at approx. 3!% risk free interest, estimated at approx. 0.85%, standard deviation 93%

3.2 The following is data regarding very material evaluations, as this term is defined in the Securities Regulations which served as the basis for determining the value of data in the financial statements for the reporting period, see data on very material evaluations attached to this quarterly report.

Identity of subject of evaluation	Evaluation date	Value of subject of evaluation close to date of evaluation	Value- 31.12.2014	Value- 31.3.2015	Identity, characterization, experience in performing evaluations, and dependence on the Company of the appraiser,	Evaluation model	Assumptions according to which valuation was made
Recoverable amount of ProTab	31.3.2015	12,784	12,946	7,312	Sagie Ben Slush, CPA, CEO of "I.F.S Consulting and Investments" consulting company. Has	The recoverable amount of this cash generating unit was	Capitalization rate of 21%-26% (the Company

					BA, over 12 years in the field of evaluations and economic and financial consulting, including performance of hundreds of evaluations of options and other derivatives, companies and businesses, etc., and economic works in a variety of sectors for private and public companies and government institutions. The appraiser has no dependence on the Company and there are no indemnification agreements	determined according to fair value less realization costs, based on the value of ProTab, derived from the September 2014 investment round (for details, see Note 8.A.(2) to the 2014 financial statements of the Company attached to the Periodic Report). Necessary adjustments were made to this value as of March 31, 2015 with respect to cash flow pressure and transaction costs and for the deferral of maturing of the development.	assumed a capitalization rate of 26%); Discount rate of 25% due to speedy realization including transaction costs; Deferral of one year of develop[ment maturity.

Additional details regarding the very material evaluations according to Regulation 8B of the Securities Regulations and to the Third Addendum:

3.2.1 <u>The body which decided on the undertaking with the appraiser:</u> the Company CFO, Liat Simhayoff, CPA.

3.2.2 <u>Details of undertaking with the appraiser:</u>

- **Date of undertaking:** May 2015.
- **Reasons for ordering evaluation:** indications of impairment of the Company's investment in ProTab, as detailed in Note 5 to the Company's financial statements as of March 31, 2015, attached to this report.

Dr. Tamar Raz, Director Tamar Kfir, CEO

Date: May 31, 2015

HBL: Hadasit Bio-Holdings, Ltd.

Consolidated Financial Statements

As of March 31, 2015

IMPORTANT

This document is an unofficial translation of the Hebrew original "Consolidated Financial Statements", dated March 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 May 31, 2015.
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 March 31, 2015

Table of Contents

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

	As of March 31		As of December 31
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
Current Assets			
Cash and cash equivalents	4,603	11,523	6,038
Short-term deposit	505	-	504
Marketable securities and deposits	628	6,754	2,790
Receivables and debit balances	2,640	2,130	1,694
Pledged cash	-	445	-
Tradable financial assets	1,447	1,663	2,055
	9,823	22,515	13,081
Non-current assets			
Rent receivable	127	-	172
Prepaid expenses	18	22	18
Financial asset at fair value through profit and loss	1,629	-	1,798
Investments in affiliated companies	1,804	7,828	2,791
Fixed assets, net	427	522	531
Intangible assets, net	8,495	1,238	14,027
	12,500	9,610	19,337
Total Assets	22,323	32,125	32,418
Current Liabilities			
Overdraft	-	-	51
Options for investors	-	59	-
Vendors and service-providers	1,372	1,244	1,834
Payables and credit balances	1,997	3,588	1,875
Convertible loan from non-controlling interests	-	151	-
	3,369	5,042	3,760
Non-current Liabilities			
Expenses payable	540	-	732
Convertible loan from outside shareholders	1,283	-	1,263
Liabilities for employee benefits	27	31	39
Royalties payable	5,206	4,630	4,512
	7,056	4,661	6,546
Equity			
Share capital	1,428	1,265	1,428
Premium on shares	118,904	112,979	116,722
Options	457	2,065	2,639
Capital fund from activities with controlling party	754	754	754
Capital fund on account of share-based payment transaction	724	1,908	689
Capital fund on account of marketable financial assets	78	36	(323)
	122,345	119,007	121,909
Loss Balance	(115,791)	(103,365)	(106,891)
Total equity imputed to the owners of the parent Company	6,554	15,642	15,018
Nonvoting rights	5,344	6,780	7,094
Total equity	11,898	22,422	22,112
Total Liabilities and Equity	22,323	32,125	32,418

(*) Reclassified

May 23, 2015

Date of approval of Financial statements	Yigal Erlich Chairman of the Board of Directors	Tamar Kfir CEO	Liat Simhayoff CFO

HBL: Hadasit Bio-Holdings, Ltd.
Consolidated Statements of Comprehensive Profit (Loss)

	The period of three months ended March 31		For the year ended December 31,
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
Research and development expenses, net	(3,218)	(450)	(7,408)
Management and general expenses	(1,608)	(1,141)	(5,489)
Other income (expenses), net	(6,492)	(521)	5,847
Loss from regular operations	(11,318)	(2,112)	(7,050)
Financing income	172	654	1,350
Financing expenses	(554)	(196)	(1,447)
Financing Income (Loss), net	(382)	458	(97)
Loss after financing	(11,700)	(1,654)	(7,147)
Company's share in the losses of its Portfolio Companies	(984)	(717)	(3,335)
Loss for the year	(12,684)	(2,371)	(10,482)
Other comprehensive loss Amounts which will be classified as profit or loss in the future			
Profit (loss) from adjusting the fair value of marketable financial assets	401	(82)	(441)
Total comprehensive loss for the year	(12,283)	(2,453)	(10,923)
Loss for the year imputed to:			
Owners of the parent company	(8,900)	(2,148)	(5,674)
Non-voting rights	(3,784)	(223)	(4,808)
	(12,684)	(2,371)	(10,482)
Total comprehensive loss for the year imputed to:			
Owners of the parent company	(8,499)	(2,230)	(6,115)
Non-voting rights	(3,784)	(223)	(4,808)
	(12,283)	(2,453)	(10,923)
Loss per regular share par value 0.01 NIS per share			
Basic and diluted loss per share (in NIS)	(0.07)	(0.02)	(0.04)
Number of shares used in the above calculation (in thousands)	142,783	126,524	135,342

HBL: Hadasit Bio-Holdings Ltd.
Condensed Consolidated Statements 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 thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand	NIS thousand
For the three months ended March 31, 2015 (unaudited)										
Balance as of January 1, 2015	1,428	116,722	2,639	754	689	(323)	(106,891)	15,018	7,094	22,112
Fair value adjustment of financial assets available for sale	-	-	-	-	-	401	-	401	-	401
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	131	131
Share-based payment	-	-	-	-	35	-	-	35	-	35
Convertible loan from non-controlling interests	-	-	-	-	-	-	-	-	1,903	1,903
Exercise of options	-	2,182	(2,182)	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	(8,900)	(8,900)	(3,784)	(12,684)
Balance as of March 31, 2015	1,428	118,904	457	754	724	78	(115,791)	6,554	5,344	11,898
For the three months ended March 31, 2014 (unaudited)										
Balance as of January 1, 2014	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	-	-	-	-	-	(82)	-	(82)	-	(82)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	42	42
Share-based payment	-	-	-	-	(54)	-	-	(54)	-	(54)
Loss for year	-	-	-	-	-	-	(2,148)	(2,148)	(223)	(2,371)
Balance as of March 31, 2014	1,265	112,979	2,065	754	1,908	36	(103,365)	15,642	6,780	22,422
For the year ended December 31, 2014 (Audited)										
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)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	386	386
Share-based payment	-	-	-	-	150	-	-	150	-	150
Expiration of options to employees	-	1,340	-	-	(1,340)	-	-	-	-	-
Forfeiture of options to employees	-	-	-	-	(83)	-	-	(83)	-	(83)
Entry of affiliated company into consolidation	-								3,823	3,823
Exit of subsidiary from consolidation	-	-	-	-	-	-	-	-	732	732
Issuance of shares and options, net	163	2,403	574	-	-	-	-	3,140	-	3,140
Loss for the year	-	-	-	-	-	-	(5,674)	(5,674)	(4,808)	(10,482)
Balance as of Dec. 31, 2014	1,428	116,722	2,639	754	689	(323)	(106,891)	15,018	7,094	22,112

Consolidated Statements of Financial Position

	The period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
Cash flows for current operations			
Loss for the year	(12,684)	(2,371)	(10,482)
Adjustments required to display cash flows for current operations (Appendix A)	6,821	420	(1,761)
Net cash used for regular operations	(5,863)	(1,951)	(12,243)
Cash flows from (for) investment activities			
Interest income	1	2	20
Investment in negotiable securities and deposits	-	(2,092)	(4,300)
Realization of negotiable securities	2,176	2,100	7,817
Investment in securities available for sale	-	-	(932)
Investment in Portfolio Companies	-	-	(1,846)
Deconsolidation of consolidated company (Appendix B)	-	-	(715)
Entry of affiliated company into consolidation (Appendix C)	-	-	254
Removal from pledge	-	-	440
Proceeds from sale of fixed assets	69	-	-
Acquisition of fixed assets	-	(29)	(94)
Net cash produced by (used in) investing activities	2,246	(19)	644
Cash flows from (for) financing activities			
Issues of Company shares and warrants, net	-	-	3,140
Payments of bank fees and interest	(8)	(3)	(17)
Loans from the Chief Scientist	274	498	912
A convertible loan from non-controlling interests	1,903	151	151
Bank credit	(51)	-	51
Net cash produced by financing activities	2,118	646	4,237
Decrease in cash and cash equivalents	(1,499)	(1,324)	(7,362)
Influence of exchange-rate changes on cash and cash-equivalents on hand	64	50	603
Balance of cash and cash equivalents at the start of the year	6,038	12,797	12,797
Balance of cash and cash equivalents at the end of the year	4,603	11,523	6,038

Consolidated Statements of Financial Position

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

	The period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
Expenses that do not involve cash flows:			
Share in losses of Portfolio Companies	984	717	3,335
Gain from exit from consolidation of investee company	-	-	(5,857)
Gain from entry into consolidation of investee company	-	-	(2,227)
Loss from impairment of investment in investee company	-	521	2,237
An impairment loss of intangible assets	5,472	-	-
Depreciation and amortization	97	115	405
Financing expenses	554	196	1,447
Financing income	(172)	(654)	(1,350)
Share-based payment	35	(54)	67
decrease in liabilities on account of employee benefits	(16)	-	(8)
Share-based based in affiliates	132	42	386
Loss from impairment of financial asset available for sale	1,008	-	-
Changes in asset and obligation lines:			
Decrease (increase) in receivables and debit balances	(760)	210	653
Increase (decrease) in payables, credit balances, and other liabilities	141	(215)	(1,837)
Increase (decrease) in long-term liability	(192)	-	732
Increase (decrease) in vendors and service-providers	(462)	(458)	256
	6,821	420	(1,761)

APPENDIX B - DECONSOLIDATION OF CONSOLIDATED COMPANY

	The period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
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

	The period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
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

NOTE 1 - GENERAL

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

The Company, through its investee companies, is engaged in research and development in the medical and bio-medical fields.

During September 2005, the Company signed an agreement with Hadasit, and then, in January 2006, Hadasit transferred its holdings in a number of technology intensive companies operating in the area of medical and bio-technology research and development (hereafter: "R&D companies") to the Company. The transfer of the holdings was done so that the Company will raise funds from the public by an offering of its securities to the public and register them for trading on the Tel-Aviv Stock Exchange (hereafter: "TASE").

The Company converges six biotechnology companies, all of which are found after proving success in the feasibility stages, namely- efficacy of the drugs in animal models. The portfolio companies of the Company are companies that develop medications for the subjects of cancer, inflammatory diseases and tissue restoration by means of stem cells.

Hadasit is a company wholly owned and controlled by the Hadassah Medical Association (hereafter: "Hadassah").

Hadassah is a medical institution located in Jerusalem, on an international scale and stature, which includes, inter alia, two university hospitals in Ein Kerem and Mount Scopus, outpatient clinics and research centers on a joint campus with schools for the medical profession of the Hebrew University, Jerusalem. Hadasit is the implementation company of Hadassah. Discoveries and developments are made by doctors at Hadassah (hereafter: "the researchers") and are transferred for processing by Hadasit whose responsibility is to safeguard the intellectual property and to act to raise resources in order to commercialize the scientific discoveries.

The commercialization of the scientific concepts and the raising of resources are accomplished by Hadasit through the establishment of investee companies, which are provided with a license to use the intellectual property and which act to commercialize the scientific discoveries developed at Hadassah. In this manner, Hadasit established the R&D companies.

In January 2006, the Company initially issued shares and options on the TASE.

As of March 31, 2015, the Company (in its separate financial statements) had a cumulative deficit of NIS 115,791 thousand and negative cash flows from current operations of NIS 1,453 thousand for the period of three months ended on that date. Furthermore, as of the balance sheet date, the Company has cash and cash equivalents and marketable securities (in its separate statements) in the amount of NIS 1,329 thousand, which according to the Company management's estimate of its cash flow forecast, will allow the continuation of its operations for the coming months. The Company must obtain additional financing for purposes of continuing its operations.

HBL-HADASIT BIO-HOLDINGS LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

. NOTE 1 - GENERAL (CONT.)

A. (cont.)

The Company's management is acting in order to raise additional financing from existing and/or new investors and it has the ability, if necessary, to realize liquid investments in its possession whose value as of the balance sheet date totaled approximately NIS 1,447 thousand. On March 30, 2015, the Company raised approximately NIS 4,299 thousand (net) in the context of an equity raising, by way of a public offering according to a shelf proposal report. The consideration for the offering was received on April 2, 2015. See also Note 4.G.

These factors raise substantial doubts regarding the continuation of the existence of the Company as a "going concern". No adjustments to the values of the assets and liabilities and their classification have been included in the financial statements, that it is likely will be necessary should the Company not be able to continue to operate as a "gong concern".

B. These condensed financial statements should be read in the context of the Company's annual financial statements as of December 31, 2014 and for the year then ended, as well as their accompanying notes (hereafter-"the annual financial statements").

C. Definitions:

The Company	-	HBL–Hadasit Bio Holdings Ltd
The Group	-	the Company and its investees companies (as defined hereafter: "R&D companies").
Related parties	-	as defined in IAS 24.
Interested parties	-	as defined in the Securities Law-1968 and its regulations.
Controlling shareholder	-	as defined in the Securities Regulations Annual Financial Statements)-2010.
CPI	-	the Consumer Price Index, as published by the Central Bureau of Statistics.
Dollar	-	the US dollar.
Subsidiaries	-	companies directly or indirectly controlled (as defined in IFRS 10) by the Company, whose financial statements are fully consolidated with those of the Company.
Affiliates	-	companies, in which the Group has significant influence, and the investments of the Group in which have been included, directly or indirectly, in the financial statements on the basis of the equity method.
Investees	-	subsidiaries and affiliates.
Other companies	-	companies owned by the Company in which there is no control, joint control or significant influence.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis for the preparation of the financial statements:

The condensed consolidated financial statements (hereafter- "interim financial statements") of the Group were prepared in accordance with the International Accounting Standard IAS 34, Financial Reporting for Interim Periods" (hereafter: "IAS 34").

In preparing these interim financial statements, the Group implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparing the financial statements as of December 31, 2014 and for the year ended on that date.

B. The condensed consolidated financial statements were prepared in accordance with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports)-1970.

C. Exchange rates and linkage bases

(1) Balances in or linked to foreign currency are included in the financial statements at the representative exchange rate published by the Bank of Israel, which were in effect as of the end of the reporting period.

(2) Balances linked to the CPI are presented at the last known CPI as of the end of the reporting period (CPI for the month prior to the month of the date of the financial statements) or at the CPI with respect to the last month of the reporting period (CPI for the month of the date of the financial statements), based on the terms of the transaction.

(3) Following is data regarding exchange rates of foreign currency and the CPI:

	Representative exchange rate of the $	CPI in Israel (*)	
		Known CPI	CPI for month
	(NIS per $ 1)	Points	Points
Date of financial statements:			
As of March 31, 2015	3.98	122.34	122.71
As of March 31, 2014	3.49	123.59	123.95
As of December 31, 2014	3.89	122.13	122.38
Rates of change for the:	%	%	%
Period of three months ended:			
March 31, 2015	2.31	(1.60)	(1.30)
March 31, 2014	0.58	(0.69)	(0.49)
Year ended December 31, 2014	12.04	(0.10)	(0.20)

(*) As per 2002 average.

HBL-HADASIT BIO-HOLDINGS LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3- FINANCIAL INSTRUMENTS

A. Financial instruments not measured at fair value:

(1) 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.

	Book value			Fair value		
	As of March 31		As of December 31	As of March 31		As of December 31
	2015	2014	2014	2015	2014	2014
	NIS 000					
	Unaudited		Audited	Unaudited		Audited
Financial liabilities						
Royalties payable	5,206	4,630	4,512	5,386	5,717	4,713

(2) Material changes in fair value of financial instruments not measured at fair value

Following a change in the risk of the subsidiaries, an increase took place in the fair value of the liability to pay royalties in an amount of approximately NIS 17 million, linked to LIBOR interest,

whose value in the accounts as of March 31, 2015 was NIS 5,206 thousand, so that its fair value as of the reporting date was NIS 5,386 thousand.

For purposes of the approximation of the fair value, the Company used a capitalization rate of 32%- 45% which reflect the risk level of the subsidiaries.

B. Financial instruments measured at fair value

(1) Fair value levels

The following is detail of the financial assets and liabilities of the Group, measured in the statement of financial position of the Company at their fair value, according to their levels of measurement.

As of March 31, 2015 (unaudited)	Level 1	Level 2	Level 3	Total
		NIS 000		
Financial assets at fair value				
Investment in marketable securities	628	-	-	628
Financial asset designated at fair value	-	-	1,629	1,629
Financial assets available for sale	1,447	-	-	1,447
Total financial assets	2,075	-	1,629	3,704
Financial liabilities at fair value				
Conversion component of convertible loan from rights not providing control	-	-	(527)	(527)
Total financial liabilities	-	-	(527)	(527)

NOTE 3- FINANCIAL INSTRUMENTS (CONT.)

B. Financial instruments measured at fair value (cont.)

(1) Fair value levels (cont.)

As of March 31, 2014 (unaudited)	Level 1	Level 2	Level 3	Total
		NIS 000		
Financial assets at fair value				
Investment in marketable securities	6,754	-	-	6,754
Financial assets available for sale	419	-	1,244	1,663
Total financial assets	7,173	-	1,244	8,417

As of December 31, 2014 (audited)	Level 1	Level 2	Level 3	Total
		NIS 000		
Financial assets at fair value				
Investment in marketable 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				
Conversion component of convertible loan from rights not providing control	-	-	(567)	(567)

Total financial liabilities	-	-	(567)	(567)

(*) In July 2014, the blockage period of the D-Pharm shares ended and beginning from that time, the investment in the D-Pharm shares is measured at Level 1. See also Notes 9.B. and 19.A. to the annual financial statements.

B. Financial instruments measured at fair value (cont.)

(2) Valuation techniques and the data serving for measurement of financial assets and liabiliti measured at fair value according to level 3

Description of instrument being measured	Fair value as of March 31, 2015	Valuation technique	Description of unanticipated data
	NIS 000 (unaudited)		
Financial asset designated at fair value (1) (2)	1,629	B&S (Black & Scholes) model and OPM	Basis asset value
Conversion component of convertible loan from rights not providing control (3)	527	OPM (Option Pricing Method)	Basis asset value

NOTE 3- FINANCIAL INSTRUMENTS (CONT.)

B. Financial instruments measured at fair value (cont.)

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 CellCure Neurosciences (affiliated company, hereafter-"CellCure") 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 a financial asset designated at fair value 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 convertible loans in the amount of approximately NIS 1,146 thousand and NIS (1,215) 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 40 thousand and NIS (40) thousand, respectively.

C. Financial instruments at fair value measured according to level 3:

Financial asset designated at fair value:

Balance as of January 1, 2015	1,798
Loan provided to affiliated company	-
Recognition of deferred difference	278
Revaluation to fair value	(508)
Exchange rate differences	61
Balance as of March 31, 2015	1,629

Financial asset designated at fair value:

	As of December 31
	2014
Balance as of January 1, 2014	-
Loan provided to affiliated company	1,706
Recognition of deferred difference	278
Revaluation to fair value	(302)
Exchange rate differences	116
Balance as of December 31, 2014	1,798

NOTE 3- FINANCIAL INSTRUMENTS (CONT.)

C. Financial instruments at fair value measured according to level 3 (cont.):

Deferred gain or loss:

In September 2014, the Company provided CellCure with a convertible loan in the amount of $ 466 thousand. The loan bears interest at the rate of 3% per year. Any part of the loan as yet unpaid and not converted to ordinary shares of CellCure, as specified below, 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, and subject to written notice by the shareholder, CellCure will convert any part of the loan as yet unpaid and specified in such notice, to ordinary shares CellCure.

CellCure has designated the convertible loans (the hybrid instrument) in their entirety as a financial liability at fair value through profit or loss. Any gain or loss resulting from a change in the fair value is recognized in profit or loss, except for the difference between the fair value on the date of initial 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.

Conversion component of convertible loan from rights not providing control:

Balance as of January 1, 2015	(567)
Revaluation to fair value	40
Balance as of March 31, 2015	(527)

Conversion component of convertible loan from rights not providing control:

Balance as of January 1, 2014	**-**
Entry into consolidation	(529)
Revaluation to fair value	(38)
Balance as of March 31, 2014	(567)

D. Description of valuation procedures used in determining the fair value

The function in the Company which is entrusted with measurement of the process of valuation of the fair value of items classified as level 3 is the executive management of the Company. This measurement requires the Company to assume assumptions with respect to unanticipated data.

The Company estimates a reasonable range of alternatives for those significant data which cannot be anticipated and determines their effect on the fair value.

HBL-HADASIT BIO-HOLDINGS LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – MATERIAL EVENTS DURING THE REPORTING PERIOD

A. On January 1, 2015, according to the decision of the board of directors of CellCure, CellCure and Teva signed a second update to the Teva option agreement, according to which the option period will be extended by 30 additional days until January 31, 2015.
On January 30, 2015, CellCure and Teva agreed to extend the option period through February 15, 2015.

On February 15, 2015, the time of the option period ended and the option given to Teva expired.

B. On January 21, 2015, D-Pharm Ltd. (other company, hereafter- "D-Pharm") published the results of the issuance of rights. The gross immediate proceeds received by D-Pharm with respect to the rights issued in the framework of the rights offering amounted to approximately NIS 12,775 thousand. The Company did not participate in the rights offering and therefore, the rate of its holdings declined to 5.57% of the issued and paid up ordinary shares (5.55% fully diluted).

C. In February 2015, a convertible loan agreement was signed between KAHR (2005) Ltd. (a subsidiary, hereafter-"KAHR") and the Company and an additional investor in the amount of one million dollars.

According 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, so that, in any event, the additional investor will supplement any deficiency in the amount of the loan which will not be transferred by the Company, and the total loan amount will stand at one million dollars.

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 manner of 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 next round of raising financing.

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, at its discretion, the amount will be converted at a discount of 50% of the share price.

On April 2, 2015, the Company transferred the amount of $ 500 thousand and, accordingly, maintained its holdings in KAHR.

D. On February 12, 2015 BioTime transferred a letter of intent to CellCure according to which BioTime (the parent company of CellCure) committed to invest another $ 2.2 million in the Company up to the end of PHASE I/II. In addition, BioTime will not demand the return of the bridge loan in the amount of $ 1,200 thousand given to CellCure in 2013 until it finishes PHASE I/II. See also Note 8.B.2. to the annual financial statements.

NOTE 4 – MATERIAL EVENTS DURING THE REPORTING PERIOD (CONT.)

E. During 2014, it was decided that CellCure would propose 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 CellCure'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 CellCure, as specified below, will be paid by CellCure 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, CellCure will convert any part of the loan as yet unpaid and specified in the above notice, to ordinary shares of the Company.

On February 13, 2015, BioTime transferred $ 95 thousand and accordingly completed the first stage of the convertible loan in the amount of $ 2,200 thousand. Out of this amount, the Company transferred its relative share in the amount of $ 466 thousand in September 2014,

On February 13, 2015, BioTime transferred $ 700 thousand to CellCure in the framework of the second stage of the convertible loan (in a total of $ 2,000 thousand). On April 2, 2015, the Company transferred its relative share of $ 188 thousand.

F. In February 2015, 8,843,700 options (Series 4) expired. Moreover, 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. The Company correspondingly classified the amount of NIS 2,182 thousand to premium.

G. 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 an allotment of securities offered by the above shelf proposal report is NIS 4,445 thousand gross (NIS 4,299 thousand net). The proceeds of the issuance were received on April 2, 2015.

On April 6, 2015, approval was received from the Securities Authority regarding the opening of trading of the option (Series 8).

HBL-HADASIT BIO-HOLDINGS LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – INVESTMENT IN INVESTEE COMPANIES

A. Information on affiliate companies:

(1) Details of the affiliate companies held directly by the Company:

	Scope of investment in affiliate company			Rate of holdings in equity rights of affiliate company		
	As of March 31		As of December 31	As of March 31		As of December 31
	2015	2014	2014	2015	2014	2014
	NIS 000			%		
	Unaudited		Audited			
ProtAb (1)	-	5,382	-	-	69.54	-
CellCure Neurosciences Ltd.	-	-	-	21.20	21.20	21.20
BioMarCare Technologies Ltd.	-	2,446	-	65.12	65.12	65.12
Enlivex Therapeutics Ltd. (3)	1,804	-	2,787	25.83	-	-

(2) Condensed financial information on material affiliated companies of the Group:

	Comprehensive loss (income) for the period of three months ended March 31		Comprehensive loss for the year ended December 31
	2015	2014	2014
	NIS 000		
	Unaudited		Audited
ProtAb (1)	-	(52)	-
CellCure Neurosciences Ltd.	3,080	3,303	15,128
BioMarCare Technologies Ltd,	-	226	-
Enlivex Therapeutics Ltd. (3)	2,438	-	(3,531)

(1) ProtAb entered consolidation on September 22, 2014.

(2) In 2014, BioMarCare froze its clinical activities and is focusing on an attempt to commercialize its technology, and, therefore, does not represent a material affiliated company. See also Note 8.B.4to the annual financial statements.

(3) Enlivex Therapeutics Ltd. exited consolidation on May 18, 2014. As of March 31, 2015, the investment in Enlivex is presented in the section of investment in affiliated companies.

NOTE 5 – INVESTMENT IN INVESTEE COMPANIES (CONT.)

B. Impairment of intangible asset:

On May 1, 2015, ProtAb announced that it had ended the analysis of the results of the pre-clinical trials whose purpose was to reach results that would allow a decision on concentrating on the leading indication for clinical development with Prozumab. From an analysis of the results obtained during the pre-clinical trials of models for the new indications, it appears that there are no significant results that support development of Prozumab for these new indications. ProtAb will continue to act to develop Prozumab for inflammatory intestinal diseases (including Crone's disease and ulcerated colons) and additional autoimmune diseases, and intends to act to raise equity to continue development.

ProtAb has utilized most of the amount of the loan provided to it by the Company in September 2014 for purposes of evaluating the above indications, and, therefore, it must immediately locate sources of financing for purposes of continuation of the development, a situation that creates cash flow pressure at ProtAb, In view of the fact that ProtAb has delayed developing Prozumab for the leading indication and will be required to act to immediately raise funds, as mentioned above, the Company has identified signs of impairment.

The Company is evaluating the recoverable amount of ProtAb as of the balance sheet date.

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 000			
ProtAb Ltd.	12,776	8	5,472	7,312	Fair value less realization costs

This cash generating unit is ProtAb, held 70% by the Company.

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 8.A.(2) to the annual financial statements). 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.

The impairment loss from ProtAb in the amount of NIS 5,472 thousand was recognized in the statement of comprehensive loss in the other expenses section. Out of this amount, NIS 3,805 thousand is attributed to the parent company.

HBL-HADASIT BIO-HOLDINGS LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – INVESTMENT IN INVESTEE COMPANIES (CONT.)

B. **Impairment of intangible asset: (cont.)**

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.

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.

NOTE 6 – SHARE BASED PAYMENTS

A. On March 12, 2014 and November 23, 2014, the Compensation Committee and the Board of Directors of the Company, respectively, approved a program to allot, for no consideration, non tradable options to the Company's Controller. The following are details of the program:

Description of the plan	Date of grant	Quantity of options	Exercise increment	Share price on grant date	Fair value on grant date	Total benefit on grant date
			NIS	NIS	NIS	NIS 000
Options granted to Company's Controller for exercise into Company shares	November 2014	200,000	19.93	16.5	8.56	18

(1) The vesting period of an option will be in four equal annual segments, commencing from November 23, 2014 and ending on November 24, 2018.
The options will be convertible into 200,000 ordinary shares of the Company with NIS 0.01 par value each.

The parameters which served for the implementation of the model are:

Component	
Share price (in NIS)	16.5
Exercise price (in NIS)	19.93
Length of life of the option program (in years)	7
Range of standard deviation (in %)	58%
Range of risk free interest rate (in %)	0.1%
Anticipated dividend rate (in %)	0

On February 26, 2015, the Company received the approval of the stock exchange to allot the 200,000 option for no consideration.

NOTE 7– NON-CASH TRANSACTIONS

The Group recognized a liability for the payment of royalties to the OCS against revenues to be received from it in the following amounts:

For the three months ended March 31, 2015 and 2014, NIS 149 thousand and NIS 46 thousand, respectively.

For the year ended December 31, 2014, NIS 340 thousand.

NOTE 8 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A. On May 11, 2015, CellCure received approval from the OCS for financing the ninth year in order to continue the clinical development of the OpRegen® product, which generates embryonic stem cells and is designated for treatment of degeneration of eye retinas. One budget was approved for purposes of continued development in Israel in an amount of NIS 9.3 million at a participation rate of 60% of the research and development expenditures, and an additional budget to continue development abroad of approximately NIS 2.2 million was approved at a participation rate of 30% of research and development expenses.

B. On May 17, 2015, BioTime transferred the amount of $ 394 thousand to CellCure as part of the second stage of the convertible loan. See Note 4.E.

C. On May 26, 2015, the General Assembly of the Company approved the issuance of 80,000 non tradable options of the Company to two of the Company's directors. As of the date of approval of the financial statements, the options have not yet been allotted.

D. On April 21, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the Company, respectively, approved the consolidation and redistribution of the authorized share capital and the issued and paid up capital of the Company, and amendment of the Company's bylaws accordingly, in a manner that each NIS 5 of ordinary shares of NIS 0.01 par value existing in the authorized share capital and the issued and paid up share capital of the Company will be consolidated into one ordinary share of NIS 0.05 par value each, and that all of the options of the Company not registered for trading, namely, the Series 6 and Series 8 options will be adjusted in a similar manner, so that five options will be consolidated into one option, exercisable into one ordinary share of NIS 0.05 par value each. The exercise prices of the options recorded for trading and those not recorded for trading will be adjusted in accordance with the capital consolidation.

E. On April 15, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the Company, respectively, approved the increase of the Company's authorized capital 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.

NOTE 9 – BUSINESS COMBINATION DURING 2014

Clarification in connection with Note 8.A.(2) to the annual financial statements

The amounts recognized on the acquisition date with respect to assets and liabilities

	NIS 000
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 000
Investment according to the equity method	(3,411)
Net identifiable assets	(3,489)
Rights not providing control	(3,823)
Excess cost attributed to products in R&D processes	12,967
Excess cost attributed to royalties payable	266
Excess cost attributed to prepaid expenses	(291)
Excess cost attributed to goodwill	8
Gain from entry into consolidation	2,227

In the context of the investment transaction in ProtAb as of September 22, 2014, the Company recognized an intangible asset in an amount of NIS 12,975 thousand. Out of this amount, NIS 12,967 thousand is attributed to products in R&D processes (hereafter- "R&D asset") which have not been amortized and NIS 8 thousand is attributed to goodwill. The Company has not yet begun to amortize the R&D asset, since as of the balance sheet date, it has not yet been fully completed.

NOTE 10 – INFORMATION CONCERNING IMPAIRMENT OF AN INVESTMENT IN BIOMARKER TECHNOLOGIES LTD. (HEREAFTER-"BIOMARKER")

Due to indications of impairment of the investment, the Company, in the framework of its financial statements as of June 30, 2014, created a provision for impairment in the amount of NIS 1,600 thousand, pursuant to an evaluation obtained as of that same date. During the fourth quarter of 2014, due to additional indications of impairment, the Company created an additional provision for impairment in its accounts, so that the investment stands at zero in its financial statements as of December 31, 2014. The total provision for impairment recorded in 2014 with respect to BioMarCare totaled NIS 2,255 thousand. See also Note 2.J. to the annual financial statements.

NOTE 11 – INFORMATION CONCERNING FINANCIAL INSTRUMENTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION AT FAIR VALUE

The material unanticipated data which served in determining the fair value of convertible loans provided to CellCure is the value of shares of CellCure. A significant change in the value of a CellCure share could lead to a significant change in the fair value of the convertible loan.

A change in the rate of the base asset in a manner that it will increase or decrease by 20% will cause an increase (decrease) of the convertible loans in the amount of approximately NIS 1,158 (1,303) thousand, respectively.

The material unanticipated data which served in determining the fair value of the option component of the convertible loans provided to ProtAb is the value of shares of ProtAb. A significant change in the value of a ProtAb share could lead to a significant change in the fair value of the convertible loan.

A change in the rate of the base asset in a manner that it will increase or decrease by 20% will cause an increase (decrease) of the option component of the convertible loans in the amount of approximately NIS 61 (74) thousand, respectively.

HBL- Hadasit Bio-Holdings, Ltd.

Separate Interim Financial Information

As of March 31, 2015

) UNAUDITED(

IMPORTANT

This document is an unofficial translation of the Hebrew original "Consolidated Financial Statements", dated March 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 May 31, 2015.
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 Interim Financial Information

As of March 31, 2015

(UNAUDITED)

Table of Contents

HBL- Hadasit Bio-Holdings, Ltd

Condensed Interim Statements of Financial Position

	As of March 31		As of December 31
	2015	2014	2014
	NIS Thousands		
	Unaudited		Audited
Current assets			
Cash and cash equivalents	701	1,752	30
Investment in marketable securities	628	4,662	2,790
Restricted cash	-	445	-
Financial assets available for sale	1,447	1,663	2,055
Other accounts receivable	425	1,913	300
	3,201	10,435	5,175
Non-current assets			
Convertible loans to investee companies	2,363	18,367	2,071
Investments in affiliated companies	4,216	8,880	8,101
Fixed assets, net	51	36	56
Lease fees receivables	127	-	172
Financial assets at fair value through profit or loss	1,629	-	1,798
	8,386	27,283	12,198
Total assets	11,587	37,718	17,373
Current liabilities			
Bank credit	-	-	51
other accounts payable	354	120	555
Trade accounts payable	434	540	285
Lease fees receivables	720	2,782	732
	1,508	3,442	1,623
Long- term liabilities			
Liabilities over assets in investees	2,985	18,634	-
Lease fees payables	540	-	732
	3,525	18,634	732
Share-holders' Equity			
Ordinary share capital	1,428	1,265	1,428
Additional paid-in capital	118,904	112,979	116,722
Equity reserve from operations with controlling shareholder	754	754	754
Equity settled employee benefits reserve	724	1,908	689
Warrants	457	2,065	2,639
Capital reserve from financial assets available for sale	78	36	(323)
Accumulated deficit	(115,791)	(103,365)	(106,891)
Total Shareholders' equity (deficiency)	6,554	15,642	15,018
Total liabilities and shareholders' equity	11,587	37,718	17,373

May 31, 2015
Date of approval of financial statements

Yigal Erlich
Chairman of the Board of Directors

Tamar Kfir,
CEO

Liat Simhayoff, CFO

The notes accompanying the financial statements constitute an integral part thereof.

HBL- Hadasit Bio-Holdings, Ltd

Condensed Interim Statements of Comprehensive Loss

	For the period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS Thousand		NIS Thousand
	Unaudited		Audited
General and administrative expenses	(1,165)	(803)	(4,086)
Other income, net	(4,813)	(521)	5,847
Loss from regular activities	(5,978)	(1,324)	1,761
Financing income	145	371	789
Financing expenses	(6)	(17)	(40)
Financing (income) expenses, net	139	354	749
Loss after financing	(5,839)	(970)	2,510
Company's share in the losses of its affiliated companies	(3,061)	(1,178)	(8,184)
Loss for the period	(8,900)	(2,148)	(5,674)
Other comprehensive loss			
Income (loss) gain on financial assets available for sale	401	(82)	(441)
Comprehensive loss for the period	(8,499)	(2,230)	(6,115)

The notes to the condensed interim financial statements constitute an inseparable part thereof.

HBL: Hadasit Bio-Holdings, Ltd

Condensed Interim Statements of Cash Flows

	For the period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS Thousand		NIS Thousand
	Unaudited		Audited
Cash flows - operating activities			
Loss for the period	(8,900)	(2,148)	(5,674)
Adjustments required to reconcile cash flows for operating activities (Appendix A)	7,447	1,203	1,926
Net cash used in operating activities	(1,453)	(945)	(3,748)
Cash flows - investing activities			
Interest receipts		-	10
Convertible loans to investee companies	-	-	(3,535)
Investment in marketable securities	-	-	(3,800)
Realization of marketable securities	2,176	2,100	7,817
I Investment in affiliate companies	-	-	(932)
Purchase of fixed assets	-	(12)	(55)
Restricted cash repayment	-	-	440
Net cash provided by investing activities	2,176	2,088	(55)
Cash flows from financing activities			
Interest payments and bank fees	(2)	(1)	(8)
Bank credit	(51)	-	51
Issuance of shares capital and warrants, net	-	-	3,140
Net cash provided by financing activities	(53)	(1)	3,187
Effect of exchange rates changes on balance of cash and cash equivalents hold in foreign currencies	21	-	36
Increase (decrease) in cash and cash equivalents	671	1,142	(580)
Cash and cash equivalents at the beginning of the period	30	610	610
Cash and cash equivalents at the end of the period	701	1,752	30

The notes to the condensed interim financial statements constitute an inseparable part thereof.

HBL: Hadasit Bio-Holdings, Ltd

Condensed Interim Statements of Cash Flows

Appendix A - Adjustments Required to Present Cash Flows from Operating Activities

	For the period of three months ended March 31		For the year ended December 31
	2015	2014	2014
	NIS Thousand		NIS Thousand
	Unaudited		Audited
Expenses not related to cash flows:			
Company's share in the losses of affiliated companies	3,061	1,178	8,185
Capital loss (gain) from realization of affiliated companies	-	521	(5,847)
Depreciation	4	20	44
Financing expenses	6	17	40
Financing income	(145)	(371)	(789)
Share-based payment	36	(54)	68
Loss from impairment of financial assets available for sale	1,008	-	-
Impairment of investee company	3,805	-	-
Changes in assets and liabilities items:			
Decrease (increase) in other accounts receivable	(80)	151	1,590
Increase (decrease) in trade accounts payable	150	64	(192)
Decrease (increase) in other accounts receivable	(210)	(196)	130
Increase (decrease) in leas fees payables	4	(127)	(2,035)
Increase (decrease) in payable expenses	(192)	-	732
	7,447	1,203	1,926

The notes to the condensed interim financial statements constitute an inseparable part thereof

HBL: Hadasit Bio-Holdings, Ltd

Notes to the Separate Interim Financial Statements

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 March 31, 2015 the Company lost approximately NIS 115,791 thousands (accumulated deficit) , and has a negative cash flow from operating activities in amount of NIS 1,453 thousands Furthermore, as of the balance sheet date the Company has cash and marketable securities in amount of NIS 1,329 thousands, which according to the Company's management concerning its cash flow forecast, will allow the continuation of activities for the coming months. It is the Company's responsibility to acquire additional funds in order to continue its activities.

The Company's management is acting in order to raise additional financing from existing and/or new investors and it has the ability, if necessary, to realize liquid investments in its possession whose value as of the balance sheet date totaled approximately NIS 1,447 thousand. On March 30, 2015, the Company raised approximately NIS 4,299 thousand (net) in the context of an equity raising, by way of a public offering according to a shelf proposal report. The consideration for the offering was received on April 2, 2015. See also Note 4.G.

These factors raise significant doubts in the continued existence of the Company as a "going concern". The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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, 2014.

C. Accounting Policies:

The separate financial information were prepared in accordance with the policies set out in Note 1.C of the separate financial information of the Company as of December 31, 2014, and for the year then ended on that date.

Note 2 - Significant transactions during the reporting period

A. On January 21, 2015, D-Pharm Ltd. (other company, hereafter- "D-Pharm") published the results of the issuance of rights. The gross immediate proceeds received by D-Pharm with respect to the rights issued in the framework of the rights offering amounted to approximately NIS 12,775 thousand. The Company did not participate in the rights offering and therefore, the rate of its holdings declined to 5.57% of the issued and paid up ordinary shares (5.55% fully diluted).

Note 2 - Significant transactions during the reporting period (Cont.)

B. In February 2015, a convertible loan agreement was signed between KAHR (2005) Ltd. (a subsidiary, hereafter-"KAHR") and the Company and an additional investor in the amount of one million dollars.

According 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, so that, in any event, the additional investor will supplement any deficiency in the amount of the loan which will not be transferred by the Company, and the total loan amount will stand at one million dollars.

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 manner of 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 next round of raising financing.

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, at its discretion, the amount will be converted at a discount of 50% of the share price.

On April 2, 2015, the Company transferred the amount of $ 500 thousand and, accordingly, maintained its holdings in KAHR.

C. On February 12, 2015 BioTime transferred a letter of intent to CellCure according to which BioTime (the parent company of CellCure) committed to invest another $ 2.2 million in the Company up to the end of PHASE I/II. In addition, BioTime will not demand the return of the bridge loan in the amount of $ 1,200 thousand given to CellCure in 2013 until it finishes PHASE I/II. See also Note 8.B.2. to the annual financial statements.

D. During 2014, it was decided that CellCure would propose 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 CellCure'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 CellCure, as specified below, will be paid by CellCure 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, CellCure will convert any part of the loan as yet unpaid and specified in the above notice, to ordinary shares of the Company.

On February 13, 2015, BioTime transferred $ 95 thousand and accordingly completed the first stage of the convertible loan in the amount of $ 2,200 thousand. Out of this amount, the Company transferred its relative share in the amount of $ 466 thousand in September 2014,

Note 2 - Significant transactions during the reporting period (Cont.)

On February 13, 2015, BioTime transferred $ 700 thousand to CellCure in the framework of the second stage of the convertible loan (in a total of $ 2,000 thousand). On April 2, 2015, the Company transferred its relative share of $ 188 thousand.

E. In February 2015, 8,843,700 options (Series 4) expired. Moreover, 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. The Company correspondingly classified the amount of NIS 2,182 thousand to premium.

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 an allotment of securities offered by the above shelf proposal report is NIS 4,445 thousand gross (NIS 4,299 thousand net). The proceeds of the issuance were received on April 2, 2015.

On April 6, 2015, approval was received from the Securities Authority regarding the opening of trading of the option (Series 8).

G. On May 1, 2015, ProtAb announced that it had ended the analysis of the results of the pre-clinical trials whose purpose was to reach results that would allow a decision on concentrating on the leading indication for clinical development with Prozumab. From an analysis of the results obtained during the pre-clinical trials of models for the new indications, it appears that there are no significant results that support development of Prozumab for these new indications. ProtAb will continue to act to develop Prozumab for inflammatory intestinal diseases (including Crone's disease and ulcerated colons) and additional autoimmune diseases, and intends to act to raise equity to continue development.

ProtAb has utilized most of the amount of the loan provided to it by the Company in September 2014 for purposes of evaluating the above indications, and, therefore, it must immediately locate sources of financing for purposes of continuation of the development, a situation that creates cash flow pressure at ProtAb, In view of the fact that ProtAb has delayed developing Prozumab for the leading indication and will be required to act to immediately raise funds, as mentioned above, the Company has identified signs of impairment.

The Company is evaluating the recoverable amount of ProtAb as of the balance sheet date.

NOTE 3 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

F. On May 13, 2015, CellCure received approval from the OCS for financing the ninth year in order to continue the clinical development of the OpRegen® product, which generates embryonic stem cells and is designated for treatment of degeneration of eye retinas. One budget was approved for purposes of continued development in Israel in an amount of NIS 9.3 million at a participation rate of 60% of the research and development expenditures, and an additional budget to continue development abroad of approximately NIS 2.2 million was approved at a participation rate of 30% of research and development expenses.

G. On May 17, 2015, BioTime transferred the amount of $ 394 thousand to CellCure as part of the second stage of the convertible loan. See Note 4.E.

H. On May 26, 2015, the General Assembly of the Company approved the issuance of 80,000 non tradable options of the Company to two of the Company's directors. As of the date of approval of the financial statements, the options have not yet been allotted.

I. On April 21, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the

J. Company, respectively, approved the consolidation and redistribution of the authorized share capital and the issued and paid up capital of the Company, and amendment of the Company's bylaws accordingly, in a manner that each NIS 5 of ordinary shares of NIS 0.01 par value existing in the authorized share capital and the issued and paid up share capital of the Company will be consolidated into one ordinary share of NIS 0.05 par value each, and that all of the options of the Company not registered for trading, namely, the Series 6 and Series 8 options will be adjusted in a similar manner, so that five options will be consolidated into one option, exercisable into one ordinary share of NIS 0.05 par value each. The exercise prices of the options recorded for trading and those not recorded for trading will be adjusted in accordance with the capital consolidation.

K. On April 15, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the Company, respectively, approved the increase of the Company's authorized capital 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.