HBL- Hadasit Bio Holdings Ltd.

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

For the period ended September 30, 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 September 30, 2015 (hereafter: "**the date of the Directors' Report**") and the financial results of the Company for the period of three months ended September 30, 2015 (hereafter: "**the reporting period**") and for the cumulative period of nine months ended on September 30, 2015 (hereafter: "**the reporting period**").
The consolidated reports contain the operating results of the Company, and of the Company's two subsidiaries, KAHR Medical Ltd. and ProtAb Ltd. In addition, the Company has two affiliated companies: Cell Cure Ltd., 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, BioMarCare Technologies Ltd., whose financial statements are not attached to this Periodic Report, since they do not comply with the qualitative tests which mandate the attachment of their financial statements to the financial statements of the Company for the third 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 2014, published on March 23, 2015 (Document No.:) and the supplementary report dated May 31, 2015 and June 29, 2015 (Document Nos. 2015-01-058795, 2015-01-035280 and 2015-01-059916, 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.

On May 26, 2015, the General Assembly of the Shareholders decided to approve the unification and reallocation of the registered share capital and of the issued and paid up capital of the Company in a ratio of 1:5. For details, see reports dated May 12, 2015 and May 27, 2015 (Documents Nos. 2015-01-017565 and 2015-01-029724, respectively), The data in this Directors' Report are presented after the capital unification in the ratio of 1:5 performed by the Company (hereafter: "the capital unification"), except if specifically stated otherwise.

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

1. Condensed description of the Company and its business environment

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

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

1.3. From its establishment and as of November 24, 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 and Section 2 below for additional details regarding the Company's holdings in the portfolio companies as well as details regarding the stages in which the portfolio companies are situated.

The Board of Directors of the Company 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.

1.4. On August 31, 2015, the Company announced that the Board of Directors of the Company had decided to take a series of efficiency steps with the aim of causing a significant reduction in the Company's expenses. The efficiency steps include, among other things, decreasing the operating expenses of the Company, including cutting back manpower employed by the Company. See the Immediate Report of the Company dated August 31, 2015 (Document No. 2015-01-110595) for further details.
In the assessment of the management of the Company, in view of the cash flows of the Company, significant doubt is present regarding the ability of the Company to continue to exist as a "going concern" after the month of December 2015.

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		
Cell Cure Neurosciences Ltd. (hereafter**: "Cell Cure").**	21.2%	20.05%	Development of stem cell based treatment of the Dry-AMD disease.	Cell Cure is recruiting patients for the Phase l/lla 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. On August 18, 2015, the OpRegen® product was transplanted in the first patient in the context of the trial. As of this date, the patient and the doctor for the trial have not reported any side effect to Cell Cure. On September 29, 2015, Cell Cure received an approval from the FDA for an accelerated regulatory track for the OpRegen® product. For additional details regarding events occurring during the reporting period and in proximity to the date of issuing the Directors' Report , see Section 2.2 below.
Enlivex Therapeutics Ltd. (hereafter: "**Enlivex**").	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 l/lla clinical trial for the treatment of the GvHD disease. Preparations for clinical trial of Phase lll subject to instructions and approval of the FDA. For additional details regarding events occurring during the reporting period and in proximity to the date of issuing the Directors' Report, see Section 2.3 below.

Name of company	Rate of holdings		Area of activities	Stage in which company is found
	Undiluted	Fully diluted		
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 and May 31, 2015 (Document No. 2015-01-031003 and 2015-01-035550 respectively).	On July 30, 2015, D-Pharm received a final trial report on the above clinical trial. Pursuant to results of the assessment of safety of the medication, it appears that the medication is found to be safe and no side effects are anticipated which can be attributed to the medication, See the Immediate Report of D-Pharm dated July 30, 2015 (Document No. 2015-01-083827) for details. On October 27, 2015, D-Pharm announced that it will focus its managerial and financial resources on development of the leading product of the company, the THR-18, on continuing cooperation with Jiahgsu Nhwa Pharmaceutical Co. Ltd. in development of the DP-VPA product and in locating a strategic partner to advance the development of the D-Pharm products. See the Immediate Report of D-Pharm dated October 27, 2015 (Document No. 2015-01-142581) for details. On November 10, 2015, the treatment of the first patient began in the framework of the Phase lla clinical trial of patients who suffered an ischemic stroke and are being treated by means of the tPA in combination with a trial product of D-Pharm, THR-18. See the Immediate Report of D-Pharm dated November 11, 2015 (Document No. 2015-01-152910) for details.) For further details, see the Periodic Report for 2014 and the Periodic Report for the third quarter of 2015 published by D-Pharm on February 15, 2015 and October 27, 2015 (Document Nos. 2015-01-031069 and 2015-01-142674, respectively), as well as Section 2.4 below.
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 diseases.	During the reporting period, KAHR filed an application with the Helsinki Committee in three medical centers in Israel for the approval of a Stage l/lla clinical trial for the KAHR-102 product. In addition, the company received the final results in the series of toxicological trials of the KAHR-102 product, carried out on rats and monkeys, which indicate that the use of the KAHR-102 product in dosages that were tested did not cause side effects. For additional details regarding events occurring during the reporting period and in proximity to the date of issuing the Directors' Report, see Section 2.5 below..

Name of company	Rate of holdings		Area of activities	Stage in which company is found
	Undiluted	Fully diluted		
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 develop Prozomab for inflammatory intestinal diseases (including Crohn's disease and ulcerative colitis) and additional auto immune diseases, and is acting to raise capital in order to continue the development. As of the date of issuing the Directors' Report, ProtAb signed a non-binding agreement of understandings with a third party to provide production and trading rights for the Prozomab product. As part of the terms of this non-binding agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the period of the agreement of understandings, including the employment of workers and the preservation of its intellectual property. In the Company's assessment, in the event that the agreement of understandings will not be implemented into a binding agreement and/or ProtAb will not complete a raising of capital from another source by the end on 2015, ProtAb will freeze all of its current operations and will focus on activities, principally locating strategic partners and investors to advance development and commercialization and/or the raising of capital for ProtAb. See Section 2.6 below for additional details regarding events occurring during the reporting period and in proximity to the date of issuing the Directors' Report

BioMarCare Technologies Ltd (hereafter: "**BioMarCare**").	65.1%	62.18%	Development of a kit for the early disclosure of intestinal cancer by blood tests	During 2014, BioMarCare froze all of its activities and it does not retain employees, but focuses on activities, the principal one of which is locating strategic partners and investors in order to advance 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, financial ability of the portfolio company, with emphasis on sources of financing 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.

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

3.1. **The Company**

3.1.1. Update to Section 2 of Chapter A of the Periodic Report-description of general developments of the Company's affairs

3.1.1.1. On August 31, 2015, the Company announced that the Board of Directors of the Company had decided to take a series of efficiency steps for the purpose of leading to a significant decrease in the Company's expenses. The efficiency steps include, among other things, a reduction in the Company's operating expenses, including a cutback in manpower employed by the Company. In this context, it was agreed that the Company's management, including the CEO of the Company and the CFO, would reduce their salary at a rate of 25% (other than the social provisions which, in relation to the CEO, would be calculated according to the original salary) and 15%, respectively. This reduction in salary, relative to the CEO of the Company and the CFO, will be in effect commencing from the month of August 2015 and will be increased automatically upon raising a substantial sum for the Company in an amount to be determined. Moreover, it was agreed that the directors of the Company (other than the outside directors and the independent director), including the Chairman of the Board, will reduce their compensation at a rate of 25%.

Additionally, the Company's outside directors and the independent director notified the Company of their decision to waive part of the directors' fees to which they are entitled, in a manner that they will receive the "minimum fee" prescribed by the Companies Regulations (Rules Regarding Fees and Expenses for an Outside Director)-2000.

See the Immediate Report of the Company dated August 31, 2015 (Document No. 2015-01-110595) for further details.

3.1.2. Update to Section 6 of Chapter A of the Periodic Report-investments in the Company's equity and transactions in its shares

3.1.2.1. 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.

3.1.2.2. 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.

3.1.2.3. 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.

3.1.2.4. 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.

3.1.2.5. 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.

3.1.2.6. 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.

3.1.2.7. 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.

3.1.2.8. 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.

3.1.2.9. 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. The data in the Immediate Reports are presented in values prior to the capital consolidation carried out by the Company.

3.1.2.10. On May 26, 2015, the Company issued a quantity of 16,000 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. The data in the Immediate Reports are presented in values prior to the capital consolidation carried out by the Company.

3.1.2.11. On August 17, 2015, the Company, in the framework of raising capital by way of a public offering according to a supplementary prospectus published on August 22, 2015, and the amendment to it dated August 3, 2015 (Document Nos. 2015-01-080277 and 2015-01-097993, respectively), and pursuant to a supplementary announcement published by the Company on August 16, 2015 (Document No. 2015-01-097629), issued a quantity of 2,343,000 ordinary shares of the Company. The gross immediate proceeds received by the Company with respect to the allotment of the securities offered according to the shelf proposal report as above were NIS 749,760. See the Immediate Report of the Company dated August 17, 2015 (Document No. 2015-01-098552) for details.

3.1.2.12. On August 17, 2015, the Company published an Immediate Report regarding the last date for exercise of the options (Series 6) of the Company. See the Immediate Report of the Company dated August 17, 2015 (Document No. 2015-01-098571) for details.

3.1.2.13. On September 3, 2015, the Company announced the expiration of the options (Series 6) of the Company. See Section 2.1.13.16 below for details regarding the shareholders' registry and the status of the Company's equity as of the date of issuance of the Directors' Report.

3.1.2.14. On September 20, 2015, the Company published a private allotment report for the grant of a quantity of 176,700 non-tradable options of the Company to the incoming CFO of the Company, Mr. Yoram Azulai. See the Company's Immediate Report dated September 20, 2015 (Document No. 2015-01-122481) for details.

3.1.2.15. On October 25, 2015, the Shareholders' General Assembly approved allotment of a quantity of 253,100 and 72,950 non-tradable options of the Company to the CEO and the Chairman of the Board of the

Company, respectively. See the Company's Immediate Reports dated October 12, 2015 and October 25, 2015 (Documents No. 2015-01-141510 and 2015-01-133200) for details.

3.1.3. Update to Section F5 Chapter B of the Periodic Report-internal auditor

3.1.3.1. On August 24, 2015, the Company announced the termination of the tenure of the Company's internal auditor. See the Immediate Report of the Company dated August 24, 2015 (Document No. 2015-01-102987) for details.

3.1.3.2. On August 31, 2015, the Company announced the appointment of Mr. Doron Cohen to the role of internal auditor of the Company. See the Company's Immediate Report dated August 31, 2015 (Document No. 2015-01-109488) for additional details.

3.1.4. Update to Regulation 21(1) of Chapter D to the Periodic Report-employment agreement with Ms. Tamar Kfir, CEO of the Company

3.1.4.1. **Salary-**on August 30, 2015, in light of the financial condition of the Company, the Board of Directors decided to take a series of efficiency steps with a goal of leading to significant reduction in the Company's expenses, as detailed in Section 2.1.1.1 above (hereafter: "**the efficiency program**").

In the framework of the efficiency program, it was decided, inter alia, that commencing from September 2015, Ms. Kfir will reduce her monthly salary at a rate of 25% (other than social provisions to be calculated according to her present salary of NIS 45 thousand (gross)), until raising equity in a cumulative amount of $ 3 million, and on the condition that the Company's cash flows will permit its operations for 18 months forward.

3.1.4.2. **Options-**on October 25, 2015, after approval by the Compensation Committee and the Board of Directors of the Company on August 26, 2015 and September 10, 2015, respectively, the Shareholders' General Assembly approved the grant of a quantity of 253,100 options of the Company, not registered for trading, exercisable into up to 253,100 ordinary shares of the Company of NIS 0.05 par value each (hereafter in this section: "**options**"), at an exercise price of NIS 0.3756 per option. The options will vest equally over a period of 3 years beginning on October 25, 2015 (date of approval of the General Assembly).

In addition, the General Assembly approved that all of the options (including the options granted in the past to Ms. Kfir) will vest immediately on a date when the treasury of the Company will contain $ 2,500 thousand, or in a case in which Ms. Kfir will terminate her function in the Company, unwillingly or not due to cause, as specified in the agreement with Ms. Kfir. Upon termination of the employment of Ms. Kfir (other than due to resigning or termination due to cause), Ms. Kfir will be entitled to exercise the options which have vested until that period during 18 months from the date of termination of her employment as above. The remaining terms of the options will be

according to the options program. See the Company's Immediate Reports dated October 12, 2015 and October 25, 2015 (Documents No. 2015-01-133206 and 2015-01-141510, respectively) for further details.

3.1.4.3. **Options of subsidiaries**- on October 25, 2015, after approval by the Compensation Committee and the Board of Directors of the Company on June 17, 2015, the Shareholders' General Assembly approved the grant to Ms. Kfir of a quantity of 274,679 options of Enlivex, not registered for trading, which will vest and be exercisable into ordinary shares of Enlivex of NIS 0.01 par value each in 4 equal portions, commencing on January 6, 2016 and through January 6, 2019, at an exercise price of $ 0.13 per option of Enlivex. These options will expire in the event that Ms. Kfir will cease to serve as a director of Enlivex.

Moreover, after approval by the Compensation Committee and the Board of Directors of the Company as above, the Shareholders' General Assembly approved the grant to Ms. Kfir of a quantity of 9,886 options of KAHR, not registered for trading, which will vest and be exercisable into ordinary shares of KAHR of NIS 0.01 par value each in 3 equal portions, commencing on September 15, 2015 and through September 15, 2017, at an exercise price of $ 3.62 per option of KAHR. These options will expire in the event that Ms. Kfir will cease to serve as a director of KAHR. See the Company's Immediate Reports dated October 12, 2015 and October 25, 2015 (Documents No. 2015-01-133206 and 2015-01-141510, respectively) for further details.

3.1.5. Update to Regulation 21(6) in Chapter D of the Periodic Report- employment agreement with Mr. Yigal Erlich

3.1.5.1. On August 5, 2015, the General Assembly of the Shareholders approved a grant once again of 140,000 options of the Company not registered for trading, exercisable into 140,000 ordinary shares of the Company with NIS 0.05 par value each, at an exercise price of 136.2 agorot per option. The options will vest and be exercisable for a four year period, beginning from the date of approval by the Board of Directors of the original grant of the options, namely, May 19, 2014, in four equal parts of 35,000 options, at the end of each year, so that the first part will vest and be exercisable commencing from May 19, 2014 and the last, commencing from May 19, 2018. For details, see the Immediate Reports of the Company dated August 2, 2015 and August 9, 2015 (Document Nos. 2015-01-087360 and 2015-01-092274, respectively).

3.1.5.2. On August 30, 2015, In the framework of the efficiency program, as described in Section 2.1..1.1 above, it was decided, inter alia, that commencing from September 2015, and for a period of three months, Mr. Ehrlich will reduce his monthly salary at a rate of 25%.

3.1.5.3. **Options-**on October 25, 2015, after approval by the Compensation Committee and the Board of Directors of the Company on September 10, 2015, the Shareholders' General Assembly approved the grant of a quantity of 72,950 options of the Company, not registered for trading, exercisable into up to 72,950 ordinary shares of the Company of NIS

0.05 par value each (hereafter in this section: "**options**"), at an exercise price of NIS 0.3756 per option. The options will vest equally over a period of 4 years beginning on October 25, 2015 (date of approval of the General Assembly).

In addition, the General Assembly approved that all of the options (including the options granted in the past to Mr. Ehrlich) will vest immediately in the event of sale of the Company or merger of the Company, except in a case of sale to or merger with the controlling shareholder of the Company. See the Company's Immediate Reports dated October 12, 2015 and October 25, 2015 (Documents No. 2015-01-133206 and 2015-01-141510, respectively) for further details.

3.1.5.4. **Options of subsidiaries**- on October 25, 2015, after approval by the Compensation Committee and the Board of Directors of the Company on June 17, 2015, the Shareholders' General Assembly approved the grant to Mr. Ehrlich of a quantity of 274,679 options of Enlivex, not registered for trading, which will vest and be exercisable into ordinary shares of Enlivex of NIS 0.01 par value each in 4 equal portions, commencing on January 6, 2016 and through January 6, 2019, at an exercise price of $ 0.13 per option of Enlivex. These options will expire in the event that Ms. Ehrlich will cease to serve as a director of Enlivex.

See the Company's Immediate Reports dated October 12, 2015 and October 25, 2015 (Documents No. 2015-01-133206 and 2015-01-141510, respectively) for further details.

3.1.6. <u>Update to Regulation 21(7) of Chapter D to the Periodic Report-fees to the Company's directors, including outside directors</u>

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

3.1.6.1.1. Grant of participation fee and annual fees to Prof. Yaakov Naparstek with respect to his tenure as a director of the Company.

3.1.6.1.2. Grant of 12,000 options of the Company not registered for trading to Ms. Elka Nir, an outside director of the Company.

3.1.6.1.3. Grant of 4,000 options, unregistered for trading, to Mr. Doron Birger, an independent director of the Company.

See the Company's Immediate Reports dated May 12, 2015 and May 27, 2015 (Document Nos. 2015-01-017565 and 2015-01-089724, respectively) for additional details.

3.1.6.2. On August 31, 2015, in the context of the efficiency program, it was decided that the directors of the Company (other than the outside directors and the independent director), including the Chairman of the Board, will reduce their compensation at a rate of 25%, commencing from September 2015 and for a three-month period.

Additionally, the Company's outside directors and the independent director notified the Company of their decision to waive part of the directors' fees to which they are entitled, in a manner that they will receive the "minimum fee" prescribed by the Companies Regulations (Rules Regarding Fees and Expenses for an Outside Director)-2000, commencing from September 2015. See Section 3.1.1 above for further details regarding the efficiency program.

3.1.7. Update to Regulation 22 in Chapter D to the Periodic Report-transactions with controlling shareholders of the Company

On August 6, 2015, the Special Shareholders' General Assembly of the Company approved the following resolutions;

(a) Undertaking of the Company's subsidiary, KAHR Medical (2005) Ltd. (hereafter: "**KAHR**"), with Hadasit and with Prof. Michal Elhalel, in an agreement to execute research and development works and approval of the grant of options not registered for trading of KAHR to Hadasit and to Prof. Michal Elhalel**.**

(b) Undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Michal Elhalel**.**

(c) Undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Neta Goldschmidt**.**

(d) Undertaking of ProtAb Ltd., a subsidiary of the Company, in a consulting agreement with Hadasit and Prof. Yaakov Naparstek**.**

See the Company's Immediate Reports dated August 2, 2015 and August 9, 2015 (Document Nos. 2015-01-087360 and 2015-01-092274, respectively) for additional details.

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

3.1.8.1. On March 31, 2015, the Company announced the termination of the tenure of Mr. Yaron Kulas 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.

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

3.1.8.3. 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.

3.1.8.4. On August 6, 2015, the General Assembly approved the reappointment of Ms. Michal Sapir to the role of outside director of the Company. See

the Company's Immediate Report dated August 9, 2015 (Document No. 2015-01-092274) for additional details.

3.1.8.5. On October 25, 2014, the General Assembly approved the appointment of Mr. Baruch Halpert and Attorney Oren Levy to the position of directors of the Company. See the Company's Immediate Report dated October 12, 2015 (Document No. 2015-01-133206) for further details regarding Mr. Baruch Halpert and Attorney Oren Levy.

3.1.9. Update to Regulation 26A in Chapter D to the Periodic Report-executive officers of the Company

3.1.9.1. On July 15, 2015, the Company announced the termination of the role of the CFO of the Company, Liat Simhayoff, CPA on September 16, 2015. See the Company's Immediate Report dated July 15, 2015 (Document No. 2015-01-073104) for additional details.

3.1.10. Update to Regulation 28 in Chapter D to the Periodic Report-change in the Company's by laws

On May 26, 2015, the General Assembly approved: (a) an amendment to the Company's by- laws in a manner that, after the amendment, appointment of directors to the Board of Directors of the Company is carried by a resolution passed in the context of the Annual Assembly or a Special Assembly of Shareholders of the Company; (b) consolidation of the capital of the Company and amendment of the Company's by-laws accordingly; (c) increase of the authorized capital of the Company and amendment of the by-laws.

See the Company's Immediate Report dated May 27, 2015 (Document No. 2015-01-029757) for the revised version of the by-laws as of the date of issuing the Directors' Report.

3.1.11. 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.

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

3.1.12.1. **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. Yaakov Naparstek with respect to his tenure as a director of the Company**.**

(f) Appointment of Ms. Elka Nir in the role of an outside director of the Company for a period of three years, approval of her eligibility for compensation**,** as well as approval of the grant of 12,000 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 4,000 options, unregistered for trading, to Mr. Doron Birger, an independent director of the Company.

See the Company's Immediate Reports dated May 12, 2015 and May 27, 2015 (Document Nos., 2015-01-017565 and 2015-01-029724, respectively) for additional details.

3.1.12.2. **On August 6, 2015, the Special General Assembly of the Company's Shareholders approved the following resolutions:**

(a) The reappointment of Ms. Michal Sapir to the role of outside director in the Company and her right to compensation;

(b) The reconfirmation of the grant of options not registered for trading to the Chairman of the Board;

(c) The undertaking of the Company's subsidiary, KAHR Medical (2005) Ltd. (hereafter: "**KAHR**"), with Hadasit and with Prof. Michal Elhalel, in an agreement to execute research and development works and approval of the grant of options not registered for trading of KAHR to Hadasit and to Prof. Michal Elhalel.

(d) Undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Michal Elhalel.

(e) Undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Neta Goldschmidt.

(f) Undertaking of ProtAb Ltd., a subsidiary of the Company, in a consulting agreement with Hadasit and Prof. Yaakov Naparstek.

See the Company's Immediate Reports dated August 2, 2015 and August 9, 2015 (Document Nos. 2015-01-087360 and 2015-01-092274, respectively) for additional details.

3.1.12.3. **On October 25, 2015, the Special General Assembly of the Company's Shareholders approved the following resolutions:**

(a) Grant of options of the Company not registered for trading to the CEO of the Company;

(b) Change in the terms of options of the Company not registered for trading that had been granted to the CEO of the Company;

(c) Grant of options of the Company not registered for trading to the Chairman of the Board of the Company;

(d) Change in the terms of options of the Company not registered for trading that had been granted to the Chairman of the Board of the Company;

(e) Grant of options of Enlivex Therapeutics Ltd. not registered for trading to the CEO and the Chairman of the Board of the Company;

(f) Grant of options of KAHR Medical (2005) Ltd. not registered for trading to the CEO of the Company;

(g) Approval of the appointment of Mr. Baruch Halpert to the position of director of the Company;

(h) Approval of the appointment of Oren Levy to the position of director of the Company;

See the Company's Immediate Reports dated October 12, 2015 and October 25, 2015 (Documents No. 2015-01-133206 and 2015-01-141510, respectively) for further details.

3.1.13. General

3.1.13.1. 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.

3.1.13.2. 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.

3.1.13.3. 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.

3.1.13.4. 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.

3.1.13.5. 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.

3.1.13.6. On June 4, 2015, the Company issued an Immediate Report regarding the adjustment of the exercise increment of the options (Series 6) and the options (Series 8) of the Company in view of the consolidation of the capital of the Company. . See the Company's Immediate Report dated June 4, 2015 (Document No. 2015-01-040275) for additional details.

3.1.13.7. On June 28, 2015, the Company announced that it signed a non binding memorandum of understanding with a Chinese investor (hereafter in this sub section: "**the investor**") for a private placement of shares of the Company (hereafter: "memorandum of understandings"). As per the memorandum of understandings, it was agreed, inter alia, that the Company and the investor would act to formulate an agreement for a private placement within 60 days from the date of signing the memorandum of understandings, according to which the investor would invest an immediate amount of $ 2 million in the Company. Against the amount of the investment, the Company will allot an amount equivalent to 25% of the issued and paid up share capital of the Company to the investor and of its voting rights after their allotment, at a price that reflects a value of the Company of $ 6 million before the money. The signing of a binding agreement and the completion of the investment is contingent, inter alia, on receiving the required approval according to law of the organs of the Company, and every other regulatory authorization, inter alia, receipt of the approval of the stock exchange to register the allotted shares for trading, and the remaining conditions as is customary in transactions of this type. It is clarified that there is no certainty of signing a binding agreement and/or completing a transaction by force of it. The Company reported that it will submit a detailed Immediate Report on the matter of the signing on a binding contract, to the extent that one will be signed. See the Company's

Immediate Report dated June 28, 2015 (Document No. 2015-01-057411) for additional details.

3.1.13.8. On June 29, 2015, the Company published a supplementary report to the report supplementing the Periodic Report of the Company for the year of 2014. See the Company's Immediate Report dated June 29, 2015 (Document No. 2015-01-059916) for additional details.

3.1.13.9. On July 22, 2015, the Company published a supplementary prospectus. See the Company's Immediate Report dated July 22, 2015 (Document No. 2015-01-80277) for additional details.

3.1.13.10. On July 28, 2015, the Company published a presentation for investors in Hebrew and in English. See the Company's Immediate Reports dated July 28, 2015 (Document Nos. 2015-01-083616 and 2015-01-083619, respectively) for additional details.

3.1.13.11. On August 3, 2015, the Company published an amendment to the supplementary prospectus dated July 22, 2015. See the Company's Immediate Report dated August 3, 2015 (Document No. 2015-01-087993) for additional details.

3.1.13.12. On August 25, 2012, the Company announced that continuing the Company's Immediate Report dated June 28, 2015, regarding signing a non binding memorandum of understandings with a Chinese investor, on August 24, 2015, the Company and the investor signed an addendum to the memorandum of understandings according to which the period for formulating the binding agreement between the parties was extended by an additional 60 days, namely, until October 26, 2015. See the Company's Immediate Report dated June 28, 2015 (Document No. 2015-01-057411) for additional details. This data is brought by way of reference.

Continuing the above, on October 26, 2015, the Company published in an Immediate Report that the validity of the non-binding memorandum of understanding with the Chinese investor had terminated and that the parties had not reached a binding agreement. See the Company's Immediate Report dated October 26, 2015 (Document No. 2015-01-142473) for further details.

3.1.13.13. On August 25, 2015, the Company published a clarification in connection with the quantity of options allotted to directors of the Company after the consolidation of the capital. See the Company's Immediate Report dated August 25, 2015 (Document No. 2015-01-104874) for additional details.

3.1.13.14. On October 25, 2015, the Company published a shelf prospectus of the Company dated October 26, 2015. See the Company's Immediate Report dated October 25, 2015 (Document No. 2015-01-141126) for further details.

3.1.13.15. See the Company's Immediate Report dated November 5, 2015 (Document No. 2015-01-125325) for details regarding the status of

officers of the Company, updated to the date of publishing the Directors' Report.

3.1.13.16. See the Company's Immediate Report dated September 27, 2015 (Document No. 2015-01-149697) for details regarding the registry of the Company's shareholders, updated to the date of publishing the Directors' Report.

3.1.13.17. See the Company's Immediate Report dated October 21, 2015 (Document No. 2015-01-139131) for details regarding the holdings of interested parties and executive officers, updated to the date of publishing the Directors' Report.

3.2. **Cell Cure Neurosciences Ltd. (hereafter: "Cell Cure")**

3.2.1. Update to Section 26.1 of Chapter A of the Periodic Report- description of the activities of Cell Cure and the technology and clinical trials, respectively

3.2.1.1. On February 17, 2015, the Company announced that Cell Cure had received Helsinki approval from Hadassah for the commencement of the Phase I/IIa clinical trial and that, therefore, the Company announced the beginning of the clinical trial at the Ein Kerem Hadassah Medical Center. The principal goal and secondary goal of the clinical trial is proof of the safety, tolerance and assessment of effectiveness of the OpRegen® product. On August 18, 2015, the transplanting of the OpRegen® product in the first patient in the context of the trial was completed. As of this date, the patient and the doctor for the trial have not reported any ophthalmological or systemic side effects to Cell Cure. Pursuant to the trial protocol, the patient was released to his home and will continue to be under surveillance.
See the Company's Immediate Reports dated February 17, 2015 and the amendment to it dated August 31, 2015 (Document Nos. 2015-01-032644 and 2015-01-110409, respectively) for additional details**.**

3.2.1.2. On September 29, 2015, the Company announced that Cell Cure had received approval from the American Food and Drug Administration (FDA) for a regulatory Fast Track to develop the OpRegen® product of Cell Cure, for the age-dependent treatment of degeneration of eye retinas of the dry type.
See the Company's Immediate Report dated September 29, 2015 (Document No. 2015-01-125595) for further details.

3.2.2. Update to Section 26.2 of Chapter A of the Periodic Report-loans and investments in the share capital of Cell Cure

3.2.2.1. On April 4, 2015, the Company announced that, following the disclosure made by the Company in Section 26.2.2 of the Periodic Report regarding the raising of capital by CellCure by means of convertible loans in a total amount of $ 4,200 thousand (hereafter: "**the capital raising**"), as of the date of publishing the Directors' Report, in the framework of the second stage of the capital raising standing at an amount of $ 2,000 thousand, the Company transferred an amount of $ 254 thousand to Cell Cure and Biotime transferred an amount of $ 1,746 thousand to Cell Cure.

3.2.2.2. On October 29, 2015, the board of directors of Cell Cure decided on an additional capital raising by means of a convertible loan from the existing shareholders of Cell Cure in an amount of up to $ 5,000 thousand (hereafter: "**the principal**"), which will bear annual interest at a rate of 3% (the principal and interest will be known jointly hereafter: "**the loan**"). According to the terms of the loan, the loan will be given by the shareholders according to Cell Cure's needs on a "call for funds" basis, while, on the date of such call for funds, each shareholder will notify Cell Cure whether it wishes to exercise its right to tender its share of the loan. A shareholder deciding not to transfer its share of the amount of loan requested will be diluted accordingly. Also, Cell Cure will have the right to repay any loan amount within three years from the date of transfer of that amount by the shareholders to Cell Cure. In a case that the loan will not be repaid, the shareholder will be permitted to notify CellCure of its desire to convert the amount of that loan to shares of Cell Cure, at a price of $ 20 per share.

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

3.2.3.1. 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 Cell Cure. (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**.**

3.2.3.2. On January 31, 2015, the Company announced that Cell Cure 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.

3.2.3.3. On February 16, 2015, the Company announced expiration of the option of Teva by force of the license agreement with Cell Cure, by which Cell Cure had granted an option to Teva to obtain a world-wide exclusive license to develop and commercialize Cell Cure'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.

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

3.2.4.1. On February 17, 2015, the Company announced that Cell Cure received approval to register a patent in the United States. The patent is owned by Hadasit Research and Development Services Ltd. which granted Cell Cure 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.

3.2.4.2. On July 14, 2015, the Company announced that Cell Cure obtained a patent in the United States related to methods for guiding

differentiation of stem cells from an embryonic source and their maturing into progenitor cells, with significance in the protection of the technology of Cell Cure to produce mature cells such as nerve cells for the purpose of implant and regeneration. See the Company's Immediate Report dated July 14, 2015 (Document No. 2015-01-072462) for additional details**.**

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

On May 13, 2015, the Company announced that Cell Cure, 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**.**

3.3. **Enlivex Therapeutics Ltd. (hereafter: "Enlivex")**

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

3.3.1.1. On January 22, 2015, the Company announced that the leading product of Enlivex received approval of the status of an Orphan Drug for the ApoCell 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.

3.3.1.2. 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 Enlivex from liabilities to equity. According to the examination made by the Company, it appears that the effects on the financial statements of the Company as of the dates and for the above periods are not material and, therefore, the Company was not required to amend its financial statements as of those dates. See the Company's Immediate Report dated March 22, 2015 (Document No. 2015-01-056182) for additional details.

3.3.1.3. 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**.**

3.3.2. 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.

3.4. **D-Pharm Ltd. (hereafter: "D-Pharm")**

3.4.1. 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**.**

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

3.4.3. 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**.**

3.4.4. 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**.**

3.4.5. On May 14, 2015, the Company announced that D-Pharm, 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**.**

3.4.6. 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.

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

3.4.8. On July 30, 2015, the Company gave notice that D-Pharm had announced, by means of an Immediate Report that, continuing the report of D-Pharm dated May 31, 2015 (Document No. 2015-01-035550), on July 30, 2015, D-Pharm received a final trial report of the Phase ll clinical trial of D-Pharm's DP-b99 product for the treatment of acute pancreatitis ("**the trial**") ("**the medication**"). The trial was double hidden, random and controlled and was intended to include 30 patients, half treated by DP-b99 and half by a placebo. In actuality, 10 patients were recruited, 5 treated with the medication and 5 treated for verification purposes with a placebo. The trial was suspended after including these patients, due to a low rate of recruitment. (See D-Pharm's quarterly report dated July 28, 2015 (Document No. 2015-01-083085) for additional details regarding the reasons for the suspension of the trial). The principal goals of the trial were testing the safety of the medication on patients who suffer from acute pancreatitis and testing its efficacy in preventing the development of pancreatitis into acute pancreatitis, a situation involving life threatening complications. Monitoring the development of the pancreatitis is done by means of biological biomarkers (various laboratory tests), abdominal imaging by a CT and clinical examinations. All of the patients were to receive the medication, or the placebo, twice daily over a two day period and to remain under surveillance for an additional 12 days. The information from the trial was analyzed for purposes of evaluating the safety of the medication. The results of this evaluation showed that the medication is safe for use on these patients, and side effects are not anticipated which might be attributed to the medication. A retrospective analysis of the biomarkers of the CRP and MMP9 infection revealed that, on the average, their values were lower in the medication group in comparison to the placebo group. It should be stated that due to the small number of patients, the conclusions from this finding are limited. See the Company's Immediate Report dated July 30, 2015 (Document No. 2015-01-085860) for additional details**.**

3.4.9. On August 30, 2015, the Company publicized that D-Pharm announced by means of an Immediate Report that Clal Biotechnology Industries (CBI), the controlling shareholder of the company, received a request to approve a class action

according to the Class Actions Law-2006, filed with the Tel-Aviv District Court against D-Pharm, CBI, directors serving in the past in D-Pharm's Board of Directors, the CEO of D-Pharm and the Deputy CEO of D-Pharm. It is clarified that the claim was filed in relation to a period preceding the date of the Company's holdings in D-Pharm. See the Company's Immediate Report dated August 20, 2015 (Document No. 2015-01-100518) for additional details**.**

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

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

3.4.12. In continuation of what was stated in subsection 2.4.11 above, on November 1, 2015, the Company revealed that D-Pharm, by means of an Immediate Report, had announced the termination of the tenure of Dr. Alex Kozak in the role of CEO of the company, and the appointment of Ms. Ofra Yamin, the CFO of D-Pharm, as acting CEO of D-Pharm. Dr, Kozak was appointed as a director of the company. In addition, D-Pharm announced the termination of the employment of five of the employees of D-Pharm, and that it would act vis-à-vis the suppliers of the company to reduce expenses. See the Immediate Report of the Company dated November 1, 2015 (Document No. 2015-01-153150) for further details.

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

3.4.14. For further details of the operations of D-Pharm during the reporting period, see the directors' report of D-Pharm for the third quarter of 2015 as published by D-Pharm on October 27, 2015 (Document No. 2015-01-142674).

3.5. **KAHR Medical Ltd. (hereafter: "KAHR")**

3.5.1. Update to Section 27.1 of Chapter A to the Periodic Report-description of the activities of KAHR and the technology being developed by it

3.5.1.1. 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**.**

3.5.1.2. 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**.**

3.5.1.3. 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**.**

3.5.1.4. 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.

3.5.1.5. On November 18, 2015, the Company announced that, on November 17, 2015, the Company, Flerie and KAHR signed a new agreement that replaces the loan agreement (hereafter: "**the new loan agreement**"), in the context of which it was agreed that the Company and Flerie will lend KAHR, by way of a convertible loan, an additional amount of $ 500 thousand at annual interest at a rate of 8%. Moreover, it was agreed that the amount of the original loan will bear annual interest of 8% (in place of 25%). The parties agreed that in a conversion event, the loans and accrued interest would be converted into the most senior preferred shares of the company at terms as stipulated in the new loan

agreement. See the Immediate Report of the Company dated November 18, 2015 (Document No. 2015-01-157416) for further details.

3.5.2. Update to Section 29.1.6.1 to the Periodic Report

3.5.2.1. On June 29, 2015, the Company announced that in view of the receipt of positive results in the series of pre-clinical trials, KAHR sent an application to the Committee for Trials on Humans (**"the Helsinki Committee**") at the Tel Hashomer Medical Center for approval of a Stage I/IIa of the KAHR-102 product, designated for the treatment of lymphatic cancer and auto immune diseases by means of chimerical protein containing two areas of activity in the same molecule. The Company also announced that, during the third quarter of 2015, KAHR filed similar applications with the Helsinki Committees of the Sourasky Ichilov Medical Center in Tel Aviv and the Hadassah Ein Kerem Medical Center in Jerusalem. See the Company's Immediate Report dated June 29, 2015 (Document No. 2015-01-058740) for additional details.

3.5.2.2. On October 13, 2015, the Company announced that KAHR had received the final results in the series of toxicological trials of the KAHR-102 product designated to treat lymphatic cancer and auto immune diseases, carried out by the company on rats and monkeys. The results of the final report indicate that the use of the KAHR-102 product in dosages that were tested did not cause serious side effects. See the Company's Immediate Report dated October 13, 2015 (Document No. 2015-01-133224) for additional details.

3.5.3. Update to Section 30.1 of Chapter A to the Periodic Report-investment agreement with the Sanofi Company

On July 29, 2015, the Company announced that, after Kahr contacted Sanofi with a request to waive first rights, on July 29, 2015, KAHR and Sanofi signed a waiver document according to which Sanofi waives the first right to carry on negotiations as above, and to appoint a director or an observer to the board of directors of KAHR (hereafter: "**the waiver document**"). In consideration for the waiver of Sanofi of these rights, KAHR committed to pay up to $ 3 million to Sanofi (representing the amount of the investment of Sanofi in KAHR) (hereafter: "**the consideration**"), as follows: (a) in a case of sale of the license for the product by KAHR to a third party that is not Sanofi, KAHR will pay Sanofi the consideration in payments that will be derived from the amount of the consideration for the license to be received by KAHR from a third party, at rates to be determined between the parties; (b) until the date of payment of the consideration or until the grant of a license for the product to Sanofi, as detailed below, the shares of Sanofi will be exchanged for the shares of KAHR in a manner in which KAHR will allot a new series of preferred B shares to Sanofi, in the framework of which the shares of Sanofi will be given preference in liquidation and/or in a merger transaction and/or in the distribution of dividends or in any similar distribution as per the Companies Law-1999. See the Company's Immediate Report dated July 30, 2015 (Document No. 2015-01-085476) for additional details. Pursuant to the above, on October 26, 2105, the shareholders' general assembly of KAHR approved the conversion of the Preferred A shares of Sanofi to Preferred A-1 shares.

3.6. **ProtAb Ltd. (hereafter:" ProtAb")**

3.6.1. Update to Section 30.1 of Chapter A to the Periodic Report-description of the activities of ProtAb and the technology it is developing

3.6.1.1. 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 Prozumab 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 Prozumab.

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 Prozumab for these indications.
According to the above, ProtAb continues to act to develop Prozumab 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.

3.6.1.2. In view of the above, in the context of the Directors' Report of the Company for the second quarter of 2015, published on August 31, 2015 (Document No. 2015-01-110487) (hereafter: "**the periodic report for the second quarter**"), the Company stated that ProtAb must immediately locate sources of financing for purposes of continuing development, a situation that has created, cash flows pressure for ProtAb.

Moreover, in light of the fact that ProtAb has delayed in developing Prozomab as the leading indicator and is required to act as mentioned to raise funds immediately, during the second quarter of 2015, the Company identified signs of impairment of investment, and accordingly, the Company evaluated the recoverable amount of ProtAb as of June 30, 2015. As revealed in the Periodic Report for the second quarter, following such evaluation, the Company, in its financial statements as of June 30, 2015, recorded a loss from impairment of ProtAb of NIS 5,472 thousand, of which amount a loss from impairment in an amount of NIS 2,879 thousand was attributed to the Company (to the owners of the parent company).

3.6.1.3. In the context of the Periodic Report for the second quarter, the Company also stated that, in the Company's assessment, in the case

that ProtAb will not complete the raising of capital during the third quarter (the interim period), ProtAb will freeze all of its current operations and will focus on activities, principally locating strategic partners and investors for the advancement of development and commercialization and/or the raising of capital for ProtAb.

3.6.1.4. Since during the reporting period, ProtAb did not complete the raising of capital, in order to permit the continued operations of ProtAb, on September 9, 2015 and on September 13, 2015, the Company provided non-interest bearing loans in a total of NIS 60 thousand to the benefit of ProtAb.

3.6.1.5. On September 27, 2015, ProtAb signed a non-binding agreement of understandings with a third party to provide production and trading rights for the Prozomab product (hereafter: "**agreement of understandings**"). In the framework of the agreement of understandings, it was stipulated that the parties would act to sign a binding agreement within 90 days from the signing of the agreement of understandings, that is, until December 27, 2015 (hereafter: "**the period of the agreement of understandings**"). As part of the terms of the agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the period of the agreement of understandings, including the employment of workers and the preservation of its intellectual property. In the Company's assessment, in the event that the agreement of understandings will not be implemented into a binding agreement and/or ProtAb will not complete a raising of capital from another source by the end of 2015, ProtAb will freeze all of its current operations and will focus on activities, principally locating strategic partners and investors to advance development and commercialization and/or the raising of capital for ProtAb.

3.6.2. <u>Update to Section 30.2.4 of Chapter A to the Periodic Report-financing agreement between the Company and ProtAb</u>

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

3.6.3. <u>Update to Section 30.12.3.1 of Chapter A to the Periodic Report-material approved patents</u>

3.6.3.1. 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**.**

3.6.3.2. 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 Prozumab 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.

3.6.3.3. During the month of August 2015, ProtAb abandoned the patent request in Mexico known as: Humanized Antibodies Specific for Hsp65-Derived Peptide-6 Methods and Uses Thereof (Mexican Patent Application No. MX/A/2012/002768).

3.6.3.4. On September 2, 2015, the Company announced that ProtAb received approval to register a patent in Japan known as: Humanized Antibodies Specific for Hsp65-Derived Peptide-6 Methods and Uses Thereof, which relates to various sequences of antibodies which underwent a humanization process, and include the Prozomab antibody, found at the forefront of the development efforts of ProtAb. See the Company's Immediate Report dated September 2, 2015 (Document No. 2015-01-111801) for additional details.

B. The Company's financial position (consolidated)

	June 30 (NIS 000) % of total balance sheet		December 31, 2014 (NIS 000) % of total balance sheet	Company's explanation
	2015	2014		
Assets				
Current assets	6,618 35%	17,252 45%	13,081 40%	Most of the decrease in the reporting period results from the use of cash by the Company and the subsidiaries, and from the investment in Cell Cure, as specified in Section 2.2.2.1 above (hereafter: **"the investment in Cell Cure**"), offset by capital raisings carried out by the Company on July 14, 2014 and March 31, 2015. For details regarding the capital raisings, see Immediate Reports of the Company dated July 14, 2014 and March 31, 2015 (Document Nos. 2014-01-082311 and 2014-01-113148 and 2015-01-069907) (hereafter: "**the capital raisings**")
Fixed assets, net	376 2%	552 1.5%	531 1.6%	Most of the decrease in the reporting period derives from current depreciation.
Balance of cash and cash equivalents	3,265 17%	9,669 25%	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 Cell Cure, offset by equity raisings of the Company.
Balance of cash and cash equivalents and marketable securities of parent company	1,181 11%	3,871 16.5%	2,820 9%	Most of the decrease in the reporting period results from the use of cash and realization of marketable securities by the Company for purposes of the current operations and the investment in Cell Cure, and in the two subsidiaries, KAHR and ProtAb, as detailed in Sections 2.5.1.4 and 2.6.1.4 above, offset by capital raisings
Investment in marketable securities and deposits	419 2%	3,075 8%	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 Cell Cure.
Financial assets available for sale	1,036 5.5%	2,217 5.6%	2,055 6%	The decrease in the reporting period results from the impairment of the financial assets available for sale held by the Company during the reporting period, and the sale of a financial asset.
Balance of investment in affiliated companies	0	4,052 10%	2,791 9%	The decrease in the reporting period results from the withdrawal of losses of affiliated companies and the nullification of investment in affiliated companies.
Intangible assets	8,370 44%	14,089 37%	14,027 43%	Following signs of impairment of the investment in ProtAb, the Company carried out a provision for impairment with respect to an intangible asset in its financial statements as of March 31. 2015. See Note 5 to the financial statements for details
Total assets	**18,923**	**37,885**	**32,418**	
Current liabilities	2,128 11%	3,018 7.5%	3,760 12%	Most of the decrease in the reporting period derives from a decline in liabilities with respect to leasehold improvements.
Non-current liabilities	5,051 26.7%	6,059 16%	6,546 20%	Most of the change in the reporting period derives 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	**7,179**	**9,343**	**10,306**	

Company equity attributed to owners of Company's equity rights	7,101 37.5%	19,585 51.7%	14,333 44%	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

C. Results of the Company's business operations

	Period of nine months ended September 30 (NIS 000)		Period of three months ended September 30 (NIS 000)		December 31, 2014 (NIS 000	Company's explanation
	2015	2014	2015	2014		
Research and development expenses, net	(6,696)	(4,370)	(920)	(2,434)	(7,408)	The research and development expenses during the reporting period include the research and development expenses of KAHR, and ProtAb commencing from September 30, 2014. Most of the increase in the reporting period as compared to the parallel period last year is derived from expenses of pre clinical trials at KAHR. Most of the decrease in the interim period as compared with the parallel period last year results from the termination of pre clinical trials at KAHR and a reduction in activities at ProtAb.
General and administrative expenses	(4,524)	(3,498)	(1,419)	(1,177)	(5,489)	General and administrative expenses in the reporting period include general and administrative expenses of the Company, of KAHR and of ProtAb which was consolidated commencing from September 30, 2014. Most of the increase in general and administrative expenses in the reporting period and in the interim period as compared with the parallel periods last year results mainly as a result of the increase in general and administrative expenses of the Company.
Other income (expenses), net	(6,644)	5,943	(114)	2,226	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)	(17,864)	(1,925)	(2,453)	(1,385)	(7,050)	
Net income (loss) for period	(18,135)	(3,769)	(3,132)	(2,176)	(10,482)	

D. Sources of financing and cash flows

	Period of nine months ended September 30 (NIS 000)		Period of three months ended September 30 (NIS 000)		December 31, 2014 (NIS 000	Company's explanation
	2015	2014	2015	2014		
Cash flows from operating activities	(11,904)	(8,635)	(3,142)	(4,627)	(12,243)	Cash flows from operating activities for the reporting period is composed principally of the cash that served current operations of the Company in the amount of NIS 3,890 thousand and of KAHR in the amount of NIS 67,783 thousand, as well as the cash that served current operations of ProtAb in the amount of approximately NIS 1,231 thousand. Most of the increase for the reporting period results from expenses for pre clinical trials of KAHR and the testing of new indications at ProtAb. Most of the decrease in the interim period as compared to the parallel period last year results from termination of the pre clinical trials at KAHR and reduction of the activities of ProtAb.
Cash flows from (to) investment activities	1,876	958	380	1,274	644	Cash flows from investment activities for the reporting period represent mostly realization of marketable securities and an investment in, CellCure. Most of the increase for the reporting period as compared with the parallel period last year results from realization of marketable securities. Most of the decrease in the interim period as compared to the parallel period last year results from a decrease in realization of marketable securities.
Cash flows from financing activities	7,264	4,197	648	673	4,237	Cash flows from financing activities for the reporting period represent mostly proceeds from the issuance of shares in an amount of NIS 4,279 thousand and a loan received from the minority in a subsidiary in an amount of NIS 1,903 thousand.

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.B. to the financial statements. As of September 30, 2015, the Company (in its separate financial statements) has a cumulative loss of approximately NIS 120,089

thousand and positive working capital of NIS 3,551 thousand (NIS 4,490 thousand consolidated), and for the period of nine months ended on that same date, a loss of NIS 12,513 thousand (NIS 18,135 thousand consolidated) and negative cash flows from current operations of NIS 3,890 thousand (NIS 11,904 thousand consolidated). Moreover, the Company (in its separate statements) has cash of NIS 762 thousand and marketable securities and other financial assets available for sale of NIS 419 thousand and NIS 1,036 thousand, respectively, which according to the estimation by the Company's management of its cash flows forecast, will permit its continued operations until December 2015.

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 "going concern".

The management of the Company is acting in order to raise additional financing from existing and/or new investors for purposes of continuing its operations."

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 September 30 (NIS 000)	
	2015	2014
Subsidiaries		
ProtAb[1]	810	-
KAHR	5,886	4,324
Total subsidiaries	**6,696**	**4,324**
Affiliates		
Cell Cure	6,134	8,737
Enlivex[2]	6,019	2,268
BioMarCare	-	-
Total affiliates	**12,153**	**11,005**
Total R&D expenses	**18,849**	**15,329**

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**.**

[1] Consolidated in the Company's accounts until May 2014, an affiliate company as of the date of the reports.
[2] Consolidated in the Company's accounts starting September 2014, an affiliate company until the reporting date.

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 change has taken place in the Periodic Report, except as detailed in Chapter A 2 above. In addition, as of October 31, 2015, the Company issued an announcement regarding efficiency steps being taken by the Company including, among other things, reduction of the salary of the Company's management. See Section 2.1.1.1 above for further details regarding the efficiency program.

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. Michal 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

See section 2.1.2 above.

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. Michal 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. Michal 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 third quarter of 2015 were discussed in a meeting of the Committee held on November 22, 2015. All of the members of the Committee participated in the context of the discussion. Present at the meeting or purposes of presenting the data and providing explanations were Ms. Tamar Kfir, CEO of the Company, Mr. Yoram Azulai, CFO of the Company, a representative of the Company's independent outside auditor, (Shai Nagor, CPA, and Moshe Dori, CPA, of the auditing firm of Deloitte Brightman Almagor Zohar and Co.) and a representative on behalf of the Company's legal counsel (Attorney Reut Alfiah from the firm of Zysman, Aharoni, Gayer & Co., attorneys). Prior to the meeting, a draft of the financial statements for the reporting period and a presentation including details of the reports, 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 November 22, 2015. The financial statements for the reporting period were transferred to the members of the Board of Directors on November 22, 2015, that is, 2 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 November 24, 2015 and approved on November 25, 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 on November 24, 2015 and the approval of the reports on November 25, 2015: Mr. Yigal Ehrlich (Chairman of the Board), Mr. Doron Birger (independent director), Ms. Michal Sapir (outside director), Ms Meirav Kay (director), Ms. Elka Nir (outside director) (participated by telephone), Prof. Yaakov Naparstek (director), Dr. Tamar Raz (director), Mr. Baruch Halpert (director) (participated by telephone) and Attorney Oren Levy (director). For purposes of presenting the data and providing explanations, Ms. Tamar Kfir, CEO of the Company, Mr. Yoram Azulai, CFO of the Company,

a representative of the Company's independent outside auditor, (Shai Nagor, CPA, of the of the auditing firm of Deloitte Brightman Almagor Zohar and Co.) and a representative on behalf of the Company's legal counsel (Attorney Eran Ben-David and Attorney Eran Ben-David from the firm of Zysman, Aharoni, Gayer & Co., attorneys), were invited and participated in 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- 30.9.2015	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	30.9.15	11,642	3,590	2,453	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- 31.12.2020.
Financial asset designated at fair value through profit or loss (Cell Cure loans)	30.9.2015	2,453 (composed of two loans in an amount of NIS 1,705 thousand + NIS 748 thousand	NIS 1,798 thousand (as of 31.12.14, includes only the first loan)	3,498	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. **Disclosure regarding significant disparities in estimates or assessments given in the context of evaluations performed by the Company during the past three years in relation to evaluations of royalties payable by KAHR**

The estimate of cash flows as to royalties to the Chief Scientist is based upon assumptions of management as regards its revenues in future years and upon payment of royalties at a rate of 3.5% of its revenues, As a result of a strategic business change by the management of KAHR, which was expressed by signing a waiver document with Sanofi, according to which Sanofi waives first rights to carry on negotiations, as detailed in Section 2.5.3 above, the model of revenues from milestone payments and royalties was changed to a model of revenues based upon a number of sales scenarios. Accordingly, the estimate of royalties payable by KAHR was changed, commencing from the second quarter of 2015 in a manner that the effect on the value determined was a decline in the liability to pay royalties to the Chief Scientist of approximately NIS 2 million.

3.3. 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- 31.9.2015	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 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	The recoverable amount of this cash generating unit was 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.	Capitalization rate of 21%-26% (the Company assumed a capitalization rate of 26%); Discount rate of 25% due to speedy realization including transaction costs; Deferral of one year of development maturity.

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

3.4. The body which decided on the undertaking with the appraiser: the Company previous CFO, Liat Simhayoff, CPA.

3.5. Details of undertaking with the appraiser:

- **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.

Mr. Yigal Erlich, Chairman **Ms. Tamar Kfir, CEO**

Date: 25.11.2015

HBL- Hadasit Bio Holdings Ltd.

QUARTERLY REPORT REGARDING EFFECTIVENESS OF THE INTERNAL CONROLS OVER THE FINANCIAL REPORTING AND THE DISCLOSURE PURSUANT TO REGULATION 38C.

DECLARATION OF THE CEO PURSUANT TO REGULATION 38C(D)(1)

I, Ms. Tamar Kfir, certify that:

1. I have reviewed the Periodic Report of HBL Hadasit Bio Holdings Ltd. (hereafter: "**the entity")** for the third quarter of 2015 (hereafter: "**the reports**").

2. To my knowledge, the interim financial statements and the other financial data included in the reports for the interim period do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements included in them, in light of the circumstances under which such statements were included, not misleading with respect to the reporting period.

3. To my knowledge, the interim financial statements and the other financial data included in the reports for the interim period fairly present, in all material respects, the financial condition, results of operations, and cash flows of the entity as of, and for, the periods to which the reports relate.

4. I have disclosed to the entity's outside independent auditors, to the Board of Directors and to the Audit and Financial Statements Committee of the entity, any fraud, whether or not material, that involves the CEO or anyone directly or indirectly subordinate to her, or other employees who have a significant role in the internal controls over financial reporting and disclosure.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Date: 25.11.2015

_____

Tamar Kfir, CEO

DECLARATION OF THE MOST SENIOR OFFICER IN THE FINANCIAL AREA PURSUANT TO REGULATION 38C(D)(1)

I, Mr. Yoram Azulai, certify that:

1. I have reviewed the Periodic Report of HBL Hadasit Bio Holdings Ltd. (hereafter: "**the entity")** for the third quarter of 2015 (hereafter: "**the reports**").

2. To my knowledge, the interim financial statements and the other financial data included in the reports for the interim period do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements included in them, in light of the circumstances under which such statements were included, not misleading with respect to the reporting period.

3. To my knowledge, the interim financial statements and the other financial data included in the reports for the interim period fairly present, in all material respects, the financial condition, results of operations, and cash flows of the entity as of, and for, the periods to which the reports relate.

4. I have disclosed to the entity's outside independent auditors, to the Board of Directors and to the Audit and Financial Statements Committee of the entity, any fraud, whether or not material, that involves the CEO or anyone directly subordinate to her, or other employees who have a significant role in the internal controls over financial reporting and disclosure.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Date: 25.11.2015

_____

Yoram Azulai, CFO

HBL: Hadasit Bio-Holdings Ltd.

Consolidated Financial Statements

As of September 30, 2015

IMPORTANT

This document is an unofficial translation of the Hebrew original "Consolidated Financial Statements", dated September 30, 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 November 25, 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 September 30, 2015

Table of Contents

HBL: Hadasit Bio-Holdings Ltd.

Condensed Consolidated Statements of Financial Position

	As of September 30		As of December 31
	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Audited
Current Assets			
Cash and cash equivalents	3,265	9,669	6,038
Short-term deposit	506	-	504
Marketable securities and deposits	419	3,075	2,790
Receivables and debit balances	1,392	2,291	1,694
Tradable financial assets	1,036	2,217	2,055
	6,618	17,252	13,081
Non-current assets			
Rent receivable	43	215	172
Prepaid expenses	18	19	18
Financial asset at fair value through profit and loss	3,498	1,706	1,798
Investments in affiliated companies	-	4,052	2,791
Fixed assets, net	376	552	531
Intangible assets, net	8,370	14,089	14,027
	12,305	20,633	19,337
Total Assets	18,923	37,885	32,418
Current Liabilities			
Overdraft	-	-	51
Vendors and service-providers	643	1,274	1,834
Payables and credit balances	1,485	1,744	1,875
	2,128	3,018	3,760
Non-current Liabilities			
Expenses payable	506	916	732
Convertible loan from outside shareholders	1,098	913	1,263
Liabilities for employee benefits	32	51	39
Royalties payable	3,415	4,179	4,512
	5,051	6,059	6,546
Equity			
Share capital	1,874	1,428	1,428
Premium on shares	123,211	115,839	116,722
Options	654	2,639	2,639
Capital fund from activities with controlling party	754	754	754
Capital fund on account of share-based payment transaction	697	1,537	689
Capital fund on account of marketable financial assets	-	(161)	(323)
	127,190	122,036	121,909
Loss Balance	(120,089)	(102,451)	(107,576)(*)
Total equity imputed to the owners of the parent Company	7,101	19,585	14,333(*)
Nonvoting rights	4,643	9,223	7,779(*)
Total equity	11,744	28,808	22,112
Total Liabilities and Equity	18,923	37,885	32,418

(*) Non- material adjustment. See Note 10.

November 25, 2015

Date of approval of Financial statements	Yigal Erlich Chairman of the Board of Directors	Tamar Kfir CEO	Yoram Azulai CFO

HBL: Hadasit Bio-Holdings Ltd.

Condensed Consolidated Statements of Comprehensive Loss

	The period of nine months ended September 30		The period of three months ended September 30		For the year ended December 31,
	2015	2014	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Unaudited		Audited
Research and development expenses, net	(6,696)	(4,370)	(920)	(2,434)	(7,408)
Management and general expenses	(4,524)	(3,498)	(1,419)	(1,177)	(5,489)
Other income (expenses), net	(6,644)	5,943	(114)	2,226	5,847
Profit (Loss) from regular operations	(17,864)	(1,925)	(2,453)	(1,385)	(7,050)
Financing income	3,097	190	437	-	1,350
Financing expenses	(577)	(81)	(594)	(19)	(1,447)
Financing Income (Loss), net	2,520	109	(157)	(19)	(97)
Loss after financing	(15,344)	(1,816)	(2,610)	(1,404)	(7,147)
Company's share in the losses of its Portfolio Companies	(2,791)	(1,953)	(522)	(772)	(3,335)
Loss for the year	(18,135)	(3,769)	(3,132)	(2,176)	(10,482)
Other comprehensive loss					
Amounts which will be classified as profit or loss in the future					
Realization of financial assets available for sale	(14)	-	(119)	-	-
Profit (loss) from adjusting the fair value of marketable financial assets	337	(279)	-	(59)	(441)
Total comprehensive Loss for the year	(17,812)	(4,048)	(3,251)	(2,235)	(10,923)
Loss for the year imputed to:					
Owners of the parent company	(12,513)	(1,234)	(2,113)	(833)	(6,359)(*)
Non-voting rights	(5,622)	(2,535)	(1,019)	(1,343)	(4,123)(*)
	(18,135)	(3,769)	(3,132)	(2,176)	(10,482)
Total comprehensive Loss for the year imputed to:					
Owners of the parent company	(12,190)	(1,513)	(2,232)	(892)	(6,800)(*)
Non-voting rights	(5,622)	(2,535)	(1,019)	(1,343)	(4,123)(*)
	(17,812)	(4,048)	(3,251)	(3,235)	(10,923)
Profit (Loss) per regular share par value 0.01 NIS per share					
Profit (Loss) Basic and diluted loss per share (in NIS)	(0.37)	(0.04)	(0.06)	(0.03)	(0.2)(**)
Number of shares used in the above calculation (in thousands)	33,468	28,557	36,705	28,557	27,068(**)

(*) Non- material adjustment. See Note 10.

(**) Restated following capital consolidation executed by the Company. See Note 4 L.

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									
For the nine months ended September 30, 2015 (unaudited)										
Balance as of January 1, 2015	1,428	116,722	2,639	754	689	(323)	(107,576)(*)	14,333(*)	7,779(*)	22,112
Investment in a consolidated company deal in front minority	-	-	-	-	-	-	-	-	1,903	1,903
Fair value adjustment of financial assets available for sale	-	-	-	-	-	323	-	323	-	323
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	583	583
Share-based payment	-	-	-	-	50	-	-	50	-	50
Expiration of options to employees	-	35	-	-	(42)	-	-	(7)	-	(7)
Exercise of options	-	2,639	(2,639)	-	-	-	-	-	-	-
Issuance of shares and options, net	446	3,815	654	-	-	-	-	4,915	-	4,915
Loss for the Period	-	-	-	-	-	-	(12,513)	(12,513)	(5,622)	(18,135)
Balance as of September 30, 2015	1,874	123,211	654	754	697	-	(120,089)	7,101	4,643	11,744
on September 30, 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	-	-	-	-	-	(279)	-	(279)	-	(279)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	242	242
Share-based payment	-	-	-	-	32	-	-	32	-	32
Expiration of options to employees	-	457	-	-	(457)	-	-	-	-	-
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 Period	-	-	-	-	-	-	(1,234)	(1,234)	(2,535)	(3,769)
Balance as of September 30, 2014	1,428	115,839	2,639	754	1,537	(161)	(102,451)	(19,585)	(9,223)	(28,808)

(*) Non- material adjustment. See Note 10.

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									
For the three months ended September 30, 2015 (unaudited)										
Balance as of July 1, 2015	1,757	122,235	1,111	754	682	119	(117,976)	8,682	5,440	14,122
Fair value adjustment of financial assets available for sale	-	-	-	-	-	(119)	-	(119)	-	(119)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	222	222
Expiration of options	-	457	(457)	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	22	-	-	22	-	22
Expiration of options to employees	-	-	-	-	(7)	-	-	(7)	-	(7)
Issuance of shares and options, net	117	519	-	-	-	-	-	636	-	636
Profit (Loss) for the Period	-	-	-	-	-	-	(2,113)	(2,113)	(1,019)	(3,132)
Balance as of September 30, 2015	1,874	123,211	654	754	697	-	(120,089)	7,101	4,643	11,744
For the three months ended September 30, 2014 (unaudited)										
Balance as of July 1, 2014	1,408	115,750	2,333	754	1,490	(102)	(101,618)	20,015	6,623	26,638
Fair value adjustment of financial assets available for sale	-	-	-	-	-	(59)	-	(59)	-	(59)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	120	120
Share-based payment	-	-	-	-	47	-	-	47	-	47
Entry of affiliated company into consolidation	-	-	-	-	-	-	-	-	3,823	3,823
Issuance of shares and options, net	20	89	306	-	-	-	-	415	-	415
Loss for the Period	-	-	-	-	-	-	(833)	(833)	(1,343)	(2,176)
Balance as of September 30, 2014	1,428	115,839	2,639	754	1,537	(161)	(102,451)	(19,585)	(9,223)	(28,808)

(*) Non- material adjustment. See Note 10.

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 year ended December 31, 2014 (Audited)										
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	-	-	-	-	-	(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	-	-	-	-	-	-	(6,359) (*)	(6,359) (*)	(4,123) (*)	(10,482)
Balance as of Dec. 31, 2014	1,428	116,722	2,639	754	689	(323)	(107,576) (*)	14,333 (*)	7,779 (*)	22,112

(*) Non- material adjustment. See Note 10.

HBL: Hadasit Bio-Holdings Ltd.

Condensed Consolidated Statements of Cash Flow

	The period of nine months ended September 30		The period of three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Unaudited		Audited
Cash flows for current operations					
Loss for the period	(18,135)	(3,769)	(3,132)	(2,176)	(10,482)
Adjustments required to display cash flows for current operations (Appendix A)	6,231	(4,866)	(10)	(2,451)	(1,761)
Net cash used for operating activities	(11,904)	(8,635)	(3,142)	(4,627)	(12,243)
Cash flows from (for) investment activities					
Interest income	2	15	-	10	20
Investment in negotiable securities and deposits	-	(3,339)	-	(2,308)	(4,300)
Realization of negotiable securities	2,377	7,056	201	4,656	7,817
Investment in securities available for sale	-	(932)	-	-	(932)
Investment in Portfolio Companies	(748)	(1,738)	-	(1,738)	(1,846)
Realization of securities available for sale	185	-	185	-	-
Deconsolidation of consolidated company (Appendix B)	-	(715)	-	-	(715)
Entry of affiliated company into consolidation (Appendix C)	-	254	-	254	254
Removal from pledge	-	440	-	440	440
Proceeds from sale of fixed assets	60	-	-		-
Acquisition of fixed assets	-	(83)	(6)	(41)	(94)
Net cash produced by (used in) investing activities	1,876	958	380	1,274	644
Cash flows from (for) financing activities					
Issues of Company shares and warrants, net	4,915	3,140	636	415	3,140
Payments of bank fees and interest	(16)	(6)	(3)	-	(17)
Loans from the Chief Scientist	513	912	15	258	912
A convertible loan from non-controlling interests	1,903	151	-	-	151
Bank credit	(51)	-	-	-	51
Net cash produced by financing activities	7,264	4,197	648	673	4,237
Influence of exchange-rate changes on cash and cash-equivalents on hand	(9)	352	42	432	603
Increase (Decrease) in cash and cash equivalents	(2,773)	(3,128)	(2,072)	(2,248)	(6,759)
Balance of cash and cash equivalents at the start of the period	6,038	12,797	5,337	11,917	12,797
Balance of cash and cash equivalents at the end of the period	3,265	9,669	3,265	9,669	6,038

HBL: Hadasit Bio-Holdings Ltd.
Condensed Consolidated Statements of Cash Flow

	The period of nine months ended September 30		The period of three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Unaudited		Audited
APPENDIX A - ADJUSTMENTS REQUIRED TO DISPLAY CASH FLOWS FOR CURRENT OPERATIONS					
Expenses that do not involve cash flows:					
Share in losses of Portfolio Companies	2,791	1,953	522	772	3,335
Gain from entry into consolidation of investee company	-	(2,227)	-	(2,227)	(2,227)
Loss from impairment of investment in investee	-	2,140	-	-	2,237
An impairment loss of intangible assets	5,472	-	-	-	-
Gain from exit of investee company from consolidation	-	(5,857)	-	-	(5,857)
Depreciation and amortization	281	309	91	88	405
Financing expenses	577	81	594	19	1,447
Financing income	(3,097)	(190)	(437)	-	(1,350)
Share-based payment	43	32	15	47	67
Decrease in liabilities on account of employee benefits	(10)	-	-	-	(8)
Share-based based in affiliates	583	242	222	119	386
Loss from impairment of financial asset available for sale	1,156	-	114	-	-
Changes in asset and obligation lines:					
Decrease (increase) in receivables and debit balances	228	(23)	(232)	(593)	653
Increase in long-term advance	-	(8)	-	-	-
Decrease in payables and credit balances	(395)	(1,939)	(248)	(1,316)	(1,837)
Increase (decrease) in long-term liability	(225)	916	(119)	916	732
Increase (decrease) in vendors and service-providers	(1,173)	(295)	(532)	(276)	256
APPENDIX B - DECONSOLIDATION OF CONSOLIDATED COMPANY					
Receivables and debit balances	-	105	-	-	105
Investment according to equity method		(3,967)	-	-	(3,967)
Fixed assets, net	-	54	-	-	54
Vendors and service-providers	-	(335)	-	-	(335)
Creditors and credit balances	-	(487)	-	-	(487)
Obligation for termination of employment		(31)	-	-	(31)
Obligation for royalties payable	-	(2,643)	-	-	(2,643)
Non-voting rights	-	732	-	-	732
Gain from exit from consolidation	-	5,857	-	-	5,857
Cash and cash equivalents	-	(715)	-	-	(715)

APPENDIX C – ENTRY OF AFFILIATED COMPANY INTO CONSOLIDATION

	The period of nine months ended September 30		The period of three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
	Unaudited		Unaudited		Audited
Receivables and debit balances	-	(96)	-	(96)	(96)
Investment according to equity method	-	4,719	-	4,719	4,727
Fixed assets, net	-	(102)	-	(102)	(102)
Intangible assets	-	(12,967)	-	(12,967)	(12,975)
Vendors and service-providers	-	205	-	205	205
Creditors and credit balances	-	228	-	228	228
Royalties payable	-	1,254	-	1,254	1,254
Obligations for employees' benefits	-	51	-	51	51
Convertible loan from outside shareholders	-	912	-	912	912
Non-voting rights	-	3,823	-	3,823	3,823
Gain from entry into consolidation	-	2,227	-	2,227	2,227
Cash and cash equivalents	-	254	-	254	254

HBL-HADASIT BIO-HOLDINGS LTD.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

B. Status of the Company's business

As of September 30, 2015, the Company (in its separate financial statements) had a cumulative loss of approximately NIS 120,089 thousand and positive working capital of NIS 3,551 thousand (NIS 4,490 thousand consolidated), and for the period of nine months ended on that same date, a loss of NIS 12,513 thousand (NIS 18,135 thousand consolidated) and negative cash flows from current operations of NIS 3,890 thousand (NIS 11,904 thousand consolidated). Moreover, the Company (in its separate statements) has cash of NIS 762 thousand and marketable securities and other financial assets available for sale of NIS 419 thousand and NIS 1,036 thousand, respectively, which according to the estimation by the Company's management of its cash flows forecast, will permit its continued operations until December 2015.

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 "going concern".

The management of the Company is acting in order to raise obtain additional financing from existing and/or new investors for purposes of continuing its operations.

C. 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.

D. 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 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 IAS 27) 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.
OCS		**-**The Office of the Chief Scientist at the Israeli Ministry of Economy

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	
		CPI for month	Known CPI (*)
	(NIS per $ 1)	Points	Points
Date of financial statements:			
As of September 30, 2015	3.92	123.58	124.08
As of September 30, 2014	3.69	124.20	124.57
As of December 31, 2014	3.89	124.32	124.32
Rates of change for the:	%	%	%
Period of nine months ended:			
As of September 30, 2015	0.77	(0.59)	(0.19)
As of September 30, 2014	6.34	(0.30)	0.10
Period of three months ended:			
As of September 30, 2015	3.97	(0.09)	-
As of September 30, 2014	7.26	(0.30)	0.30
Year ended December 31, 2014	12.04	(0.10)	(0.20)

(*) As per 2002 average

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 September 30		As of December 31	As of September 30		As of December 31
	2015	2014	2014	2015	2014	2014
	NIS Thousands					
	Unaudited		Audited	Unaudited		Audited
Financial liabilities						
Royalties payable	3,415	4,179	4,512	3,598	4,060	4,713

(2) As detailed in the above table, there are no material changes in the fair value of financial instruments that are not measured at fair value.

B. Financial instruments measured at fair value:

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 September 30, 2015 (unaudited)	Level 1	Level 2	Level 3	Total
	NIS Thousands			
Financial assets at fair value				
Investment in marketable securities	419	-	-	419
Financial asset at fair value (**)	-	-	3,498	3,498
Financial assets available for sale	1,036	-	-	1,036
Total financial assets	1,455	-	3,498	4,953
Financial liabilities at fair value				
Conversion component of convertible loan from rights not providing control	-	-	257	257
Total financial liabilities	-	-	257	257
As of September 30, 2014 (Audited)				
Financial assets at fair value				
Investment in marketable securities	3,075	-	-	3,075
Financial assets at fair value through profit and loss	-	-	1,706	1,706
Financial assets available for sale				
Financial assets available for sale	2,217	-	-	2,217
Total financial assets	5,292	-	1,706	6,998
Financial liabilities at fair value				

Options to investors	-	-	-	-
Conversion component of loan from outside shareholders	-	-	106	106
Total financial liabilities	-	-	106	106
As of December 31, 2014 (unaudited)				
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
Conversion component of convertible loan from rights not providing control	-	-	567	567
Total financial liabilities	-	-	567	567

Description of instrument being measured	**Fair value as of September 30, 2015**	**Fair value as of December 31, 2014**	**Valuation technique**	**Description of unanticipated data**
Financial asset designated at fair value (1) (2)	7,628 (**)	4,780(**)	Option Pricing Method (OPM)	Basis asset value
Conversion component of convertible loan from rights not providing control (3)	257	567	Option Pricing Method (OPM)	Basis asset value

(**) In the financial statements as of September 30, 2015 and December 31, 2014, the loan is presented in an amount of NIS 3,498 thousand and NIS 1,798 thousand, respectively. The difference between the fair value of the loan and the balance in the accounts is deferred gain which is spread over the period of the loan. See Note 3. D.

(1) A financial asset, that is not an asset held for trading, is designated as a financial asset at fair value through profit or loss at the time of initial recognition, when it is part of a contract that includes one or more embedded derivatives and the entire mixed contract may be designated at fair value through profit or loss. Therefore, the convertible loan provided by the Company to Cell Cure Neurosciences (affiliated company, hereafter- "Cell Cure") was designated at the time of initial recognition at fair value through profit or loss.

(2) The significant fact that is not anticipated which served in determining the fair value of 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 1,579 thousand and NIS (1,474) 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 50 thousand and NIS (33) thousand, respectively.

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

	The period of nine months ended September 30, 2015
	Financial assets available for sale
	NIS thousands
	Unaudited
Balance as of January 1, 2015	1,798
Loan provided to affiliated company	748
Recognition of deferred difference	1,315
Revaluation to fair value	(484)
Exchange rate differences	121
Balance as of September 30, 2015	3,498

	The period of nine months ended September 30, 2014
	Financial assets available for sale
	NIS thousands
	Unaudited
Balance as of January 1, 2014	-
Loan provided to affiliated company	1,706
Recognition of deferred difference	-
Revaluation to fair value	-
Exchange rate differences	-
Balance as of September 30, 2014	1,706

	For the year end December 31, 2014
	Financial assets available for sale
	NIS thousands
	Audited
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

D. Deferred gain or loss:

In September 2014 and in April 2015, the Company provided Cell Cure with a convertible loan in the amount of $ 466 thousand and $ 188 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 Cell Cure, as specified below, will be paid by Cell Cure within 3 years from the date of the relevant transfer. At any time prior to the date of the relevant transfer, and subject to written notice by the shareholder, Cell Cure will convert any part of the loan as yet unpaid and specified in such notice, to ordinary shares Cell Cure.

Cell Cure 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.

Deferred gain or loss derived from the date of initial recognition

	As of September 30, 2015
	NIS thousands
Balance as of January 1, 2015	3,057
Receipt of convertible loan	2,323
Realizations	-
Amortization to profit or loss	(1,315)
Balance as of September 30, 2015	4,065

	As of September 30, 2014
	NIS thousands
Balance as of January 1, 2014	-
Receipt of convertible loan	3,334
Realizations	-
Amortization to profit or loss	-
Balance as of September 30, 2014	3,334

	As of December 31, 2014
	NIS thousands
Balance as of January 1, 2014	-
Receipt of convertible loan	3,334
Realizations	-
Amortization to profit or loss	(277)
Balance as of December 31, 2014	3,057

	The period of nine months ended September 30, 2015
	NIS thousands
Conversion component of convertible loan from rights not providing control:	
Balance as of January 1, 2015	(567)
Revaluation to fair value	310
Balance as of September 30, 2015	(257)

	The period of nine months ended September 30, 2014
	NIS thousands
Balance as of January 1, 2014	**-**
Entry into consolidation	(529)
Revaluation to fair value	-
Balance as of September 30, 2014	(529)

	For the year end December 31, 2014
	NIS thousands
Balance as of January 1, 2014	**-**
Entry into consolidation	(529)
Revaluation to fair value	(38)
Balance as of December 31, 2014	(567)

E. 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.

NOTE 4 - MATERIAL EVENTS DURING THE REPORTING PERIOD

A. On January 1, 2015, according to the decision of the board of directors of Cell Cure, Cell Cure 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, Cell Cure 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 transferred $ 500 thousand to KAHR and the Company transferred the amount of $ 500 thousand on April 3, 2015, so that the total loan amount stands at one million dollars. The loan will accrue annual interest of 25% commencing from May 1, 2015.

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 form of a commitment to invest or to provide a loan to KAHR or a commitment by a strategic partner for a payment, 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, KAHR 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. See Also Note 9.C.

D. On February 12, 2015 BioTime transferred a letter of intent to Cell Cure according to which BioTime (the parent company of Cell Cure) 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 Cell Cure in 2013 until it finishes PHASE I/II. See also Note 8.B.2. to the annual financial statements.

E. During 2014, it was decided that Cell Cure 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 Cell Cure's request, on a "need" basis, with the understanding that the second stage will be at the discretion of the participating shareholder. The first stage will be in the amount of $ 2,200 thousand ("the first stage"), and the second stage will be in the amount of $ 2,000 thousand ("the second stage"). The fund will bear interest at the rate of 3% per annum (jointly with the fund, "the loan"). Each part of the loan as yet unpaid and not converted to ordinary shares of Cell Cure, as specified below, will be paid by Cell Cure within 3 years from the date of the relevant transfer. At any time prior to the relevant transfer date, subject to written notice by the shareholder, Cell Cure 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. The share of the Company in the first stage was $ 466 thousand.

As of the balance sheet date, BioTime had transferred to Cell Cure an amount of $ 1,812 thousand, and the Company, the amount of NIS 188 thousand, in the framework of the second stage. These amounts complete the second stage of the loan.

F. In February 2015, 1,768,740[3] options (Series 4) expired. Moreover, in March 2015, 3,593,971[4] 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. In September 2015, 2,598,596 options (Series 6) expired. Accordingly, the Company classified the amount of NIS 457 thousand to premium.

H. 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 6,586,400 ordinary shares of the Company and a quantity of 6,586,400 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).

I. On May 13, 2015, Cell Cure received approval from the OCS program for the financing of the ninth year for purposes of continuing the clinical development of OpRegen®, which generates embryonic stem cells and is intended for the treatment of retinal degeneration. One budget for purposes of continuing development tin Israel in an amount of up to approximately NIS 9.3 million at a participation rate of 60% of the research and development expenses and an additional budget for purposes of continuing the development abroad in an amount of up to approximately NIS 2.2 million and at a participation rate of 30% of the research and development expenses.

J. On May 26, 2015, the General Assembly of the Company approved the issuance of 16,000 non tradable options of the Company to two directors of the Company.

K. On April 21, 2015 and May 26, 2015, the Board of Directors and the General Assembly, respectively, approved the unification and reallocation of the registered share capital and of the issued and paid up capital of the Company, and an amendment to the Company's by-laws accordingly, in a manner that each 5 existing ordinary shares of NIS 0.01 par value will be consolidated into one ordinary share of NIS 0.05 par value each, and also each option not registered for trading, and options of the Company registered for trading, namely the Series 6 and Series 8 options, will be adjusted in a similar manner, so that each five options will be consolidated into one option, exercisable into one ordinary share of NIS 0.05 par value. The exercise price of the option registered for trading and not registered for trading will be adjusted according to the capital consolidation.

The date determined for the capital consolidation is June 4, 2015 and the exercise increment after execution of the capital consolidation is:

- Exercise increment in relation to the Series 6 options of the Company is NIS 2.3 per option.

[3] 8,843,700 shares before capital unification at a ratio of 1:5.
[4] 17,969,853 shares before capital unification at a ratio of 1:5.

- Exercise increment in relation to the Series 8 options of the Company is NIS 0.75 per option.

L. On April 15, 2015 and May 26, 2015, the Board of Directors and the General Assembly of the Company, respectively, approved an increase in the authorized capital of the Company by 120,000,000 ordinary shares of NIS 1 par value each so that the authorized capital of the Company after the increase will stand at 395,000,000 ordinary shares of NIS 1 par value each (79,000,000 ordinary shares of NIS 0.05 par value each after the capital unification as described in Note 4 K above).

M. On June 26, 2015, the Company signed a non binding memorandum of understanding with a Chinese investor (hereafter: "the investor") for a private placement of shares of the Company.
As per the memorandum of understandings, it was agreed that the Company and the investor would act to formulate an agreement for a private placement within 60 days from the date of signing the memorandum of understandings, according to which the investor would invest an immediate amount of $ 2 million in the Company. Against the amount of the investment, the Company will allot an amount equivalent to 25% of the issued and paid up share capital of the Company to the investor and of its voting rights after their allotment, at a price that reflects a value of the Company of $ 6 million before the money.

It was agreed between the parties that, subject to the approval of the Board of Directors and the General Assembly of the Company's shareholders, the Board of Directors of the Company will number 9 directors, with the investor being entitled to appoint two directors.

Moreover, it was agreed that the Company will act in the best of its ability to implement the following undertakings by the Company and the portfolio companies:

- Granting a first right to the investor for exclusive distribution of technology and products of the Company's portfolio companies in the territory of China.
- Granting a license for the use of patents of the portfolio companies in China.
- Granting production rights in China.
- Establishing a research and development center of the Company in China and receiving all of the required regulatory authorizations in China, subject to an additional investment on the part of the investor.

The signing of a binding agreement and the completion of the investment is contingent, inter alia, on receiving the required approval according to law of the organs of the Company and every other regulatory authorization, inter alia, receipt of the approval of the stock exchange to register the allotted shares for trading, and the remaining conditions as is customary in transactions of this type. It is clarified that there is no certainty of signing a binding agreement and/or completing a transaction by force of it. The Company reported that it will submit a detailed Immediate Report on the matter of the signing a binding contract, to the extent that one will be signed.

On August 24, 2015, the Company signed an extension of the period of the memorandum of understanding by 60 additional days, that is, until October 26, 2015. As of that date, the memorandum of understanding between the parties came to an end.

N. On July 23, 2015, D-Pharm Ltd. received approval from the OCS in the Ministry of the Economy for a R&D grant for a period of 12 months for the year of 2015 in a total volume of NIS 4 million.
The budget approved by the OCS for R&D activities in Israel stands at an amount of up to approximately NIS 2.5 million, and at a participation rate of 40%. An additional budget for expenditures abroad will be in an amount of up to approximately NIS 1.5 million and at a participation rate of 30%.

O. On July 30, 2015, KAHR and Sanofi (a shareholder of KAHR) signed a disclaimer according to which Sanofi waives the first right to carry on negotiations for KAHR-102 (hereafter "the product"), and also the right of Sanofi to appoint a director or observer to the board of

directors of KAHR (hereafter: “the disclaimer”). In consideration for the waiver of the above rights by Sanofi, KAHR became obligated to pay Sanofi an amount of up to $ 3,000 thousand (representing the amount of the investment of Sanofi in KAHR (hereafter:”the consideration”), as follows:

(1) In the event of a sale of a license for the product to a third party other than Sanofi, KAHR will pay Sanofi the consideration in payments that will be derived from the amount of the consideration received by KAHR from a third party with respect to the sale of the license, at rates be set between the parties.

(2) Up to the date of payment of the consideration, or until the granting of a license for the product to Sanofi as described below, the shares of Sanofi in KAHR will be exchanged in a manner that KAHR will allot a new series of Preferred A-1 shares to Sanofi in place of the Preferred A shares which it currently possesses, in the context of which the shares of Sanofi will be given preference in liquidation and/or merger transactions and/or in the distribution of dividends and/or in any similar distribution pursuant to the Companies Law-1999.

As of the balance sheet date, the Preferred A shares have not yet been converted into Preferred A-1 shares as above. See also Note 9A.

P. On August 6, 2015, the General Assembly of the Company’s Shareholders convened and approved the following resolutions:

- Approval of the reappointment of Ms. Michal Sapir to the role of outside director in the Company, approval of her right to compensation, her inclusion in the framework of the officers’ insurance policy of the Company, and the grant of a document of exemption and indemnification, as is customary in the Company.
- Approval of the reconfirmation of the grant of options not registered for trading to the Chairman of the Board of Directors of the Company.
- Approval of the undertaking by the Company’s subsidiary, KAHR with Hadasit Research and Development Services Ltd., the controlling shareholder of the Company (hereafter:”**Hadasit**”), and with Prof. Michal Elhalel, in an agreement to perform research and development works, and approval of the grant of options not registered for trading of KAHR to Hadasit and to Prof. Michal Elhalel.
- Approval of the undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Michal Elhalel.
- Approval of the undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Neta Goldschmidt.
- Approval of the undertaking of ProtAb Ltd. (subsidiary, hereafter, “ProtAb”) in a consulting agreement with Hadasit and Prof. Yaakov Naparstek.

Q. On August 17, 2015, the Company, in the framework of raising capital by way of a public offering according to a supplementary prospectus published by the Company on July 22, 2015, and the amendment to it dated August 3, 2015, issued a quantity of 2,343,000 ordinary shares of the Company. The gross immediate proceeds received by the Company with respect to the allotment of the securities offered according to the shelf proposal report as above were NIS 750 thousand (NIS. 636 thousand, net).

R. On September 27, 2015, ProtAb signed a non-binding agreement of understandings with a third party to provide production and trading rights for a product (hereafter agreement of understandings). In the framework of the agreement of understandings, it was stipulated that the parties would act to sign a binding agreement within 90 days from the signing of the agreement of understandings, that is, until December 27, 2015 (hereafter the period of the agreement of understandings). As part of the terms of the agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the period of the agreement of understandings, including the employment of workers and the preservation of its intellectual property. In the Company’s assessment, in the event that the agreement of understandings will not be

implemented into a binding agreement and/or ProtAb will not complete a raising of capital from another source by the end on 2015, ProtAb will freeze all of its current operations and will focus on activities, principally locating strategic partners and investors to advance development and commercialization and/or the raising of capital for ProtAb.

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 September 30		As of December 31	As of September 30		As of December 31
	2015	2014	2014	2015	2014	2014
	NIS thousands			%		
	Unaudited		Audited			
Cell Cure Neurosciences Ltd.	-	-	-	21.20	21.20	21.20
BioMarCare Technologies Ltd.	-	415	-	65.12	65.12	65.12
Enlivex Therapeutics Ltd.	-	3,635	2,791	25.83	25.83	-

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

	Cell Cure			Enlivex		
	As of September 30		As of December 31	As of September 30		As of December 31
	2015	2014	2014	2015	2014	2014
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Current assets	6,432	10,033	5,922	23,950	25,815	26,519
Non-current assets	1,599	2,086	1,829	606	61	64
Current liabilities	4,829	8,538	9,490	1,513	396	871
Non-current liabilities	26,396	8,897	9,505	4,170	2,809	3,319
Net assets (liabilities)	(23,194)	(5,316)	(11,244)	18,873	22,671	22,393
These amounts include the following assets and liabilities:						
Cash and cash equivalents (current assets)	5,560	5,027	2,872	2,924	25,133	1,879
Deposits (current assets)	-	-	-	19,629	-	23,383
Convertible loans (non-current liabilities)	21,743	7,748	8,113	-	-	-

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

	Comprehensive loss (income) for the period of nine months ended September 30		Comprehensive loss for the period of three months ended September 30		Comprehensive loss (income) for the year ended December 31
	2015	2014	2015	2014	2014
	NIS thousands				
	Unaudited				Audited
Cell Cure Neurosciences Ltd. (*)	13,557	10,778	3,466	4,063	15,128
BioMarCare Technologies Ltd. (1)	-	1,113	-	887	-
Enlivex Therapeutics Ltd.	9,690	(3,880)	3,555	(610)	(3,531)
(*) The loss data includes:					
Financing income	1,086	262	1,320	234	2,142
Financing expenses	6,994	696	2,294	-	3,362

(1) 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.

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, during the first quarter the Company has identified signs of impairment.

The Company is evaluating the recoverable amount of ProtAb as of March 31,2015.

Cash generating unit	Book value of cash generating unit	Goodwill allotted to unit	Impairment recognized	Recoverable value of the unit	Basis for measuring recoverable value
			NIS thousands		
ProtAb Ltd.	12,776	8	5,472	7,312	Fair value less realization costs

The recoverable value of the cash generating unit is determined according to fair value less costs of realization, based on the value of ProtAb derived from the September 2014 investment round (see Note 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 2,879 thousand is attributed to the parent company.

Key assumptions used in the calculation of value in use are:

- Capitalization rate of 26%.
- Delay of one year in the development timeframe.
- Discount rate of 25% due to prompt realization including transaction costs.

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.

As of September 30, 2015, the Company had not identified additional signs of impairment.

NOTE 6 - SHARE BASED PAYMENTS

Description of the plan	Date of grant	Vesting terms and additional conditions	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 the Chairman of the Company into Company shares of NIS 0.05 par value	August 2015	(1)	140,000	136.6	35	12.37	17
Options granted to the Company's CEO for exercise into shares of the Company with NIS 0.05 par value.	September 2015	(2)	253,100	37.56	30.4	18.01	46
Options granted to the Company's CFO for exercise into shares of the Company with NIS 0.05 par value.	September 2015	(3)	176,700	37.56	30.4	18.01	32
Options granted to the Company's Chairman of the Board for exercise into shares of the Company with NIS 0.05 par value.	September 2015	(4)	72,950	37.56	30.4	18.01	13

(1) On May 19, 2014 and May 20, 2014, the Compensation Committee and Board of Directors of the Company, respectively, approved a program for the allotment without consideration of non-tradable options to the Chairman of the Board of the Company. On August 6, 2015, the General Assembly approved this allotment.
The vesting period of the options will be in four equal annual portions, starting from May 19, 2014 and ending on May 19, 2018. The options will be convertible into 140,000 ordinary shares of the Company of NIS 0.05 par value each.

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

Component	
Share price (in NIS)	35
Exercise price (in NIS)	136.6
Length of life of the option program (in years)	7
Range of standard deviation (in %)	64%
Range of risk free interest rate (in %)	0.19%
Anticipated dividend rate (in %)	0

(2) On September 10, 2015, the Compensation Committee and Board of Directors of the Company, respectively, approved a program for the allotment without consideration of non-tradable options to the CEO of the Company. On October 25, 2015, the General Assembly approved this allotment.
The vesting period of the options will be in three equal annual portions, starting from September 10, 2015 and ending on September 10, 2018. The options will be convertible into 253,100 ordinary shares of the Company of NIS 0.05 par value each.

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

Component	
Share price (in NIS)	30.4
Exercise price (in NIS)	37.56
Length of life of the option program (in years)	7
Range of standard deviation (in %)	65%
Range of risk free interest rate (in %)	1.95%
Anticipated dividend rate (in %)	0

(3) On August 31, 2015, the Compensation Committee and Board of Directors of the Company, respectively, approved a program for the allotment without consideration of non-tradable options to the CFO of the Company.
The vesting period of the options will be in four equal annual portions, starting from September 20, 2015 and ending on September 20, 2019. The options will be convertible into 176,700 ordinary shares of the Company of NIS 0.05 par value each.

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

Component	
Share price (in NIS)	30.4
Exercise price (in NIS)	37.56
Length of life of the option program (in years)	7
Range of standard deviation (in %)	65%
Range of risk free interest rate (in %)	1.95%
Anticipated dividend rate (in %)	0

(4) On September 10, 2015, the Compensation Committee and Board of Directors of the Company, respectively, approved a program for the allotment without consideration of non-tradable options to the Chairman of the Board of the Company. On October 25, 2015, the General Assembly approved this allotment.
The vesting period of the options will be in four equal annual portions, starting from September 10, 2015 and ending on September 10, 2019. The options will be convertible into 72,590 ordinary shares of the Company of NIS 0.05 par value each.

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

Component	
Share price (in NIS)	30.4
Exercise price (in NIS)	37.56
Length of life of the option program (in years)	7
Range of standard deviation (in %)	65%
Range of risk free interest rate (in %)	1.95%
Anticipated dividend rate (in %)	0

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 September 30, 2015 and 2014, NIS 100 thousand and NIS 81 thousand, respectively.

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

NOTE 8 - TRANSACTIONS WITH RELATED PARTIES

See Note 4.P. Transactions with related parties approved in the context of the General Assembly on August 6, 2015.

NOTE 9 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A. On October 26, 2015, the Shareholders' General Assembly of KAHR approved the completion of the transaction for the conversion of Preferred A shares to Preferred A-1 shares. See Note 4 O.

B. On October 29, 2015, the board of directors of Cell Cure decided to issue a subscription offer to its shareholders to raise financing by means of convertible loans in a total amount of up to $ 5,000 thousand. The amount of the loan will be transferred according to Cell Cure's request on an "as needed basis". The shareholders, with each such request, will have the possibility of exercising their pre-emptive right afforded to them and to remit a loan to CellCure in order to maintain their holdings in Cell Cure. The principal will bear interest at a rate of 3% per year. Each part of the loan as yet unpaid and which will not be converted to ordinary shares of Cell Cure, as specified below, will be paid by the Company within 3 years from the date of transfer of the relevant loan. At any time prior to the repayment date of the relevant loan, subject to written notification from each of the shareholders which transferred a loan, Cell Cure will convert each part of the loan of that shareholder which has not been repaid, stated in that notification, into ordinary shares of Cell Cure.

C. On November 17, 2015, the additional investor and the Company, together with KAHR, signed a new convertible loan agreement (hereafter: "the new agreement") to replace the loan agreement from February 2015. According to the new agreement, the additional investor and the Company will lend an additional amount to KAHR of $ 500 thousand ($ 250 thousand each) by November 20, 2015 and December 2, 2015, respectively. The loan bears annual interest at the rate of 8%, commencing from the date of transfer of the loan. Moreover, should a conversion event (as defined in the new agreement) take place, the loan and the accrued interest will be automatically converted to the most senior preferred shares of the company as of that date (other than the Preferred A-1 shares held by Sanofi). In the event that a conversion event will not take place by December 31, 2016, KAHR will repay the amount of the loan and accrued interest, or alternatively and at its discretion, this amount will be converted at a discount of 25% from the latest share price.

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

As of the date of approval of the financial statements, additional funds have not yet been transferred to KAHR in the framework of this agreement.

D. On November 18, 2015, the Company signed a memorandum with ProtAb for the extension of the repayment date of the convertible loan which the Company provided to ProtAb on September 22, 2014, and whose repayment date was on September 22, 2015. The repayment date was extended to December 31, 2015 at the same terms.

E. On November 23, 2015, pursuant to understandings between the Company and BioTime, the Company transferred approximately $ 66 thousand to BioTime on account of the second part of the loan, so that after transferring this amount, the share of the Company and of BioTime in the second stage is $ 254 thousand and $ 1,746 thousand, respectively. See also Note 4.E.

NOTE 10 –NON-MATERIAL ADJUSTMENT OF COMPARATIVE FIGURES

As of December 31, 2014 and March 31, 2015, the Company adjusted the comparative figures with respect to the allocation of losses between the owners of rights not providing control, and the losses attributed to the parent company, due to the fact that the Company discovered differences in applying the "hypothetical liquidation at book value" method, as it was implemented in the Company's reports as opposed to the implementation that should have been made pursuant to the Company's accounting policies.

A. Effect on statements of profit and loss

	For the year ended December 31, 2014		
	As reported in the past	Effect of restatement	As reported in these financial statements
	NIS thousands	NIS thousands	NIS thousands
Loss attributed to shareholders of the parent company	(5,674)	(685)	(6,359)
Loss attributed to rights not proving control	(4,808)	685	(4,123)
Comprehensive loss attributed to shareholders of the parent company	(6,115)	(685)	(6,800)
Comprehensive loss attributed to rights not proving control	(4,808)	685	(4,123)

B. Effect on the statement of financial position and the statements of changes in equity

	As of December 31, 2014		
	As reported in the past	Effect of restatement	As reported in these financial statements
	NIS thousands	NIS thousands	NIS thousands
Deficit	(106,891)	(685)	(107,576
Equity attributed to owners of the parent company	15,018	(685)	14,333
Rights not providing control	7,094	685	7,779

NOTE 11 - 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 thousands
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 thousands
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 12 -INFORMATION CONCERNING IMPAIRMENT OF AN INVESTMENT IN BIOMARCARE TECHNOLOGIES LTD. (HEREAFTER-"BIOMARCARE")

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 13 -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 Cell Cure is the value of shares of Cell Cure. A significant change in the value of a Cell Cure 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 September 30, 2015

(UNAUDITED)

IMPORTANT

This document is an unofficial translation of the Hebrew original "Separate Financial Statements", dated September 30, 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 November 25, 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 September 30, 2015

(UNAUDITED)

Table of Contents

HBL- Hadasit Bio-Holdings Ltd

Condensed Interim Statements of Financial Position

	As of September 30		As of December 31
	2015	2014	2014
	NIS Thousands		
	Unaudited		Audited
Current assets			
Cash and cash equivalents	762	796	30
Investment in marketable securities	419	3,075	2,790
Financial assets available for sale	1,036	2,217	2,055
Other accounts receivable	2,528	1,224	300
	4,745	7,312	5,175
Non-current assets			
Convertible loans to investee companies	1,530	1,311	2,071
Investments in affiliated companies	812	11,661	7,416 (*)
Fixed assets, net	44	58	56
Lease fees receivables	43	215	172
Financial assets at fair value through profit or loss	3,498	1,706	1,798
	5,927	14,951	11,513
Total assets	10,672	22,263	16,688 (*)
Current liabilities			
Bank credit	-	-	51
Trade accounts payable	315	672	285
other accounts payable	290	240	555
Lease fees receivables	589	850	732
	1,194	1,762	1,623
Long- term liabilities			
Liabilities over assets in investees	1,871	-	-
Lease fees payables	506	916	732
	2,377	916	732
Share-holders' Equity			
Ordinary share capital	1,874	1,428	1,428
Additional paid-in capital	123,211	115,839	116,722
Equity reserve from operations with controlling shareholder	754	754	754
Equity settled employee benefits reserve	697	1,537	689
Warrants	654	2,639	2,639
Capital reserve from financial assets available for sale	-	(161)	(323)
Accumulated deficit	(120,089)	(102,451)	(107,576) (*)
	7,101	19,585	14,333 (*)
Total liabilities and shareholders' equity	10,672	22,263	16,688 (*)

(*) Non material adjustment, see Note 4.

November 25, 2015

Date of approval of Financial statements	Yigal Erlich Chairman of the Board of Directors	Tamar Kfir CEO	Yoram Azulai CFO

HBL- Hadasit Bio-Holdings Ltd

Condensed Interim Statements of Comprehensive Loss

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	NIS Thousand		NIS Thousand		NIS Thousand
	Unaudited		Unaudited		Audited
General and administrative expenses	(3,241)	(2,553)	(972)	(853)	(4,086)
Other income (expenses), net	(4,036)	5,943	(114)	2,226	5,847
Profit (Loss) from regular activities	(7,277)	3,390	(1,086)	1,373	1,761
Financing income	1,445	208	648	45	789
Financing expenses	(797)	(331)	(208)	(199)	(40)
Financing income, net	648	(123)	440	(154)	749
Profit (Loss) after financing	(6,629)	3,267	(646)	1,219	2,510
Company's share in the losses of its affiliated companies	(5,884)	(4,501)	(1,467)	(2,052)	(8,869) (*)
Profit (Loss) for the period attributable to the shareholders	(12,513)	(1,234)	(2,113)	(833)	(6,359) (*)
Other comprehensive Profit (Loss)					
Income (loss) gain on financial assets available for sale	323	(279)	(119)	(59)	(441)
Comprehensive Profit (Loss) for the period	(12,190)	(1,513)	(2,232)	(892)	(6,800) (*)

(*) Non material adjustment, see Note 4**.**

HBL: Hadasit Bio-Holdings Ltd

Condensed Interim Statements of Cash Flows

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	NIS Thousand		NIS Thousand		NIS Thousand
	Unaudited		Unaudited		Audited
Cash flows - operating activities					
Loss for the period	(12,513)	(1,234)	(2,113)	(833)	(6,359)(*)
Adjustments required to reconcile cash flows for operating activities (Appendix A)	8,623	(1,506)	684	46	2,611(*)
Net cash, used in operating activities	(3,890)	(2,740)	(1,429)	(787)	(3,748)
Cash flows - investing activities					
Interest receipts	-	10	-	10	10
Convertible loans to investee companies	(2,795)	(3,427)	(60)	(3,427)	(3,535)
Investment in marketable securities	-	(3,339)	-	(3,339)	(3,800)
Realization of marketable securities	2,377	7,056	201	4,656	7,817
Investment in affiliate companies	-	(932)	-	-	(932)
Realization of financial assets available for sale	185	-	185	-	-
Purchase of fixed assets	(3)	(53)	(1)	(39)	(55)
Restricted cash repayment	-	440	-	440	440
	(236)	(245)	325	(1,699)	(55)
Cash flows from financing activities					
Interest payments and bank fees	(4)	(2)	(1)	-	(4)
Issuance of shares capital and warrants, net	4,915	3,139	636	414	3,140
Bank credit	(51)	-	-	-	51
Net cash provided by financing activities	4,860	3,137	635	414	3,187
Effect of exchange rates changes on balance of cash and cash equivalents hold in foreign currencies	(2)	34	-	34	36
Increase (decrease) in cash and cash equivalents	732	186	(469)	(2,038)	(580)
Cash and cash equivalents at the beginning of the period	30	610	1,231	2,834	610
Cash and cash equivalents at the end of the period	762	796	762	796	30

(*) Non material adjustment, see Note 4**.**

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 nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2015	2014	2015	2014	2014
	NIS Thousand		NIS Thousand		NIS Thousand
	Unaudited		Unaudited		Audited
Expenses not related to cash flows:					
Company's share in the losses of affiliated companies	5,884	4,501	1,467	2,054	8,869 (*)
Capital loss (gain) from realization of affiliated companies	-	(5,943)	-	(2,227)	(5,847)
Depreciation	14	39	5	3	44
Financing expenses	797	328		199	40
Financing income	(1,445)	(208)	(648)	(45)	(789)
Share-based payment	43	32	15	47	68
Loss from impairment of financial assets available for sale	1,156	-	114	-	-
Impairment of investee company	2,879	-	-	-	-
Changes in assets and liabilities items:					
Decrease (increase) in other accounts receivable	(96)	625	(59)	280	1,590
Increase (decrease) in trade accounts payable	30	196	(333)	199	(191)
Decrease (increase) in other accounts receivable	(274)	(73)	(98)	136	130
Increase (decrease) in leas fees payables	(140)	(1,919)	132	(1,516)	(2,035)
Increase (decrease) in payable expenses	(225)	916	(119)	916	732
	8,623	(1,506)	684	46	2,611 (*)

(*) Non material adjustment, see Note 4**.**

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 September 30, 2015, the Company has a cumulative loss of approximately NIS 120,089 thousand, and for the period of nine months ended on that same date, a loss of NIS 12,513 thousand (NIS 18,135 thousand consolidated) and negative cash flows from current operations of NIS 3,890 thousand (NIS 11,904 thousand consolidated). Moreover, as of the balance sheet date, the Company has positive working capital of NIS 3,551 thousand (NIS 4,490 thousand consolidated). Moreover, the Company has cash of NIS 762 thousand and marketable securities and other financial assets available for sale of NIS 419 thousand and NIS 1,036 thousand, respectively, which according to the estimation by the Company's management of its cash flows forecast, will permit its continued operations until December 2015.

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.

The management of the Company is acting in order to raise obtain additional financing from existing and/or new investors for purposes of continuing its operations.

B. Definitions:

The Company- HBL - Hadasit Bio-Holdings Ltd.

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 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 transferred $ 500 thousand to KAHR and the Company transferred the amount of $ 500 thousand on April 3, 2015, so that the total loan amount stands at one million dollars. The loan will accrue annual interest of 25% commencing from May 1, 2015.

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. See also Note 3.B.

D. On February 12, 2015 BioTime transferred a letter of intent to Cell Cure according to which BioTime (the parent company of Cell Cure) 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 Cell Cure in 2013 until it finishes PHASE I/II. See also Note 8.B.2. to the annual financial statements.

E. During 2014, it was decided that Cell Cure 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 Cell Cure's request, on a "need" basis, with the understanding that the second stage will be at the discretion of the participating shareholder. The first stage will be in the amount of $ 2,200 thousand ("the first stage"), and the second stage will be in the amount of $ 2,000 thousand ("the second stage"). The fund will bear interest at the rate of 3% per annum (jointly with the fund, "the loan"). Each part of the loan as yet unpaid and not converted to ordinary shares of Cell Cure, as specified below, will be paid by Cell Cure within 3 years from the date of the relevant transfer. At any time prior to the relevant transfer date, subject to written notice by the shareholder, Cell Cure 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.

As of the balance sheet date, in the framework of the second stage of the loan (in a total of $ 2,000 thousand), BioTime had transferred to CellCure an amount of $ 1,812 thousand, and the Company, the amount of NIS 188 thousand. These amounts complete the second stage of the loan.

F. In February 2015, 1,768,740 options (Series 4) expired. Moreover, in March 2015, 3,593,971 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. In September 2015, 2,598,596 options Series 6 expired and accordingly, the Company classified the amount of NIS 457 thousand to premium.

H. 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 6,586,400 ordinary shares of the Company and a quantity of 6,586,400 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 4,279 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).

I. 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 record of its separate balance sheet, losses from impairment of amount of 2,879 thousand NIS. due to intangible assets which recognized as a result of the investment round from September 2014.

J. On May 13, 2015, Cell Cure 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.

K. On May 26, 2015, the General Assembly of the Company approved the issuance of 16,000 non tradable options of the Company to two of the Company's directors.

L. 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.

The date determined for the capital consolidation is June 4, 2015 and the exercise increment after execution of the capital consolidation is:

- Exercise increment in relation to the Series 6 options of the Company is NIS 2.3 per option.
- Exercise increment in relation to the Series 8 options of the Company is NIS 0.75 per option.

M. 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.

N. On June 26, 2015, the Company signed a non binding memorandum of understanding with a Chinese investor (hereafter: "the investor") for a private placement of shares of the Company.
As per the memorandum of understandings, it was agreed that the Company and the investor would act to formulate an agreement for a private placement within 60 days from the date of signing the memorandum of understandings, according to which the investor would invest an immediate amount of $ 2 million in the Company. Against the amount of the investment, the Company will allot an amount equivalent to 25% of the issued and paid up share capital of the Company to the investor and of its voting rights after their allotment, at a price that reflects a value of the Company of $ 6 million before the money.

It was agreed between the parties that, subject to the approval of the Board of Directors and the General Assembly of the Company's shareholders, the Board of Directors of the Company will number 9 directors, with the investor being entitled to appoint two directors.

Moreover, it was agreed that the Company will act in the best of its ability to implement the following undertakings by the Company and the portfolio companies:

- Granting a first right to the investor for exclusive distribution of technology and products of the Company's portfolio companies in the territory of China.
- Granting a license for the use of patents of the portfolio companies in China.
- Granting production rights in China.
- Establishing a research and development center of the Company in China and receiving all of the required regulatory authorizations in China, subject to an additional investment on the part of the investor.
- Presenting FDA and CE consents for technologies and products to be developed in the development center.

The signing of a binding agreement and the completion of the investment is contingent, inter alia, on receiving the required approval according to law of the organs of the Company and every other regulatory authorization, inter alia, receipt of the approval of the stock exchange to register the allotted shares for trading, and the remaining conditions as is customary in transactions of this type. It is clarified that there is no certainty of signing a binding agreement and/or completing a transaction by force of it. The Company reported that it will submit a detailed Immediate Report on the matter of the signing a binding contract, to the extent that one will be signed.

On August 24, 2015, the Company and the investor signed an addendum to the memorandum of understandings according to which the period for formulating the binding agreement between the parties was extended by an additional 60 days, namely, until October 26, 2015. As of that day, the memorandum of understanding between the parties was terminated.

O. On August 17, 2015, the Company, in the framework of raising capital by way of a public offering according to a supplementary prospectus published by the Company on July 22, 2015, and the amendment to it dated August 3, 2015 issued a quantity of 2,343,000 ordinary shares of the Company. The gross immediate proceeds received by the Company with respect to the allotment of the securities offered according to the shelf proposal report as above was NIS 750 thousand (NIS. 636 thousand, net).

P. On July, 2015, D-Pharm Ltd. received approval from the OCS in the Ministry of the Economy for a R&D grant for a period of 12 months for the year of 2015 in a total volume of NIS 4 million.
The budget approved by the OCS for R&D activities in Israel stands at an amount of up to approximately NIS 2.5 million, and at a participation rate of 40%. An additional budget for expenditures abroad will be in an amount of up to approximately NIS 1.5 million and at a participation rate of 30%.

Q. On July 30, 2015, KAHR and Sanofi (a shareholder of KAHR) signed a disclaimer according to which Sanofi waives the first right to carry on negotiations for KAHR-102 (hereafter "the product"), and also the right of Sanofi to appoint a director or observer to the board of directors of KAHR (hereafter: "the disclaimer"). In consideration for the waiver of the above rights by Sanofi, KAHR became obligated to pay Sanofi an amount of up to $ 3,000 thousand (representing the amount of the investment of Sanofi in KAHR (hereafter:"the consideration"), as follows: (a) In the event of a sale of a license for the product to a third party other than Sanofi, KAHR will pay Sanofi the consideration in payments that will be derived from the amount of the consideration received by KAHR from a third party with respect to the sale of the license, at rates be set between the parties; (b) Up to the date of payment of the consideration, or until the granting of a license for the product to Sanofi as described below, the shares of Sanofi in KAHR will be exchanged in a manner that KAHR will allot a new series of Preferred A-1 shares to Sanofi in place of the Preferred A shares which it currently possesses, in the context of which the shares of Sanofi will be given preference in liquidation and/or merger transactions and/or in the distribution of dividends and/or in any similar distribution pursuant to the Companies Law-1999.

As of the balance sheet date, the Preferred A shares have not yet been converted into Preferred A-1 shares as above. See also Note 3A.

R. On August 6, 2015, the General Assembly of the Company convened and approved the following resolutions:

- Approval of the reappointment of Ms. Michal Sapir to the role of outside director in the Company, approval of her right to compensation, her inclusion in the framework of the officers' insurance policy of the Company, and the grant of a document of exemption and indemnification, as is customary in the Company.
- Approval of the reconfirmation of the grant of options not registered for trading to the Chairman of the Board of Directors of the Company.
- Approval of the undertaking by the Company's subsidiary, KAHR with Hadasit Research and Development Services Ltd., the controlling shareholder of the Company (hereafter:"**Hadasit**"), and with Prof. Michal Elhalel, in an agreement to perform research and development works, and approval of the grant of options not registered for trading of KAHR to Hadasit and to Prof. Michal Elhalel.
- Approval of the undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Michal Elhalel.
- Approval of the undertaking of KAHR in a consulting agreement with Hadasit and with Prof. Neta Goldschmidt.
- Approval of the undertaking of ProtAb Ltd. (subsidiary, herafter, "ProtAb") in a consulting agreement with Hadasit and Prof. Yaakov Naparstek.

S. On September 27, 2015, ProtAb signed a non-binding agreement of understandings with a third party to provide production and trading rights for a product (hereafter agreement of understandings). In the framework of the agreement of understandings, it was stipulated that the parties would act to sign a binding agreement within 90 days from the signing of the agreement of understandings, that is, until December 27, 2015 (hereafter the period of the agreement of understandings). As part of the terms of the agreement of understandings, the third party transferred the amount of $ 50 thousand to ProtAb for purposes of assuring the continued operations of ProtAb for the period of the agreement of understandings, including the employment of workers and the preservation of its intellectual property. In the Company's assessment, in the event that the agreement of understandings will not be implemented into a binding agreement and/or ProtAb will not complete a raising of capital from another source by the end on 2015, ProtAb will freeze all of its current operations and will focus on activities, principally locating strategic partners and investors to advance development and commercialization and/or the raising of capital for ProtAb.

Note 3- Events Subsequent to the balance sheet date

A. On October 26, 2015, the Shareholders' General Assembly of KAHR approved the completion of the transaction for the conversion of Preferred A shares to Preferred A-1 shares. See Note 2Q.

B. On October 29, 2015, the board of directors of Cell Cure decided to issue a subscription offer to its shareholders to raise financing by means of convertible loans in a total amount of up to $ 5,000 thousand. The amount of the loan will be transferred according to Cell Cure's request on an "as needed basis". The shareholders, with each such request, will have the possibility of exercising their pre-emptive right afforded to them and to remit a loan to Cell Cure in order to maintain their holdings in CellCure. The principal will bear interest at a rate of 3% per year. Each part of the loan as yet unpaid and which will not be converted to ordinary shares of CellCure, as specified below, will be paid by the Company within 3 years from the date of transfer of the relevant loan. At any time prior to the repayment date of the relevant loan, subject to written notification from each of the shareholders which transferred a loan, Cell Cure will convert each part of the loan of that shareholder which has not been repaid, stated in that notification, into ordinary shares of Cell Cure.

C. On November 17, 2015, the additional investor and the Company, together with KAHR, signed a new convertible loan agreement (hereafter: "the new agreement") to replace the loan agreement from February 2015. According to the new agreement, the additional investor and the Company will lend an additional amount to KAHR of $ 500 thousand ($ 250 thousand each) by November 20, 2015 and December 2, 2015, respectively. The loan bears annual interest at the rate of 8%, commencing from the date of transfer of the loan. Moreover, should a conversion event (as defined in the new agreement) take place, the loan and the accrued interest will be automatically converted to the most senior preferred shares of the company as of that date (other than the Preferred A-1 shares held by Sanofi). In the event that a conversion event will not take place by December 31, 2016, KAHR will repay the amount of the loan and accrued interest, or alternatively and at its discretion, this amount will be converted at a discount of 25% from the latest share price.

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

As of the date of approval of the financial statements, additional funds have not yet been transferred to KAHR in the framework of this agreement.

D. On November 18, 2015, the Company signed a memorandum with ProtAb for the extension of the repayment date of the convertible loan which the Company provided to ProtAb on September 22, 2014, and whose repayment date was on September 22, 2015. The repayment date was extended to December 31, 2015 at the same terms.

E. On November 23, 2015, pursuant to understandings between the Company and BioTime, the Company transferred approximately $ 66 thousand to BioTime on account of the second part of the loan, so that after transferring this amount, the share of the Company and of BioTime in the second stage is $ 254 thousand and $ 1,746 thousand, respectively. See also Note 4.E.

F. **Note 4- Non-material adjustment of comparative figures**

As of December 31, 2014 and March 31, 2015, the Company adjusted the comparative figures with respect to the allocation of losses between the owners of rights not providing control, and the losses attributed to the parent company, due to the fact that the Company discovered differences in applying the "hypothetical liquidation at book value" method, as it was implemented in the Company's reports, as opposed to the implementation that should have been made pursuant to the Company's accounting policies.

A. Statement of financial position

	As of December 31		
	2014		
	As reported in the past	Effect of restatement	As reported in these financial statements
	NIS Thousand	NIS Thousand	NIS Thousand
Investment in affiliate companies	8,101	(685)	7,416
Accumulated deficit	(106,891)	(685)	(107,576)
Equity	15,018	(685)	14,333
Total liabilities and shareholders' equity	17,373	(685)	16,688

B. Effect on statements of comprehensive income (loss)

	For the period ended December 31		
	2014		
	As reported in the past	Effect of restatement	As reported in these financial statements
	NIS Thousand	NIS Thousand	NIS Thousand
Company's share of loss of affiliate company	(8,184)	(685)	(8,869)
Loss attributed to shareholders of the Company	(5,674)	(685)	(6,359)
Total comprehensive loss for the year	(6,115)	(685)	(6,800)

C. Data on cash flows

	For the period ended December 31		
	2014		
	As reported in the past	Effect of restatement	As reported in these financial statements
	NIS Thousand	NIS Thousand	NIS Thousand
Loss for the period	(5,674)	(685)	(6,359)
Adjustments necessary to present cash flows from current operations	1,926	685	2,611