

IMPORTANT

This document is an unofficial translation of the Hebrew original, September 30, 2012 financial report of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on November 25, 2012.

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 only.

HBL - Hadasit Bio-Holdings Ltd. (the “Company”)

Board of Directors Report for the Quarter Ending on September 30, 2012

A. Introduction and summary of the Corporation’s business areas

The Company’s main assets are holdings in companies in the field of bio-technology (the “**Portfolio Companies**”), which are generally based on intellectual property that was developed in Hadassah hospital, and is owned by it. This intellectual property has generally been transferred by license to the subsidiaries, and serves as the basis for their activities.

The main resource allowing the Company to achieve its objectives is the obtaining of financing sources in order to enable the delivery of measured and monitored cash flows to the Portfolio Companies, for the purpose of allowing them to meet pre-defined milestones in the areas of research and development, production, intellectual property and regulation, in a manner that will enable them to reach human clinical trial phases.

The Company’s main objective is to improve and promote the Portfolio Companies in which it maintains holdings, by providing, *inter alia*, the financing resources required by them (within the

limits of the Company's ability) for the research and development of the science, technology and products that serve as the foundations of the Portfolio Companies as well as assistance in developing their business strategies. The provision of these resources is intended to enable the Portfolio Companies to move forward and achieve clearly defined milestones, which, in the bio-technology industry, serve as an indication of real substance in the areas of research, clinical development, regulatory process, business development and other criteria related to a company's activity, as expressed in financial value for its owners. This value is developed over a prolonged period of time, and involves the investment of significant financial and managerial resources.

As of the report date, the Company has holdings in six active portfolio companies (5 private and 1 public). As of the report date, three of the six portfolio companies in which the Company has holdings are in phases of conducting clinical trials on humans (Enlivex; Thrombotech (which merged into the company "D-Pharm" as described hereunder); and BioMarCare). An additional portfolio company held by the Company, Verto Ltd., has completed clinical trials on humans, but, as detailed below, the Company has initiated voluntary liquidation proceedings.

The Company supervises, and, depending on the circumstances, is also involved in the management of the Portfolio Companies, on the level of strategic planning, creating work plans and budgets, recruiting personnel, business development, and more. By means of this involvement which varies depending on the Company's share in the Portfolio Company, the Company attempts to ensure that the resources it provides, and the resources raised by the Portfolio Companies, are used in the best possible manner. It should be noted that not all of the Portfolio Companies are under the Company's control, meaning that its ability to be involved, and its degree of involvement, differ among the various Portfolio Companies. As of the report date, representatives of the Company are serving in all the boards of directors of the Portfolio Companies. The Company also invests financial and managerial resources that are available to it in those Portfolio Companies which have the highest scientific and business potential. These prioritization decisions are reached following recommendations made by the Company's management, strategic discussions held by the Company's board of directors, and are based on the recommendations of its scientific advisory board.

The foregoing and following sections are presented from the perspective of the Company's board of directors, and are largely based on projections and estimates which may not be realized, or whose date of realization may be delayed. It is possible, either for regulatory reasons, or due to the rate of progress of research and development, its results, a lack of available financing sources, or other reasons, that the Portfolio Companies may not meet these projections and estimates.

B. The Company's rate of holding in the Portfolio Companies:

The following are details regarding the Company's holdings in the Portfolio Companies as of September 30, 2012:

Name of the Portfolio Company in which the Company maintains holdings	Rate of the Company's holdings as of September 30, 2012		Portfolio Company's area of operation
	Not at full dilution	At full dilution	
D-Pharm Ltd. (a public company traded in the Tel Aviv Securities Exchange Ltd.)	12.89%	12.54%	Development of drugs intended for treatment of the Central Nervous System (CNS) including focused & selective dissolution of blood clots
Cell Cure Neurosciences Ltd.	26.28%	25.54%	Stem-cell based treatment for AMD (Age-Related Macular Degeneration), Parkinson's, and other neurodegenerative diseases
ProtAb Ltd.	69.79%	50.1%	Drugs for the treatment of rheumatoid arthritis and other auto-immune diseases
BioMarCare Ltd. (Formerly Incure Ltd.)	74.99%	64.2%	Kit for early detection of metastasis in certain types of cancer (breast, colorectal) and development of a treatment platform
KAHR Medical 2005 Ltd.	56.27%	53.21%	Development of a protein platform enabling treatments for auto-immune diseases and various types of cancer
Enlivex Therapeutics Ltd.	91.99%	83.63%	Development of a system (device and drug) for the treatment of graft-versus-host disease in transplants, and in inflammatory and auto-immune diseases
BioLineRX Ltd.	0.18%	0.18%	Development of drugs in BioLine laboratories and in outsourced laboratories, in order to move them forward towards advanced clinical trial phases

The Company's ability to maintain its current rate of holdings in the Portfolio Companies is contingent upon the Company's financial capability being such that will enable it, subject to the investing principles for the Portfolio Companies, to participate in investment rounds in the Portfolio Companies. It is possible that, in subsequent financing rounds, the Company will not have the means necessary to maintain its current rates of holding in the Portfolio Companies (all or some), and it is also possible that, in the aforementioned rounds, the Company will decide that it would be inappropriate or undesirable to participate in such rounds.

As noted above, the Company's board of directors supports the continued delivery of financing to the Portfolio Companies, while operating maximal discretion with regard to the position of each particular Portfolio Company, its proximity to a clinical trial, and other significant milestones, and its regarding its ability to raise additional financing from sources other than the Company (investors, support provided by the Chief Scientist, etc.).

During the quarter the Company published a shelf offer (based on a shelf prospectus published on June 25, 2012) for a public issuance of shares and options (series 6) by way of issuing rights ("Rights").

By September 3, 2012, the last day to exercise the Rights, the Company has received notice of exercise for 6,496,792 Rights units to purchase 38,980,750 of the Company's ordinary shares at par value of 0.01 NIS each and 12,993,582 of the Company's options (series 6), representing 99.14% of the Rights offered.

The proceeds from the exercised Rights were 5,145,459 NIS (gross). The Company intends to continue to designate the proceeds from this raise to further support its Portfolio Companies. The controlling shareholder (Hadasit) participated in the offer and maintained its relative share of the Company.

After the report date, Dr. Einat Zisman was appointed to the board of directors as an additional director.

C. Main developments in the Portfolio Companies during the third quarter of 2012

1. Enlivex Therapeutics Ltd. ("Enlivex")

Subsequent to the balance sheet date, Enlivex completed a Phase I/II clinical trial among recipients of bone marrow transplants from foreign donors.

Graft-versus-Host Disease (GvHD) is one of the main problems affecting recipients of bone marrow transplants from donors, and is caused due to the development of a condition similar to an autoimmune disease, in which the immune system which includes the new transplant attacks the patient's own organs, primarily the liver, intestines and skin. The disease can cause considerable morbidity, and can also be fatal in severe grades. To the Company's best knowledge, no effective medicine has yet been found for the disease.

In the trial, 13 patients in 3 clinical centers in Israel were treated with 4 increasing dosages of ApoCell against Graft-versus-Host Disease (GvHD), shortly before a bone marrow transplant from a foreign donor.

An external committee which reviewed the results of the trial determined that no safety problems had been observed in any of the tested dosages, and therefore permitted the continuation of the research and treatment of the patients at the maximum dosage tested in the trial.

The disease is divided into 4 grades, which constitute the clinical regulatory and effectiveness index accepted in the field.

In a comparison made between the group of patients who participated in the trial and a historical control group composed of patients with similar characteristics, it was found that the incidence of GvHD grades 2-4, the levels which pose danger to the patient, were reduced by half.

Among the group of patients treated with ApoCell in higher doses, none of the 6 patients developed grade 2-4 GvHD, whereas among similar patients who were not treated with ApoCell, the disease occurred in 50% of the patients.

Another promising result witnessed was the protective effect that the treatment provided against liver damage, a major component of GvHD.

Enlivex believes that the trial was successful and that its results are positive and encouraging, and that they will enable Enlivex to move on to advanced clinical trials (subject to the receipt of required authorizations). The above is based on results obtained from preliminary trials. The Company and Enlivex wish to clarify that no certainty exists that the aforementioned results will again be obtained in an advanced trial, if any. The performance of an advanced trial is conditional upon the receipt of regulatory approvals for advanced trials, and upon the availability of the required financial resources.

During the previous quarter, Enlivex projected that the study's final summary report would be available by September, however, due to a demand for additional oversight by external experts, the report has not yet been issued, and Enlivex estimates that it will have a final summary report for the study in December 2012 (not including an expansion of the trial, if required and implemented).

On July 29, 2012, an agreement was signed between Enlivex and the Company for the provision of a loan convertible to Enlivex shares in the amount of NIS 1 million. It was agreed that the loan will bear annual interest at a rate of LIBOR + 3%, and will be repaid, unless converted to Enlivex shares, on January 1, 2015. In the event that Enlivex offers securities in an offer whose total amount will be no less than USD 500,000, the Company will be entitled to convert the loan (with the addition of accumulated interest) into Enlivex shares, at a discounted rate of 35% from the value of the shares in such allocation. In the event that an investment is not performed in Enlivex by January 1, 2015, the Company will be entitled, up to 30 days following January 1, 2015, to issue a notice to Enlivex stating that the loan will be converted to shares in Enlivex, with the worth of Enlivex being calculated as USD 500,000 (pre-money valuation).

In November 2012, approval was granted for a request submitted by Enlivex for a Chief Scientist Program with a budget of NIS 3.8 million, along with a weighted grant rate of 60% for research and development in Israel. The granted approval is conditional upon an commitment by Enlivex to transfer the development of its product (ApoCell) to a designated, independent laboratory. Royalties will be paid from all income arising from the development of the company's products.

2. KAHR Medical (2005) Ltd. ("KAHR")

During the second quarter of 2012, KAHR continued pre-clinical development of its products. KAHR is continuing the development of two products, KAHR-101 and KAHR-102, intended for the treatment of various types of cancer and auto-immune diseases.

During the third quarter of 2012, KAHR continued focusing on the development of the KAHR-102 product, which previously exhibited significant activity in various models of autoimmune diseases in animals, as well as activity on cancerous cells from human sources, primarily in cases of lymphoma. KAHR performed several additional animal trials which exhibited significant activity by the product in two models of lymphoma in rodents at particularly low concentrations. KAHR is also continuing to develop the production process for the KAHR-102 product in collaboration with Cobra Ltd. (Sweden-England) in preparation for a clinical trial in lymphoma patients at Hadassah. These processes constitute a part of the product's pre-clinical development, and the company is using them to build a portfolio including results from animal trials and the product's method of production, in order to create a complete product portfolio which will be submitted in due time to the regulatory authorities, and which will constitute the basis for approval of a clinical trial.

3. Cell Cure Neurosciences Ltd.

During the third quarter, Cell Cure continued implementing pre-clinical trials, and began conducting decisive tests in preparation for submission to regulatory bodies. The process included the performance of continued safety tests on the OpRegen® product for the pigmented cells of the retina (RPE's), and continued tests for the purpose of characterizing the final product. The safety tests included several trials in animals.

The first formation of RPE cells was produced under cGMP conditions, using the efficient and advanced method developed by the company to produce RPE's at high output and cleanliness levels under xeno-free conditions (without using materials derived from animals).

Cell Cure maintains continuous contact with the FDA, and is developing the OpRegen® product in accordance with the special regulatory requirements applicable to embryonic stem cells. In light of the fact that the field in question is cutting-edge and lacking in precedent, it is important to receive continuous feedback from the relevant regulatory body in order to plan the trials and to create a product portfolio which will meet its requirements in the preliminary stages.

This product is designed to treat Dry-AMD (age related macular degeneration). This disease is common at a later age and is caused due to the death of RPE cells which are located under the retina and which support it. The OpRegen® cells are intended to replace the patient's dead RPE cells.

Subsequent to the end of the third quarter, an agreement was signed between Cell Cure Neurosciences Ltd. ("Cell Cure") and BioTime ("**BioTime**", **an American company traded on the NYSE:AMEX under the symbol BTX**), in which BioTime committed to invest a total of USD 3.5 million in Cell Cure.

The investment agreement was signed based on a company valuation of USD 15.1 million (pre-money valuation) for Cell Cure. BioTime will invest a total of USD 3.5 million in Cell Cure, and will acquire 87,456 ordinary shares in Cell Cure, in consideration of which BioTime will issue Cell Cure 906,735 shares in BioTime, according to a value of USD 3.86 per share. The value was determined according to the average price of BioTime shares over a period of 10 trading days on the NYSE:AMEX prior to the signing of the agreement. The investment will be used to promote the activities of Cell Cure, and primarily for the continued development and production of the leading product for eye diseases.

BioTime committed to submit the documents required to register the shares for trading on the NYSE MKT to the U.S. Securities and Exchange Commission (SEC), at its own expense and in accordance with American law (Registration statement on S-3 Form), as soon as possible after the signing date of the agreement. The registration of shares, and their status as free for trading, constitute conditions for the completion of the investment agreement.

In the event that the average value of BioTime shares decreases or increases by more than 15% above or below USD 3.86 for 10 trading days, beginning on May 1, 2013, an adjustment will be made (by issuing additional shares in Cell Cure to BioTime, or by issuing additional shares in BioTime to Cell Cure, as appropriate), however, the aforementioned adjustment will only apply regarding the relative proportion of BioTime shares which remain in Cell Cure's possession at the time, and the aforementioned adjustment will not exceed 33%.

BioTime shares which are issued to Cell Cure will not be protected by a restriction period. Any decision to sell BioTime shares will require the approval of a committee in Cell Cure's board of directors, in consultation with the CEO and CFO of Cell Cure. Cell Cure will nominate Cantor Fitzgerald & Co. to sell the shares, with the understanding that the above entity will concentrate all sales of Bio Time shares on behalf of member companies of the BioTime Group, and will divide the issue proportionally among them as well as the consideration which will be received from the sale of the above shares, based on the average price received for them, in the event that more than one company wishes to offer BioTime shares for sale on that day. In the event that the investment agreement is completed, the Company's holding rate in Cell Cure is expected to be approx. 21.20% (approx. 20.05% at full dilution).

4. D-Pharm Ltd. ("D-Pharm")

In July 2012, D-Pharm completed the acquisition of 98,491 ordinary shares of NIS 0.01 par value each on Thrombotech Ltd. (hereinafter: "**Thrombotech**"), which constituted, as of the transaction completion date, the entire issued capital of Thrombotech, effectively and at full dilution, in consideration of the allocation of 25,009,462 ordinary shares in D-Pharm to Thrombotech shareholders prior to the completion of the transaction, based on a D-Pharm share price of NIS 0.851 and a Thrombotech share price of NIS 216.103, which were issued as part of a private offer, and which constituted, as of the completion date of the aforementioned transaction, approx. 58% of the capital of D-Pharm, at full dilution. For additional details regarding the Thrombotech acquisition agreement, and regarding Thrombotech's activities, see the immediate report dated July 19, 2012.

In September 2012, D-Pharm completed a capital raising by way of a rights issue to its shareholders (the "**Rights Issue**"). As part of the Rights Issue, D-Pharm received notices regarding the exercise of 6,486,378 rights for the acquisition of 6,486,378 ordinary shares in D-Pharm, which constitute approx. 46.68% of all offered shares. The immediate gross consideration to D-Pharm in the Rights Issue amounted to approx. NIS 5,520 thousand. The Company did not participate in the aforementioned capital raising. Following the

aforementioned allocation, the Company holds 12.89% of the issued and paid capital of D-Pharm (approx. 12.54% at full dilution).

D-Pharm has a going concern notice in its financial statements as of September 30, 2012. For details, see the auditor's review report to shareholders, as well as Notes 1B-E of D-Pharm's financial statements as of September 30, 2012.

In August 2012, Thrombotech submitted to the Chief Scientist a request for changes in the R&D portfolio, which included an extension of the approved R&D period by three additional months, resulting in the Chief Scientist's approval being valid for a total of 15 months. Thrombotech also submitted a changes report in order to adjust the budget to the Company's work plans. As of the time of this writing, the Chief Scientist's response to the aforementioned request has not yet been received.

5. ProtAb Ltd. ("ProtAb")

ProtAb has continued to conduct business negotiations with the existing shareholders in order to raise additional capital during the last quarter of 2012. ProtAb is also preparing to implement significant efficiency-improving and activity-reducing processes in the last quarter of 2012, in order to concentrate efforts on the decoding of the active mechanism of the company's leading antibody, with the assistance of foreign subcontractors with expertise in the field. The foreign activities are primarily outsourced, and require funding of an estimated NIS 2 million. The management of ProtAb is changing the company's cost structure (including reduction of human resources, infrastructure and suppliers), in order to enable the company to focus on the aforementioned task within a limited budget.

During the third quarter of 2012, ProtAb successfully concluded the tests which are related to the toxicocinetica trial (toxicity in various tissues) in rodents under GLP conditions. Additionally, ProtAb continued its research aimed at decoding the active mechanism of the company's leading antibody.

ProtAb's financial statements as of September 30, 2012 include a going concern notice. For details, see the auditor's review report to shareholders, as well as Note 1A to ProtAb's financial statements as of September 30, 2012.

In August 2012, ProtAb submitted follow-up requests for support for its research and development programs to the Office of the Chief Scientist in the Ministry of Industry, Trade and Labor.

6. BioMarCare Technologies Ltd.

In its joint project with Ariadne Diagnostica Ltd. in Maryland, USA (Ariadne) towards the development of a mCRC-Strat test for the Companion Diagnostics market (personalized medicine), which is intended to estimate the efficacy of the medicinal treatment for colorectal cancer patients in the metastatic stage, BioMarCare is currently working in several channels:

1. Patient recruitment - BioMarCare concluded collection of approx. 60 biopsy samples from the pathology archives at Hadassah for research purposes (cohort study). During the quarter, BioMarCare promoted the recruitment of additional patients from Rambam Hospital, and also identified a third clinical site for the aforementioned trial.
2. The product (a proteinaceous marker panel using an immunohistochemical method) is being developed in collaboration with Ariadne Ltd. and a subcontractor for pathology. BioMarCare is evaluating a wide panel of biological markers in order to identify a difference in the group of patients who do not respond to EGFR inhibitor-based medications.

Following the Bird Foundation's second quarter transfer of an initial sum of USD 66,522, in the third quarter the Bird Foundation transferred a second sum in the amount of USD 93,778 for the continuation of the project.

BioMarCare is expected to receive additional funding once every half year over the coming two years, according to the Foundation's plan.

During the quarter, BioMarCare was active in the development of a method for the diagnosis of molecular biomarkers in the blood (plasma), which is considered a challenge and a high technological barrier. The purpose of this activity is to develop the Colon-MarCarePlex™ test, for pre-cancerous and cancerous diagnosis of biological markers using a non-invasive test. BioMarCare is currently collecting dozens of blood samples from patients with negative and positive colonoscopy results.

During the third quarter, BioMarCare concluded development of a method for the production of RNA from plasma (a component of blood without cells) of patients and healthy individuals, which is a critical stage that will enable the testing of various markers in the blood. The blood test is intended to replace the stool test, which is considered a survey test with low sensitivity and very limited public compliance. In parallel,

BioMarCare is collecting dozens of samples from examinees with normal colonoscopy results, examinees with polyps (growths which may become cancerous) and examinees with carcinomas (cancerous growths) in various stages, and is performing a survey of the samples to find biomarkers at pre-cancerous stages.

As part of its development of the PARpanel™ test, BioMarCare has extended its activities to also include a test of the biomarkers in biopsies of breast cancer patients. BioMarCare is developing a predictive test to identify patients who may potentially benefit from a combination of chemotherapy and treatment using Tamoxifen.

In parallel, PAR antibodies are being evaluated to color the tissue. BioMarCare has collected over 200 consents to use the biopsies of breast cancer patients, and is continuing to build a unique tissue array which will enable the testing of various markers on a large number of patients.

BioMarCare reported to the Chief Scientist regarding the conclusion of year 2 of the product's development, and by the end of the third quarter, the company had received funding in the amount of NIS 807,564 for this program.

Towards the end of the quarter, the company prepared to submit a biotech enterprise grant request (second year) from the Jerusalem Development Authority.

Over the course of the quarter, the company built connections with a number of researchers and European companies in order to create a future development group to promote the new projects.

On July 1, 2012, Micromedic transferred to the Company the first postponed payment as part of the investment agreement, in the total amount of USD 250 thousand, in consideration of which the shares trustee transferred 236,450 of the trust shares to Micromedic.

Subsequent to the reporting date, Micromedic transferred the second postponed payment as part of the investment agreement, in the total of USD 200 thousand, in exchange for which the trustee transferred 189,160 of the trust shares to Micromedic.

The contents of this section are forward-looking information and are contingent, inter alia, on the recruitment of financial sources required therefor, the success of the preliminary trials and the receipt of regulatory approvals required.

D. Financial position and financing sources

The Company's current assets as of September 30, 2012 totaled approx. NIS 32,651 thousand, versus NIS 29,465 thousand as of September 30, 2011. The decrease resulted from the repayment and realization of marketable securities and impairment of the investment in BioLine on the one hand, and the entry of an external cash investor for the subsidiary (KAHR), inclusion of D-Pharm shares and raising capital through the issuance of equity on the other hand.

The balance of cash and cash equivalents as of September 3, 2012 amounted to approx. NIS 19,578 thousand, as compared with NIS 10,879 thousand as of September 30, 2011. The increase resulted from the entry of an external cash investor for the subsidiary (KAHR), raising capital through the issuance of equity and the use of cash in ongoing operations.

The investment in marketable securities as of September 30, 2012 amounted to NIS 9,354 thousand, as compared with NIS 16,967 thousand for September 30, 2011. This increase was due to the partial repayment of debentures and the sale of marketable securities for current operations.

Available-for-sale financial assets as of September 30, 2012 amount to approximately NIS 2,719 thousand in comparison to the amount of NIS 373 thousand for September 30, 2011. The decrease results from the impairment of BioLine shares while the holdings in D-Pharm lead to an increase.

Fixed assets of the Company as of September 30, 2012 amount to about of NIS 307 thousand, in comparison to the amount of NIS 534 thousand for September 30, 2011. The decrease mainly results from the depreciation of the period and the disposal of the fixed assets of the subsidiary who exited the consolidation.

The total balance of investments in affiliates as of September 30, 2012 amounted to approx. NIS 13,312 thousand, in comparison to NIS 12,581 thousand for September 30, 2011. The change results from the removal of equity losses of affiliated companies on the one hand, and the inclusion of BioMarCare in this section beginning in the previous quarter, on the other.

The current liabilities of the Company as of September 30, 2012 amounted to approx. NIS 2,455 thousand, in comparison to the NIS 3,864 thousand as of September 30, 2011. The decrease results mainly from the decrease in supplier balances, deleting external shareholders' loans in a Portfolio Company (Verto) and the disposal of the fixed assets of the subsidiary who exited the consolidation.

Non-current liabilities as of September 30, 2012 amount to about of NIS 4,871 thousand, similar to the amount of NIS 3,995 thousand as of September 30, 2011. The increase is due mainly to an increase in royalties to pay as a result of bringing forward the sales forecasts date in a Portfolio Company.

The Company's capital attributed to equity holders in the Company as of September 30, 2012 amounted to a total of NIS 34,554 thousand, as compared with capital of NIS 34,779 thousand as of September 30, 2011. The change results mainly from the issuance of equity, capital funds transactions with minority and a decrease in the Company's current losses.

E. Results of Operations:

The Company's losses, attributed to equity holders in the Company, for the quarter that ended September 30, 2012, amounted to a total of approx. NIS 3,088 thousand, as compared with income of approx. NIS 5,014 thousand for the corresponding period last year. The change results from the capital gain attributed to the D-Pharm deal and additional capital gain attributed to a decrease in BioMarCare holdings.

Administrative and general expenses for the quarter that end September 30, 2012 amounted to a total of approx. NIS 1,441 thousand, as compared with the NIS 1,684 thousand for the corresponding period last year. The change results from the non-inclusion in this section of expenses of the subsidiary who exited the consolidation during the previous quarter.

Other expenses - the Company did not register other income for the quarter ending on September 30, 2012, in an amount of NIS 2,041 from capital gains attributed to the D-Pharm deal and additional capital gains attributed to a decrease in BioMarCare holdings compared to the loss of about NIS 284 thousand during the corresponding period last year – that resulted from the impairment of fixed assets

R&D Expenses:

The following is a description of the R&D expenses incurred in the held companies in the quarter ending on September 30, 2012, compared to the R&D of the corresponding year

	September 30, 2012	September 30, 2011
	Thousands of NIS	Thousands of NIS

	Subsidiaries	
Verto	-	18
Enlivex	396	908
KAHR	1,842	1,095
BioMarCare (included beginning from the 2 nd quarter)		335
Total in subsidiaries	2,238	2,356
	Affiliates	
Cell Cure	1,653	381
ProtAb	790	1,949
Thrombotech (Not affiliated as of Q3)	-	743
BioMarCare	691	
Total in affiliates	3,134	3,073
Total R&D expenses	5,372	5,429

The Company's investments in the Investees serve, for the most part, to finance those companies' research and development activities. Additionally, these investments assist the Investees in raising additional funds, specifically support funds received from the Office of the Chief Scientist at the Ministry of Industry, Trade and Labor. It should be noted that this external financing received from the Chief Scientist does not dilute the Company's holding in the Portfolio Companies, and may reach a total of 50% of their total research and development expenses.

F. Liquidity status

For the quarter that ended on September 30, 2012, cash used in operating activities amounted to a total of NIS 3,518 thousand, as compared with NIS 3,161 for the corresponding quarter last year.

Cash flows provided from investing activities for the quarter that ended on September 30, 2012 amounted to approx. NIS 1,087 thousand, and resulted mainly from the exercise of tradable securities similar to cash flows resulting from investment activities in the amount of NIS 840 thousand, for the corresponding quarter last year, mainly as a result of the investment in tradable securities.

Cash flows arising from financing activities for the quarter that ended on September 30, 2012 amounted to a total of approx. NIS 4,877 thousand, in comparison to the amount of NIS 27 thousand in the corresponding quarter last year – mainly as a result of the issuance of Company equity during September 2012.

G. Economic exposures and exposure to market risks and methods for handling them

As of the report date, the potential risks embedded in the Company's activities are:

- 1. Market risks:** changes in the price of the Company's shares in the stock exchange (which can lead to (series 4 and series 6) warrants not being exercised); change in share price of BioLine and D-Pharm.
- 2. Economic exposures:** economic slowdown materially influences the ability of the Company to recruit financial resources. Adequate financial resources are the input required to portfolio companies in order to advance research and development processes. Without adequate financial resources, the portfolio companies cannot acquire the input required for the performance of R&D and for preparing and entering the phase of clinical trials on humans. The Company is raising capital through several means.

Other than the above, the Company has not yet identified additional market risks that it is exposed to during its operations. With identifying such market risks, the Company determines instructions for managing the said risks. The entity responsible in the Company for the management of market risks is the CEO of the Company, Mr. Ophir Shahaf.

H. Directors possessed of accounting and financial expertise

In light of the complexity of the Company's accounting and financial affairs, the Company's board of directors determined, in accordance with the provisions of Section 92(a)(12) of the Companies Law, 5759 - 1999, that the Company's board of directors will include at least two directors possessed of accounting and financial expertise; in other words, directors who do not fulfill an additional role in the Company, and by virtue of their education, experience and skills, are possessed of significant expertise and understanding with regard to business and accounting matters and financial statements, in a manner that enables them to understand the financial statements in depth, and to discuss issues related to the manner of presentation of the financial statements.

As of the report date, all of the directors serving in the Company fulfill the established criteria with regard to accounting and financial expertise, and also with regard to professional qualifications, by virtue of their education and experience in company management.

I. Report regarding independent directors

The Company has not yet adopted into its Articles of Incorporation the provision set forth in Section 219(e) of the Companies Law, 5759 - 1999, with regard to the number of independent directors.

As of the report date, three independent directors are serving in the Company (these two are Ms. Michal Sapir and Mr. Yaron Kulas, and Mr. Doron Berger).

On July 17, Prof. Adi Raveh, director in the Company and member of the Company's balance sheet, passed away. May his memory be blessed.

J. Details regarding the approval process for the Corporation's financial statements

The corporate organs responsible for over-supervision are the Chairman of the Board - Dr. Rafi Hofstein, and the CEO of the Company - Mr. Ophir Shahaf.

The financial statements are prepared by the Company's CEO, with the assistance of the CFO and the Company's financial staff. After performance of the auditor's review, and prior to their approval by the Company's board of directors, the draft statements are delivered for the advance review of specific directors serving as the Company's balance sheet committee - Mr. Yaron Kulas, chairman (external director), and Ms. Michal Sapir (external director), and Mr. Doron Berger, who review the statements and deliver their remarks and recommendations to the board of directors several days before the date established for the board of directors' meeting, in accordance with the provisions of the Companies

Regulations (Provisions and Conditions Regarding the Approval Process for Financial Statements), 5770 - 2010 (hereinafter: the “**Approval Process Regulations**”).

All balance sheet committee members were determined by the Company’s board of directors as possessing accounting and financial expertise, and in any case are possessed of the ability to read and understand financial statements. All committee members have delivered a statement as required in Section 1(1) of the Approval Process Regulations.

Approval process in the balance sheet committee

The Company’s financial statements were discussed in a balance sheet committee meeting held on November 18, 2012. All balance committee members participated in the discussion. The meeting was also attended by the Company’s auditor, the Company’s internal auditor, the Company’s CEO and other invited consultants. In the meeting, discussions were held regarding the effectiveness of internal control over financial reporting and disclosure, as well as a discussion of principles with regard to estimates and evaluations made by the Company, and the completeness and appropriateness of disclosure, accounting policy and accounting treatment. Additionally, recommendations to the board of directors were formed with regard to the approval process of the financial statements.

Details regarding the processes used by the balance sheet committee for the purpose of forming its recommendation to the board of directors

Prior to the meeting, the following were sent to the committee for review: [A] the Company’s draft quarterly financial statements; [B] supporting documents used in the preparation of the financial statements.

As part of the meeting, a presentation was made to those attending, and an evaluation was conducted by the committee members, regarding the estimates and assessments made with respect to the financial statements, the processes of internal control over financial reporting, the risk management policy, the completeness and appropriateness of the financial statements, the accounting policy and accounting treatment applied with regard to material issues, and the figures presented in the Company’s financial statements.

The information accompanying the figures presented in the financial statements was reviewed by the directors, including information regarding the Company’s financial and operational position.

Following consultation with the Company's auditors, the balance sheet committee members reached a conclusion that the Company had applied a proper accounting policy, and had used proper estimates and assessments.

The committee formed recommendations with regard to the approval of the Company's financial statements, and these were delivered for the review of the Company's directors approx. two days before the Board's meeting, which is a reasonable period of time in the opinion of the Company's board of directors.

The Company's financial statements were discussed and approved in a meeting held by the Company's board of directors on November 25, 2012. In the board of directors meeting, the recommendations of the balance sheet committee were presented to the Board members, and a review and analysis was conducted by the Company's CEO regarding the main points of the financial statements, including those pertaining to the results of its operations, its financial position, cash flows, etc. Major transactions for the period were also presented. The board of directors meeting was attended by the Company's auditors and the balance sheet committee chairman (Mr. Yaron Kulas).

K. Corporate Officers and details regarding compensation of the Company's senior corporate officers

During the quarter, the Company appointed a new director (Dr. Einat Zisman) and Ms. Michal Sapir was reappointed as an external director of the Company (second term).

During the reporting month, the general assembly approved for the Company the allocation of 20,000 (non-tradable) options for each of the external directors serving in the Company.

The Company does not pay salaries to its employees. Management services are granted to the Company from Hadasit (a holder of control). For details regarding the management agreement signed between the Company and Hadasit – see the chapter on the Company's business in the annual report for 2011 (reference: 2012-01-078078).

Inter alia, in light of the internal control procedures and internal control requirements, the Company recruited a Chief Financial Officer and Assistant Chief Financial Officer. Their salary was transferred from the Company to Hadasit and Hadasit will pay the actual salary without collecting consideration for it. The Company's audit committee, and after it the Company's board of directors, confirmed the transfer of the said amount from the Company to Hadasit (the controlling shareholder) and the

payment of the salary by Hadasit to the two employees is a transaction that can only benefit the Company.

L. Donations policy

As of the report date, the Company has not yet adopted a donations policy. However, the Company's Articles of Incorporation state that the Company may donate reasonable sums of money towards worthy causes.

M. Internal auditor

During the report period, no material changes occurred on the subjects specified in Regulation 10(b)(11) of the Securities Regulations (Periodic and Immediate Reports), 5730 - 1970.

N. Report regarding exposure to market risks and methods for handling them:

The Company's cash and cash equivalents balances are deposited in Israeli banking corporations possessed of an A rating.

According to the Company's policy, the Company invests its liquid balances in NIS and USD deposits, and also in corporate bonds which hold a rating of A or higher.

The officers responsible for managing the Company's market risks are Mr. Ophir Shahaf, the Company's CEO, and Dr. Rafi Hopstein, the Chairman of the Board.

O. Linkage balance sheet of the balance of financial assets and liabilities:

The following are the linkage conditions of monetary balances as of September , 2012 (thousands of NIS):

	In non- linked NIS	In CPI- linked NIS	In foreign currency or linked thereto	Total
<u>Assets</u>				
Cash and cash equivalents	7,055	-	12,523	19,578
Investments in marketable securities	5,441	3,903	-	9,354
Receivables and others	758	203	-	961
Available-for-sale financial assets	2,719	-	-	2,719
Non-current assets:				
Rental fees receivable	-	1,080	-	1,080
Total assets	15,983	5,186	12,523	33,692
<u>Liabilities</u>				
Liabilities :				
Suppliers and service providers	899	-	261	1,160
Accounts payables	522	499	-	1,021
Non-current liabilities:				
Royalties payable	-	-	2,151	2,151
Expenses payable	--	2,653	-	2,653
Total liabilities	1,421	3,152	2,412	6,985
Surplus of financial assets / over financial liabilities	14,562	2,034	10,111	16,707

The following are the linkage conditions of monetary balances as of September 2011 (thousands of NIS):

	In non- linked NIS	In CPI- linked NIS	In foreign currency or linked thereto	Total
<u>Assets</u>				
Continuous assets:				
Cash and cash equivalents	4,797	-	6,082	10,879
Investments in marketable securities	12,490	4,477	-	16,967
Receivables and others	1,058	178	-	1,223
Available-for-sale financial assets	373	-	-	373
Non-current assets:				
Investment in options of affiliates	-	-	507	507
Rental fees receivable	-	1,005	-	1,005
Total assets	18,718	5,647	6,589	30,954
<u>Liabilities</u>				
Current Liabilities:				
Suppliers and service providers	1,114	-	862	1,976
Accounts payable	774	491	-	1,265
Loans from external shareholders in subsidiaries	-	-	297	297
Non-current liabilities:				
Royalty payable	-	38	913	951
Expenses payable	-	2,986	-	2,986
Total liabilities	1,888	3,515	2,072	7,475
Surplus of financial assets over liabilities	16,830	2,132	4,517	23,479

P. Sensitivity tests

The Company performed sensitivity tests in respect of changes in ranges of 5% and 10% for the relevant market factors.

Currency risk:

The Group holds balances in foreign currency, mainly in USD, resulting in exposure to volatility in USD/NIS exchange rates. The following table presents the effects of potential losses by Group resulting from an increase / decrease of 10% and 5% in the USD/NIS exchange rate:

<u>Sensitivity to changes in the USD/NIS exchange rate</u>					
	Profit from the changes		Fair value as of September 30, 2012: USD/NIS 3.912	Loss from the changes	
	Increase of 10% in market factor (USD/NIS 4.303)	Increase of 5% in market factor (USD/NIS 4.108)		Decline of 5% in market factor (USD/NIS 3.716)	Decline of 10% in market factor (USD/NIS 3.521)
Thousands of NIS					
Exposure in the linkage balance sheet	1,011	506	10,111	(506)	(1,011)

The Group's exposure to changes in the exchange rates of other foreign currencies amounted to immaterial sums.

The expected exposure of changes in the consumer price index on the Group's losses:

<u>Sensitivity to changes in the consumer price index</u>					
	Profit from the changes		Index as of September 30, 2012 122.92 points*	Loss from the changes	
	Increase of 10% in market factor (135.21)	Increase of 5% in market factor (129.07)		Decline of 5% in market factor (116.77)	Decline of 10% in market factor (110.63)
Thousands of NIS					
Exposure in the linkage balance sheet	203	102	2,034	102	203

The changes chosen for the relevant risk variables were selected based on estimates made by management regarding reasonably possible changes in these risk variables.

The evaluation of the aforementioned risk factors was performed on the basis of the materiality of the exposure of the results of operations in respect of each risk factor, with respect to the operating currency, and assuming that all other variables will remain constant.

Q. Critical accounting estimates

For details regarding the Company's critical accounting estimates, see Note 3 of the Company's financial statements as of August 23, 2011.

Date: November 25, 2012

Ophir Shahaf

CEO

Dr. Rafi Hofstein

Chairman of the Board

HBL - Hadasit Bio-Holdings Ltd.

**Condensed Consolidated Financial Statements
as of September 30, 2012**

(Unaudited)

HBL - Hadasit Bio-Holdings Ltd.

Condensed Consolidated Financial Statements as of September 30, 2012

(Unaudited)

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**Review Report of the Independent Auditor to the share holders of
Hadasit Bio-Holdings Ltd.**

Introduction

We have reviewed the accompanying financial information of **Hadasit Bio-Holdings Ltd.** (hereafter- "the Company") and subsidiaries (hereafter- "the group") which includes the condensed consolidated statement of financial position as of September 30, 2012 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the periods of nine and three months ended on that date. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the interim condensed financial information of company that was consolidated, whose assets included in consolidation constitute approximately 0.7% of total consolidated assets as of September 30, 2012, and whose results included in consolidation constitute approximately 19% and 10%, respectively, of total consolidated results for the periods of nine and three months ended on that date. The condensed financial information for interim periods of that company was reviewed by other auditors, whose review reports have been submitted to us, and our conclusion, insofar as it relates to the financial information included for that company, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to what was stated in the previous paragraph, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Brightman Almagor Zohar & Co.
Certified Public Accountants

Jerusalem, November 25, 2012.

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

	As of September 30		As of
	2012	2011	December 31
	NIS Thousands		2011
	Unaudited		Audited
<u>Current assets</u>			
Cash and cash equivalents	19,578	(*)10,879	10,154
Investment in marketable securities	9,354	16,967	15,154
Accounts receivable and other current asset	1,000	1,246	1,436
Available-for-sale financial assets	2,719	373	353
	<u>32,651</u>	<u>29,465</u>	<u>27,097</u>
<u>Non-current assets</u>			
Restricted cash	485	(*) 436	448
Prepaid expenses	-	12	12
Investment in associates	13,312	12,581	12,386
Investment in options of associates	-	507	395
Rental fees receivable	1,080	1,005	966
Fixed assets, net	307	534	498
Intangible assets	1,609	1,856	1,794
	<u>16,793</u>	<u>16,931</u>	<u>16,499</u>
Total assets	<u>49,444</u>	<u>46,396</u>	<u>43,596</u>
<u>Current liabilities</u>			
Trade payables	1,160	1,976	1,702
Accounts payable and other current liabilities	1,295	1,591	1,611
Loans from external shareholders in subsidiaries, net	-	297	341
	<u>2,455</u>	<u>3,864</u>	<u>3,654</u>
<u>Non-current liabilities</u>			
Liabilities in respect of benefits to employees	67	58	67
Royalties payable	2,151	951	1,311
Accrued expenses	2,653	2,986	2,872
Deferred income	-	-	80
	<u>4,871</u>	<u>3,995</u>	<u>4,330</u>
<u>Capital</u>			
Share capital	1,265	875	875
Shares premium	112,979	98,645	99,365
Warrants	2,065	10,902	10,902
Capital fund from operations with controlling shareholder	754	754	754
Equity settled employee benefits reserved	1,901	2,771	2,126
Capital fund for available-for-sale financial assets	(326)	115	95
	<u>118,638</u>	<u>114,062</u>	<u>114,117</u>
Accumulated deficit	<u>(84,084)</u>	<u>(79,283)</u>	<u>(82,182)</u>
Total capital attributable to owners of the Company's capital interests	<u>34,554</u>	<u>34,779</u>	<u>31,935</u>
Non-controlling interests	<u>7,564</u>	<u>3,758</u>	<u>3,677</u>
Total capital	<u>42,118</u>	<u>38,537</u>	<u>35,612</u>
Total liabilities and capital	<u>49,444</u>	<u>46,396</u>	<u>43,596</u>

(*) Reclassified

November 25, 2012

**Approval date of the
financial statements**

**Dr. Rafi Hofstein
Chairman of the Board**

**Ophir Shahaf
CEO**

**Liat Hadad
CFO**

The accompanying notes are an integral part of the financial statements

HBL - Hadasit Bio-Holdings Ltd.
Condensed Consolidated 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
	2012	2011	2012	2011	2011
	NIS Thousands		NIS Thousands		NIS Thousands
	Unaudited		Unaudited		Audited
Research and development expenses	(4,277)	(6,654)	(2,238)	(2,356)	(7,955)
Marketing expenses	(18)	(16)	(2)	(8)	(23)
General and administrative expenses	(4,453)	(5,316)	(1,441)	(1,684)	(7,120)
Other income (expenses), net	6,722	(1,426)	2,041	(284)	(1,426)
Operating loss	(2,026)	(13,412)	(1,640)	(4,332)	(16,524)
Financial income	731	1,263	156	711	1,620
Financial expenses	(1,753)	(836)	(781)	(320)	(1,426)
Financial income (expenses), net	(1,022)	427	(625)	391	194
Loss after financing	(3,048)	(12,985)	(2,265)	(3,941)	(16,330)
Share in results of investees companies	(5,036)	(8,070)	(2,101)	(1,691)	(8,265)
Loss for the period	(8,084)	(21,055)	(4,366)	(5,632)	(24,595)
Other Comprehensive loss					
Loss from fair value adjustment of available-for-sale financial assets	(421)	(618)	(353)	(132)	(638)
Total comprehensive loss for the period	(8,505)	(21,673)	(4,719)	(5,764)	(25,233)
Loss for the period attributable to:					
Owners of the company's capital interests	(6,042)	(19,146)	(3,088)	(5,014)	(22,045)
Non-controlling interests	(2,042)	(1,909)	(1,278)	(618)	(2,550)
	(8,084)	(21,055)	(4,366)	(5,632)	(24,595)
Comprehensive loss for the period attributable to:					
Owners of the company's capital interests	(6,463)	(19,764)	(3,441)	(5,146)	(22,683)
Non-controlling interests	(2,042)	(1,909)	(1,278)	(618)	(2,550)
	(8,505)	(21,673)	(4,719)	(5,764)	(25,233)
Loss per ordinary share of NIS 0.01 par value					
Basic and diluted loss per share (in NIS)	(0.07)	(0.22)	(0.03)	(0.06)	(0.25)
Number of shares used in the above calculation (in thousands)	91,875	87,523	100,537	87,523	87,523

The accompanying notes are an integral part of the financial statements

HBL - Hadasit Bio-Holdings Ltd.
Condensed Statements of Changes in Shareholders' Equity

	Share Capital	Shares Premium	Warrants	Capital Fund from Operations with Controlling Share-holder	Equity settled employee benefits reserved	Capital Fund for Available- For-Sale Financial Assets	Accumulated deficit	Total	Non- Controlling Interests	Total Capital
	NIS Thousands									
For the Period of Nine months Ended September 30, 2012 (Unaudited)										
Balance as of January 1, 2012	875	99,365	10,902	754	2,126	95	(82,182)	31,935	3,677	35,612
Investment of the minority interest in a subsidiary	-	-	-	-	-	-	4,140	4,140	5,728	9,868
Fair value adjustment of available- for-sale financial assets	-	-	-	-	-	(421)	-	(421)	-	(421)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	263	263
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	(276)	(276)
Deleting loans from minority share holders of a subsidiary	-	-	-	-	-	-	-	-	214	214
Share-based payment	-	-	-	-	71	-	-	71	-	71
Expiration of Employee options	-	296	-	-	(296)	-	-	-	-	-
Implementation of options	(*) -	26	(4)	-	-	-	-	22	-	22
Expiration of tradable options	-	9,288	(9,288)	-	-	-	-	-	-	-
Issue of capital	390	4,004	455	-	-	-	-	4,849	-	4,849
Loss for the period	-	-	-	-	-	-	(6,042)	(6,042)	(2,042)	(8,084)
Balance as of September 30, 2012	<u>1,265</u>	<u>112,979</u>	<u>2,065</u>	<u>754</u>	<u>1,901</u>	<u>(326)</u>	<u>(84,084)</u>	<u>34,554</u>	<u>7,564</u>	<u>42,118</u>
For the Period of Nine months Ended September 30, 2011 (Unaudited)										
Balance as of January 1, 2011	875	98,645	10,902	754	2,432	733	(61,231)	53,110	(51)	53,059
Investment of the minority interest in a subsidiary	-	-	-	-	-	-	1,094	1,094	5,259	6,353
Fair value adjustment of available- for-sale financial assets	-	-	-	-	-	(618)	-	(618)	-	(618)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	459	459
Share-based payment	-	-	-	-	339	-	-	339	-	339
Loss for the period	-	-	-	-	-	-	(19,146)	(19,146)	(1,909)	(21,055)
Balance as of September 30, 2011	<u>875</u>	<u>98,645</u>	<u>10,902</u>	<u>754</u>	<u>2,771</u>	<u>115</u>	<u>(79,283)</u>	<u>34,779</u>	<u>3,758</u>	<u>38,537</u>

(*) Represent a sum less than NIS 1,000

The accompanying notes are an integral part of the financial statements

HBL - Hadasit Bio-Holdings Ltd.
Condensed Statements of Changes in Shareholders' Equity

	Share Capital	Shares Premium	Warrants	Capital Fund from Operations with Controlling Share- holder	Equity settled employee benefits reserved	Capital Fund for Available- For-Sale Financial Assets	Accumulated deficit	Total	Non- Controlling Interests	Total Capital
	NIS Thousands									
For the Period of Three Months Ended on September 30, 2012 (Unaudited)										
Balance as of July 1, 2012	875	108,975	1,610	754	1,879	27	(81,122)	32,998	8,586	41,584
Investment of the minority interest in a subsidiary	-	-	-	-	-	-	126	126	-	126
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(353)	-	(353)	-	(353)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	42	42
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	-	-	-
Deleting loans from minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	214	214
Share-based payment	-	-	-	-	22	-	-	22	-	22
Implementation of options	-	-	-	-	-	-	-	-	-	-
Expiration of tradable options	-	-	-	-	-	-	-	-	-	-
Issue of capital	390	4,004	455	-	-	-	-	4,849	-	4,849
Loss for the period	-	-	-	-	-	-	(3,088)	(3,088)	(1,278)	(4,366)
Balance as of September 30, 2012	1,265	112,979	2,065	754	1,901	(326)	(84,084)	34,554	7,564	42,118
For the Period of Three Month Ended on September 30, 2011 (Unaudited)										
Balance as of July 1, 2011	875	98,645	10,902	754	2,671	247	(74,269)	39,825	4,350	44,175
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(132)	-	(132)	-	(132)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	26	26
Share-based payment	-	-	-	-	100	-	-	100	-	100
Loss for the period	-	-	-	-	-	-	(5,014)	(5,014)	(618)	(5,632)
Balance as of September 30, 2011	875	98,645	10,902	754	2,771	115	(79,283)	34,779	3,758	38,537

The accompanying notes are an integral part of the financial statements

HBL - Hadasit Bio-Holdings Ltd.
Condensed Statements of Changes in Shareholders' Equity

	Share Capital	Shares Premium	Warrants	Capital Fund from Operations with Controlling Share- holder	Equity settled employee benefits reserved	Capital Fund for Available- For-Sale Financial Assets	Accumulated deficit	Total	Non- Controlling Interests	Total Capital
	NIS Thousands									
<u>For the year ended December 31, 2011</u>										
<u>(Audited)</u>										
Balance as of January 1, 2011	875	98,645	10,902	754	2,432	733	(61,231)	53,110	(51)	53,059
Fair value adjustment of available- for-sale financial assets	-	-	-	-	-	(638)	-	(638)	-	(638)
Investment in subsidiary - transaction with minority interest	-	-	-	-	-	-	1,094	1,094	5,259	6,353
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	1,019	1,019
Share-based payment	-	-	-	-	414	-	-	414	-	414
Expiration of options	-	720	-	-	(720)	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	(22,045)	(22,045)	(2,550)	(24,595)
Balance as of December 31, 2011	875	99,365	10,902	754	2,126	95	(82,182)	31,935	3,677	35,612

The accompanying notes are an integral part of the financial statements

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

	For the period of nine months ended September 30		For the period of three month ended September 30		For the year ended December 31
	2012	2011	2012	2011	2011
	NIS Thousands		NIS Thousands		NIS Thousands
	Unaudited		Unaudited		Audited
<u>Cash flows- operating activities</u>					
Loss for the period	(8,084)	(21,055)	(4,366)	(5,632)	(24,595)
Adjustments required to reconcile loss to net cash from operating activities (Appendix A)	(560)	11,515	848	2,471	12,256
Net cash used in operating activities	(8,644)	(9,540)	(3,518)	(3,161)	(12,339)
<u>Cash flows - investing activities</u>					
Interest receipts	424	627	92	113	702
Investment in marketable securities	-	-	-	-	(7,431)
Realization of marketable securities	5,872	3,749	2,001	749	12,986
Investments in investees	(2,335)	-	(1,000)	-	-
Deconsolidation of a subsidiary (Appendix B)	(660)	-	-	-	-
Realization of short term deposits	-	(*) 412	-	-	410
Purchase of fixed assets	(63)	(69)	(6)	(22)	(81)
Net cash provided by investing activities	3,238	4,719	1,087	840	6,586
<u>Cash flows - financing activities</u>					
Interest payments and bank fees	(14)	(20)	(5)	(5)	(29)
Loans from the Chief Scientist	238	76	33	32	147
Investment of the minority interest in a subsidiary	9,742	6,353	-	-	6,353
Credit from banks	-	(13)	-	-	(13)
Implementation of options	22	-	-	-	-
Issuance of share capital, net	4,849	-	4,849	-	-
Net cash provided by financing activities	14,837	6,396	4,877	27	6,458
Exchange rate fluctuation on the balance of cash equivalents	(7)	(*) 503	(30)	(*) 491	648
Increase (decrease) in cash and cash equivalents	9,424	2,078	2,416	(1,803)	1,353
Cash and cash equivalents at the beginning of the period	10,154	(*) 8,801	17,162	(*) 12,682	8,801
Cash and cash equivalents at the end of the period	19,578	(*) 10,879	19,578	(*) 10,879	10,154

(*) Reclassified

The accompanying notes are an integral part of the financial statements

HBL - Hadasit Bio-Holdings Ltd.
Condensed Consolidated 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
2012	2011	2012	2011	2011
NIS Thousands		NIS Thousands		NIS Thousands
Unaudited		Unaudited		Audited

Appendix A - Adjustments Required to reconcile loss to net Cash Flows from Operating Activities

Items not involving cash flows:

Share in results of investees companies	5,036	8,070	2,101	1,691	8,265
Capital gain from deconsolidation	(6,722)	-	(2,041)	-	-
Depreciation and amortization	300	550	97	129	660
Financial expenses	1,753	836	781	320	1,426
Financial income	(731)	(1,263)	(156)	(711)	(1,620)
Share-based payment	71	339	22	100	414
Share-based payment in subsidiaries	263	459	42	26	1,019
Increase in liabilities for employee benefits	-	-	3	3	9
Provision for impairment	-	1,426	-	284	1,426

Changes in assets and liabilities items:

Decrease (increase) accounts receivable and other current assets	(236)	1,358	99	632	1,242
Increase (decrease) in accounts payable and other current liabilities and other liabilities	352	(264)	(57)	(287)	(187)
Decrease in accrued expenses	(321)	(358)	(103)	(70)	(478)
Increase in deferred income	16	-	-	-	-
Increase (decrease) in trade payables	(341)	362	60	354	80
	<u>(560)</u>	<u>11,515</u>	<u>848</u>	<u>2,471</u>	<u>12,256</u>

Appendix B- Deconsolidation of a Subsidiary

Accounts receivables and other current assets	1,007	-	-	-	-
Investment in the associates	(4,387)	-	-	-	-
Rental fees receivable	(195)	-	-	-	-
Fixed assets, net	141	-	-	-	-
Trade payables	(201)	-	-	-	-
Accounts payable and other current liabilities	(675)	-	-	-	-
Royalties payable	(646)	-	-	-	-
Deferred income	(109)	-	-	-	-
Non-controlling interests	(276)	-	-	-	-
Capital gain from deconsolidation	4,681	-	-	-	-
Cash and cash equivalents	<u>(660)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 1 - General

- A. HBL - Hadasit Bio-Holdings Ltd (hereinafter: the "Company"), was founded on September 19, 2005, by Hadasit Medical Research Services & Development Ltd. (hereinafter: "Hadasit"). The Company's main office is located in Jerusalem.

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

In September 2005, an agreement was signed between Hadasit and the Company, after which, in January 2006, Hadasit transferred to the Company its holding in a number of information-rich companies active in the field of medical and bio-technological research and development (hereinafter: the "R&D Companies"). The transfer of holdings was implemented in order to enable the Company to raise funds from the public through the public offering and registration of its securities for trading on the Tel Aviv Stock Exchange (hereinafter: the "Stock Exchange").

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

Hadassah is a medical institution that includes two hospitals in the city of Jerusalem: "Hadassah Ein Kerem" and "Hadassah Har Hatzofim", in addition to medical schools and research centers.

Hadasit is the technology transfer office of Hadassah. Discoveries and developments produced by doctors at Hadassah (hereinafter: the "Researchers") are transferred for handling to Hadasit, whose responsibility is to maintain intellectual copyrights, to raise funds and to market the scientific discoveries.

The commercialization of scientific ideas and fundraising is performed by Hadasit, by founding Investees which are given license to use the intellectual property, and which work to commercialize the scientific discoveries developed at Hadassah. Hadasit and the R&D Companies were established in this manner.

In January 2006, the Company performed its initial public offering of shares and warrants on the Stock Exchange.

- B. See the current summary statements for details regarding the Company's financial statements as of December 31, 2011, and for the year then ended on the same date, as well as their accompanying notes.

C. Definitions:

The Company - HBL - Hadasit Bio-Holdings Ltd.

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

Related Parties - As defined in IAS 24.

Interested Parties - As defined in the Securities Law, 5728 - 1968, including regulations enacted thereupon.

Controlling Shareholders - As defined in the Securities Regulations (Yearly Financial Statements), 5770 - 2010.

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

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 1 - General (cont.)

C. Definitions (cont.):

Dollar	-	United States Dollar.
Subsidiaries	-	Companies over which the Company holds control (as defined in IAS 27), whether directly or indirectly, and whose financial statements are fully consolidated with the Company's statements.
Associates	-	Companies over which the Company has material influence, and where the Group's investments in those companies, whether directly or indirectly, is included in the financial statements using the equity method.
Investees	-	Subsidiaries and Associates.
Other Companies	-	Companies which are held by the Company, and over which it does not have control, joint control, or material influence.

Note 2 - Significant Accounting Policies

A. Basis for Presentation of the Financial Statements:

The Group's summary consolidated financial statements (hereinafter: the "Interim Financial Statements") were prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (hereinafter: "IAS 34").

In preparing these interim financial statements, the Group applied accounting policies, presentation principles and calculation methods that were identical to those used in the preparation of its financial statements as of December 31, 2011, and for the year then ended.

B. The summary consolidated financial statements were prepared in accordance with the disclosure provisions set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730 - 1970.

C. Exchange rates and linkage basis:

- (1) Balances in foreign currency, or linked to foreign currency, are included in the financial statements according to their representative exchange rates, as these were published by the Bank of Israel and were in effect as of the end of the reporting period.
- (2) CPI-linked balances are presented according to the last known index at the end of the reporting period (the index for the month preceding the month of the reporting date), or according to the index for the last month of the reporting period (the index for the month of reporting date), depending on the details of the transaction.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 2 - Significant Accounting Policies (cont.)

C. Exchange rates and linkage basis (cont.):

(3) The following are exchange rate data for the Dollar and the Index:

	Representative USD Exchange Rate (NIS per 1 USD)	Index in Israel (*)	
		Actual Index	Known Index
		Points	Points
Date of the financial statements:			
As of September 30, 2012	3.912	122.92	122.92
As of September 30, 2011	3.712	120.38	120.61
As of December 31, 2011	3.821	120.38	120.38
	%	%	%
Rates of change:			
For the nine month period ended			
September 30, 2012	2.38	2.11	2.11
September 30, 2011	4.59	2.17	2.75
For the three month period ended:			
September 30, 2012	(0.28)	1.14	0.85
September 30, 2011	8.69	-	0.58
For the year ended December 31, 2011	7.66	2.55	2.17

(*) Based on a 2002 average.

Note 3 - Newly Published Financial Reporting Standards and Interpretations

New standards, amendments to standards and interpretations which were published and are not in effect, which were not adopted by the Group, and which are expected to have an impact on subsequent periods:

IFRS 9 - "Financial Instruments"

The new Standard sets forth the provisions pertaining to the classification and measurement of financial instruments. The Standard provides the following method for treatment of all financial assets:

- Debt instruments will be classified and measured after initial recognition at amortized cost, or at fair value through profit and loss. The measurement model will be determined in consideration of the entity's business model with regard to the management of financial assets, and in accordance with the characteristics of the contractual cash flows arising from those financial assets.
- A debt instrument which, according to the tests, is measured at amortized cost, may be designated to fair value through profit or loss, only if such designation cancels out an accounting mismatch in terms of recognition and measurement that would have been created had the asset not been measured at amortized cost.
Capital instruments will be measured at fair value through profit and loss.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 3 - Newly Published Financial Reporting Standards and Interpretations (cont.)

New standards, amendments to standards and interpretations which were published and are not in effect, which were not adopted by the Group, and which are expected to have an impact on subsequent periods (cont.):

IFRS 9 - "Financial Instruments" (cont.)

- At the time of initial recognition, capital instruments may be designated to fair value when income or loss is charged to other comprehensive income. Instruments designated as above will no longer be subjected to impairment tests, and profit or loss in respect of them will not be transferred to profit or loss, including at the time of their realization.
- Embedded derivatives will not be separated from host contracts that fall under the Standard's scope of application. Instead, hybrid contracts will be entirely measured at amortized cost, or at fair value, in accordance with the business model and contractual cash flow tests.
- Debt instruments will be reclassified from amortized cost to fair value, and vice versa, only when the entity changes its business model regarding the management of financial assets.
- Investments in capital instruments for which no quote exists in an active market, including derivatives of such instruments, will always be measured at fair value. The alternative involving measurement at cost, which was previously permitted in certain circumstances, was annulled. However, the Standard provides that in certain circumstances, cost may be an adequate approximation of fair value.

The Standard also includes the following provisions regarding financial liabilities:

- A change in the fair value of a financial liability which was designated upon initial recognition to fair value through profit and loss, and which is attributable to changes in the liability's credit risk, will be charged directly to other comprehensive income, unless such charge creates or increases an accounting mismatch.
- When a financial liability is repaid or settled, amounts charged to other comprehensive income will not be classified to the statement of income.
- All derivatives, whether assets or liabilities, will be measured at fair value through profit and loss, including derivative financial instruments that constitute a liability related to an unquoted capital instrument whose fair value is not reliably measurable.

The Standard's provisions apply to annual reporting periods beginning on or after January 1, 2015. Early adoption is possible. Additionally, and subject to the Standard's transitional provisions, early adoption may only be applied with regard to those provisions of the Standard which pertain to financial assets, without applying the aforementioned provisions to financial liabilities.

The Standard's provisions may be applied either prospectively or retrospectively, as chosen by the entity. Entities which initially apply the Standard on or after January 1, 2013 are not required to amend comparative figures, but are required to include certain disclosure requirements, as specified in IFRS 7.

At this stage, the Company's management is unable to estimate the impact that the Standard's adoption will have on its financial position and operating results.

HL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 3 - Newly Published Financial Reporting Standards and Interpretations (cont.)

New standards, amendments to standards and interpretations which were published and are not in effect, which were not adopted by the Group, and which are expected to have an impact on subsequent periods (cont.):

IFRS 10 - "Consolidated Financial Statements"

The Standard provides the following provisions regarding consolidated financial statements:

- An entity's control over a different entity will be determined based on a uniform model, irrespective of the other entity's status as a "special purpose entity". The above also included annulment of the SIC 12 interpretation, "Consolidation - Special Purpose Entities".
- An investor is deemed to hold control over another entity (hereinafter: the "Invested Entity") when the investor holds power over the Invested Entity, and has exposure to variable returns from its involvement in the Invested Entity, and can make use of its power in order to affect the rate of returns.
- The Standard includes provisions regarding the evaluation of the existence of "effective control" in cases here an entity holds less than half of the voting rights in another entity. For this purpose, the investor's stake in the Invested Entity will be evaluated, in addition to, *inter alia*, the scope and distribution of the stake held by the public.
- Potential voting rights in an Invested Entity will be taken into account for the purpose of determining the existence of control in cases where their terms confer a real ability to direct the Entity's relevant activities in the present.
- The Standard does not include changes to the principles applicable to the consolidation of financial statements.

The Standard will be retrospectively applied, excluding the exceptions specified in the Standard, for annual periods beginning on or after January 1, 2013. Early adoption is possible, provided it is performed simultaneously with IFRS 11 - "Joint Arrangements", IFRS 12 - "Disclosures of Interests in Other Entities", and IAS 28 (2011) - "Investments in Associates and Joint Ventures".

At this stage, the Company's management is unable to estimate the impact that the standard's adoption will have on its financial position and operating results.

IFRS 11 - "Joint Arrangements"

The Standard defines a joint arrangement as one in which two or more parties holds joint control (as defined in IFRS 10). The Standard further provides the following types of joint arrangements, and the accounting treatment for them:

- Activities under joint control include joint arrangements between parties holding joint control, which confer upon those parties interests in the assets and liabilities associated with the operation's undertakings. An entity holding joint control of an operation under joint control will recognize its shares in the operation's assets, liabilities, income and expenses in its consolidated financial statements.
- A joint venture is a joint arrangement between parties holding joint control over an arrangement, who hold the rights to the venture's net assets. An entity holding joint control of a joint venture will present its investment therein using the equity method, pursuant to IAS 28 (2011), "Investments in Associates and Joint Ventures".

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 3 - Newly Published Financial Reporting Standards and Interpretations (cont.)

New standards, amendments to standards and interpretations which were published and are not in effect, which were not adopted by the Group, and which are expected to have an impact on subsequent periods (cont.):

IFRS 11 - "Joint Arrangements"(cont.)

The Standard will be retrospectively applied, excluding the exceptions specified in the Standard, for annual periods beginning on or after January 1, 2013. Early adoption is possible, provided that it is performed simultaneously with IFRS 10 - "Consolidated Financial Statements", IFRS 12 - "Disclosures of Interests in Other Entities", and IAS 28 (2011) - "Investments in Associates and Joint Ventures".

At this stage, the Company's management is unable to estimate the impact that the standard's adoption will have on its financial position and operating results.

IFRS 12 - "Disclosure of Interests in Other Entities"

The Standard provides disclosure requirements regarding an entity's interests in subsidiaries, joint arrangements, associates and non-consolidated structured entities. The disclosures are intended to assist in the assessment of the substance and risks associated with the interests in the above entities, and of the impact of such interests on the reporting entity's financial statements.

The Standard will be retrospectively applied for annual reporting periods beginning on or after January 1, 2013. Early adoption is possible, provided it is performed simultaneously with IFRS 10 - "Consolidated Financial Statements", IFRS 11 - "Joint Arrangements", IFRS 12 - "Disclosures of Interests in Other Entities", and IAS 28 (2011) - "Investments in Associates and Joint Ventures". However, entities may include any of the new disclosures in their financial statements prior to the above date.

IAS 28 (2011) - "Investments in Associates and Joint Ventures"

The Standard includes the following provisions regarding the implementation of the equity method:

- The equity method will be applied equally to associates and joint ventures.
- When an investment in a joint venture is classified as an investment in an associate, or vice versa, the entity's interests in the investee are not re-measured.
- In the event of a decrease in the stake in a joint venture or associate, which does not result in discontinuing the application of the equity method, the investor will reclassify to profit or loss only a relative part of the amounts which were previously recognized under other comprehensive income.
- Part of the investment according to the equity method will be classified as a non-current asset held for sale, provided that the part in question fulfills the conditions for classification as such.

The Standard will be retrospectively applied for annual reporting periods beginning on or after January 1, 2013. Early adoption is possible, provided that it is performed simultaneously with IFRS 10 - "Consolidated Financial Statements", IFRS 11 - "Joint Arrangements" and IFRS 12 - "Disclosures of Interests in Other Entities".

At this stage, the Company's management is unable to estimate the impact that the Standard's adoption will have on its financial position and operating results.

HL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 3 - Newly Published Financial Reporting Standards and Interpretations (cont.)

New standards, amendments to standards and interpretations which were published and are not in effect, which were not adopted by the Group, and which are expected to have an impact on subsequent periods (cont.):

IFRS 13 - "Fair Value Measurement"

The Standard replaces the specific guidelines for fair value measurement that were provided in various international financial reporting standards, with guidelines which will be grouped together in a single standard, which will serve as a guide for fair value measurement. Accordingly, guidelines were established regarding fair value measurement for all items measured at fair value in the statement of financial position, or for disclosure purposes.

The Standard defines fair value as the amount that would be received from the sale of an asset, or paid upon the transfer of a liability, in a transaction made in the ordinary course of business between market participants on the measurement date.

The Standard provides the various methods by which fair value can be measured, and states that use should be made of valuation techniques which make maximum use of projected market data. Regarding the fair value measurement of financial assets, the Standard provides that the optimal use of such assets should be estimated, and such estimation should be used to assess their fair value.

The standard will be prospectively applied to annual periods beginning on or after January 1, 2013. Early adoption is possible.

At this stage, the Company's management is unable to estimate the impact that the Standard's adoption will have on its financial position and operating results.

Amendment to IAS 1 (Revised) - "Presentation of Financial Statements" (Regarding the presentation of a report on the financial situation at the beginning of the previous period)

In the framework of the amendment it is established that in the event when an entity retroactively implements an accounting policy and/or performs a new representation and/or new classification of items in its financial statements, which fundamentally influences the statement on the last period's financial situation (of the reporting year), it should make a financial statement of the financial situation to date. Likewise, it is elucidated in the amendment that companies are not required to present annotations regarding this additional report on the financial situation. The amendment will be implemented retroactively regarding annual reporting period beginning on January 1, 2013 or thereafter. Earlier implementation is permitted.

Amendment to IAS 1 (Revised) - "Presentation of Financial Statements" (Regarding the presentation of a items of other comprehensive income in the statement of comprehensive income)

The Amendment provides that items included under other comprehensive income will be separated and presented under one of the following two groups:

- Items which will be classified in the future under the statement of income, and
- Items which will be classified in the future under the statement of income.

The Amendment further provides that, in the event that the other comprehensive income items are presented gross of tax, the total tax impact will be presented separately for each of the groups. The Standard will be retrospectively applied for annual reporting periods beginning on or after January 1, 2013. Early adoption is possible.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 3 - Newly Published Financial Reporting Standards and Interpretations (cont.)

New standards, amendments to standards and interpretations which were published and are not in effect, which were not adopted by the Group, and which are expected to have an impact on subsequent periods (cont.):

Amendment to IAS 32 - “Financial Instruments: Disclosure” (Offsetting of financial assets and financial liabilities)

The Amendment provides that in order to fulfill the conditions for offsetting a financial asset and financial liability, the offsetting rights cannot be dependent on a future event, and must be enforceable in the ordinary course of business, in the event of bankruptcy, insolvency or credit failure. Additionally, the net settlement conditions may also be met when the settlement is effectively performed in gross, if it does not result in significant credit risk or liquidity risk, and if the receivable amounts and payable amounts are part of a single settlement process. The Amendment will be retrospectively applied for annual reporting periods beginning on or after January 1, 2014. Early adoption is possible.

At this stage, the Company's management is unable to estimate the impact that the Amendment will have on its financial position and operating results.

Amendment to IFRS 7 - “Financial Instruments: Disclosure” (Offsetting of financial assets and financial liabilities)

The Amendment provides additional disclosure requirements regarding the offsetting of financial assets and financial liabilities, in order to enable an evaluation of the possible impacts of the various offsetting agreements. The Amendment will be retrospectively applied for annual reporting periods beginning on or after January 1, 2013. Early adoption is possible.

Note 4 - Significant Events During the Reporting Period:

A. The Company:

- (1) In February 2012, the Company's audit committee, and afterwards its board of directors, approved the extension of the exercise period of 11,815,830 (non-tradable) options for a period of two years. This is referring to the (non-tradable) options issued to three private investors on May 7, 2009, in the framework of a private placement. The general assembly that convened on April 18, 2012, decided not to approve the Company's request to extend the exercise period, and accordingly on May 7, 2012, all options expired.
- (2) In February 2012, the Company's audit committee, and afterwards its board of directors, approved the extension of the exercise period for the (series 3) options traded in the Stock Exchange such that they would be exercisable until May 7, 2014 instead of until May 7, 2012.

During March 2012, the Company submitted an application to the court to approve the extension. Due to objections that were filed, during May the court ordered for the shareholders and option holders to convene and vote on the extension of the exercise period. Similarly, the court granted the Company's request for temporary relief and ordered the extension of the exercise period of the (series 3) options until June 21, 2012.

On June 21, 2012, the (series 3) options expired, this being after the settlement procedure taken by the Company in accordance with section 350 of the Companies Law, 5759-1999, when the necessary majority was not received in the general meetings convened by the court.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

A. The Company (cont.)

- (3) On June 25, 2012, the Company's board of directors approved the plan for a private placement of 40,000 (non-tradable) options, exercisable for up to 40,000 ordinary shares, NIS 0.01 par value each, for two external directors of the Company. The board of directors approved the allocation to each of the offered, at no cost, 20,000 (non-tradable) options, exercisable for 20,000 ordinary shares, NIS 0.01 par value each.

The right to exercise the options is presented to the offered (through the trustee), immediately or by installments, and gradually as determined in the option agreement. The life of all of the options is 10 years, and they mature in equal amounts over three years. The vesting period begins on August 1, 2012. The cost of the inherent benefit of the abovementioned issued options, based on the fair value of the date of their issuance is estimated at about NIS 5,376.

The fair value of options granted as above is estimated based on the binomial model.

The parameters used in applying the model are:

<u>Component</u>	
Share price (NIS)	0.38
Exercise price (NIS)	2 (close to the index)
Life period of the stock option plan (in years)	10
Term of standard deviation (in percent)	60.1
Term of risk-free interest rate (in percent)	1.97
Employee turnover rate (in percent)	0
Factor of early realization (in percent)	2.5
Expected dividend rate (percent)	0

The issuance of the options is subject to receipt of approval from the general assembly, which was received on August 1, 2012.

- (4) On August 12, 2012, the Company published a shelf offer for a public issuance of shares and options to shares by way of issuing rights. The issuance of up to 39,317,928 ordinary shares and 13,105,976 (series 6) options by way of rights to entitled securities holders of the Company, such that each holder of 15 entitled securities of the Company would be entitled to purchase one right unit (totaling 6,552,988 right units).

By September 3, 2012, the last day to exercise the Rights, the Company has received notice of exercise for 6,496,792 Rights units to purchase 38,980,750 of the Company's ordinary shares at par value of 0.01 NIS each and 12,993,582 of the Company's options (series 6), representing 99.14% of the Rights offered.

The proceeds from the exercised Rights were 5,145,459 NIS (gross).

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries

(1) KAHR Medical Ltd. (hereinafter – “KAHR”)

- A) In January 2012, approval was given for an application submitted by KAHR for a Chief Scientist program, at a budget of NIS 1.95 million, and a weighted grant amount of 60% for research and development in Israel, and for an additional budget in the amount of NIS 549 thousand, along with a weighted grant amount of 30%, for R&D in connection with the development of a protein platform based on SCP technology, which is intended for the treatment of various types of cancer and autoimmune diseases. Royalties will be paid with revenues from development products.
- B) In June 2012, KAHR signed an investment agreement (hereinafter – the “Investment”) with new and existing investors to the issuance of preferred A shares.

In the investment round, KAHR raise more than NIS 10 million, at a company value of NIS 43 million pre-money. The new investor will invest about NIS 8 million in KAHR and will hold approximately 15% of KAHR's share capital. In addition, Sanofi (existing investor) will maintain its relative share in KAHR (about 20%) through the investment of an additional NIS 2 million. Within the investment round, the Company will invest about NIS 400 thousand in KAHR, such that its holding after the current investment round will be approximately 55%.

Within the current investment agreement it was established that KAHR's board of directors will not appoint more than eight directors.

Each of the shareholders holding 12% in the share capital of KAHR is entitled to appoint one director to the board of directors, in addition to the agreements made between the parties in regards to the makeup of the board of directors and the identities of KAHR's directors.

- C) Within this investment agreement, KAHR's CEO was issued 28,900 anti-dilutive stock options in KAHR.

Each option is exercisable into one ordinary share of KAHR, NIS 0.001 par value, against payment of an exercise price of NIS 0.01. the options fully mature at the date of their issuance. The price of the underlying asset is derived from the investment round in the Company and is USD 2.45 per share.

Since the exercise price is nil (NIS 0.01) in comparison with the share price (USD 2.45), the value of the options is derived from the stock price and in accordingly, there is no importance given to the chosen models and to other parameters that affect the value of the option.

The cost benefit inherent in the abovementioned issued options, based on the fair value of the date of issuance is estimated at an amount of USD 71 thousand (NIS 274 thousand).

In addition, 4,338 options were allocated to the Company's advisor in the framework of the Investment.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries (cont.)

(1) KAHR Medical Ltd. (hereinafter – “KAHR”) (cont.)

Each option is exercisable into one ordinary share of KAHR, NIS 0.001 par value, against payment of an exercise price of NIS 0.01. the options fully mature at the date of their issuance. The price of the underlying asset is derived from the investment round in the Company and is USD 2.45 per share.

Since the exercise price is nil (NIS 0.01) in comparison with the share price (USD 2.45), the value of the options is derived from the stock price and in accordingly, there is no importance given to the chosen models and to other parameters that affect the value of the option.

The cost benefit inherent in the abovementioned issued options, based on the fair value of the date of issuance is estimated in the amount of USD 11 thousand (NIS 41 thousand).

- (D) On 10 September 2012, KAHR issued 158 099 stock options to the CEO, employees and directors. The options were issued in accordance with section 102 and 3 (i) of the Income Tax Ordinance (capital route). Each option is exercisable into one ordinary share of NIS 0.001 par value, against payment of an exercise price of 3.62 dollars. The options will vest over three years. 25% of the options vest after one year from the date of grant and 75% of the options will vest on eight equal quarterly portions, at the end of each quarter for the following two years.

The options expire after ten years from the date of grant. Cost benefit inherent in the options issued, based on the grant date fair value estimated benefit amount of about U.S. \$ 248,215 (987,897 NIS).

The fair value of options granted as above estimated based on the binomial model.

The parameters used in the implementation of the model are:

Component

Share price (\$)	2.45
Exercise price (\$)	3.62
Life period of the stock option plan (in years)	10
Term of standard deviation (in percent)	79
Term of risk-free interest rate (in percent)	1.68
Employee turnover rate (in percent)	0
Factor of early realization (in percent)	3
Expected dividend rate (percent)	0

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries (cont.)

(2) Enlivex Therapeutics (hereinafter: "Enlivex")

- (A) During April 2012, a convertible loan agreement was signed between the Company and Enlivex regarding a loan convertible to shares in the amount of NIS 600,000. Within the agreement, it was determined that the loan shall bear annual interest at a rate of Prime + 3%, and will be repaid, unless converted to shares of Enlivex, on January 1, 2015. If Enlivex offers securities in an offer whose total amount reaches at least USD 500 thousand, the Company may convert the loan (with the addition of accumulated interest) to shares of Enlivex, with a discount rate of 35% of the value of the shares in the same allocation. In the event that a capital investment is not performed in Enlivex by January 1, 2015, the Company will be entitled, up to 30 days following the above date, to issue a notice to Enlivex stating that the loan will be converted to shares in Enlivex, with the worth of Enlivex being calculated as USD 500 thousand (pre-money valuation).
- (B) In July 2012 an agreement was signed between the Company and Enlivex to provide a convertible loan in the amount of NIS 1,000,000. The loan was provided by the Company to fund Enlivex's operations going forward.

The loan bears an annual interest rate of prime +3%, and it will be repaid, unless converted into shares of Enlivex, on January 1, 2015.

In the event that Enlivex will offer securities in a total amount of at least USD 500 thousand, the Company may convert the loan (plus accrued interest) into shares of Enlivex with a discount rate of 35% of the value of the shares in the same issuance.

In the event that Enlivex will offer securities in a total amount lower than USD 500 thousand, the Company may provide Enlivex with written notice converting the loan into shares of Enlivex at a (pre money) valuation of USD 500 thousand.

Prior to the date of this report a sum of NIS 500 thousand was transferred to Enlivex by the Company and following the date of this report an additional NIS 200 thousand were transferred.

(3) BioMarCare Technologies Ltd. (hereinafter: "BioMarCare")

- A) In March 2012, approval was given for an application submitted by BioMarCare Ltd. for a Chief Scientist program, at a budget of NIS 1.5 million, and a grant amount of 60%, for the research and development in Israel of a PAR indicator-based diagnostic kit used to identify different types of cancer. Royalties will be paid from all revenues arising from this kit.
- B) On March 26, 2012, BioMarCare Ltd. received final authorization from the BIRD Foundation, the Binational Foundation of the US and Israel (hereinafter: the "Foundation"), to finance its collaboration with the American company Ariadne Diagnostics LLC, at a scope of approximately 50% of the project's expenses, up to a total of approximately USD 900 thousand. The terms of the grant payment will be in accordance with the milestones set forth in the agreement between the Foundation and BioMarCare Ltd. The project duration is expected to be approximately 30 months, and 6 months after the project's conclusion, BioMarCare Ltd. is expected to repay the grant, with the addition of linkage (to the American consumer price index). As of the report's date, BioMarCare received a total of USD 160 thousand.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries (cont.)

(3) BioMarCare Technologies Ltd. (hereinafter: "BioMarCare") (cont.)

- C) On September 25, 2011, the board of directors of BioMarCare Ltd. approved a private allocation of warrants to 3 directors and one external advisor. On February 6, 2012, the general assembly approved the allocation of warrants on a capital track, in accordance with the provisions of Sections 102 (regarding the directors) and 3(l) (regarding the advisor) of the Income Tax Ordinance.

Each warrant is exercisable into a single ordinary share in BioMarCare of NIS 0.01 par value, against payment of an exercise addition of NIS 0.01 per warrant. The warrants will vest in several batches, over a period of approx. 3 years. The vested warrants will be exercisable for a period of 7 years after the allocation date, or 10 years after the program begins, whichever is later. The cost of the benefit embedded in the warrants allocated as above, based on their fair value as of the date of their allocation, is estimated at approx. NIS 179 thousand.

The fair value of the warrants which were allocated as above was measured based on the Company's share price.

The parameters used in the implementation of the model were as follows:

Share price (dollar)	10.53
Exercise price (NIS)	0.01

Since the exercise price is negligible (NIS 0.01) as compared to the share price, it was derived that the option worth is approximate to the share worth, and accordingly, the other parameters are of no importance (risk-free interest rate, standard deviation, early exercise rate and lifetime).

- D) On March 26, 2012, an investment agreement was signed between BioMarCare and Micromedic Technologies Ltd. (a public company traded on the Tel Aviv Stock Exchange Ltd.) (hereinafter: "Micromedic"). Under the investment agreement, Micromedic undertook to invest in the Company a total of USD 1,000,000 against allocation of ordinary shares in the Company (hereinafter: the "Investment Shares"), which will constitute approx. 33% of the issued and paid capital of the Company (at full dilution).

Additionally, Micromedic was granted the option to perform an additional investment in BioMarCare in the amount of USD 1,000,000 (the "Option"), against an additional allocation of ordinary shares, which will constitute, immediately after the option is exercised, and jointly with the investment shares, approx. 53% of the issued and paid capital of BioMarCare (at full dilution). The option, in whole or in part, is exercisable beginning on the payment date of the last deferred payment among those described below, until the earlier of: (1) 30 months after the transaction completion date; (2) a breach of payment terms by Micromedic; (3) liquidation events, as described in the investment agreement.

Micromedic will be entitled to nominate most members of the board of directors immediately after completion of the investment agreement, and against performance of the first of the payments described below.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries (cont.)

(3) BioMarCare Technologies Ltd. (hereinafter: "BioMarCare") (cont.)

BioMarCare's Articles of Incorporation, which will enter into force concurrently with its signing of the investment agreement, sets forth several circumstances in which a special majority will be required to approve resolutions, including, *inter alia*, approving changes to the Articles of Incorporation, approving transactions with interested parties, and approving allocations of securities with rights above those embodied in ordinary shares (the "Special Majority").

The investment amount will be transferred in four installments by Micromedic to BioMarCare, against the transfer of investment shares in installments linked to each payment. Upon the transaction completion date, and against receipt of the first payment out of the investment amount, BioMarCare will allocate to Micromedic the first batch of the investment shares. The remainder of investment shares will be allocated, upon completion of the investment agreement, to an agreed-upon trustee (the "Trust Shares"), who will hold them in trust and will transfer them to Micromedic, in addition and subject to each payment made by Micromedic (the "Deferred Payments"). The parties further agreed that Micromedic will be entitled, subject to the fulfillment of certain conditions, to assign to a third party its rights to transfer the Deferred Payments. The completion of the investment agreement was subject to the existence of a number of condition precedents, *inter alia*, the conversion of the convertible loan previously given to the Company by its shareholders (current and former).

The condition precedents to the existence of the transaction were completed on April 3, 2012, *inter alia*, within a document called the Closing Memorandum, which included new agreements and adjustments in connection with the condition precedents detailed in the investment agreement. On April 4, 2012, Micromedic transferred the first payment of the investment amount of USD 350,000.

On July 1, 2012, Micromedic transferred the second payment of the investment amount of USD 250,000, and accordingly, 236,450 Trust Shares were transferred to Micromedic.

As a result of the Investment Agreement, the Company lost control of BioMarCare, and therefore in the statement of its financial status as of September 30, 2012, the investment in BioMarCare is presented based on the equity value method, and a capital gain is recorded in the amount of NIS 4,942 thousands in the statement of comprehensive loss.

- E) During 2005, BioMarCare engaged in a loan agreement with Hadasit Medical Research and Development Services Ltd. (hereinafter: "Hadasit"), the Docor Fund (hereinafter: "Docor") and the Jerusalem Development Authority (hereinafter: the "Authority") (hereinafter: the "2005 Loan"). In accordance with the provisions of the 2005 Loan agreement, the parties may convert their share of the 2005 Loan subject to certain terms set forth in the agreement. Within the investment agreement of Micromedic in BioMarCare, Hadasit converted its share of the 2005 Loan to shares, and the shares of Docor and the Authority of the 2005 Loan in the amount of about NIS 108 thousand (the "Principle"), with the addition of annual interest at a rate of 8% (the "Interest"), remained the same.

On June 10, 2012, the Company engaged with Docor and the Authority in an agreement to defer the payment date of the 2005 Loan from July 1, 2012 to July 1, 2013.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries (cont.)

(3) BioMarCare Technologies Ltd. (hereinafter: "BioMarCare") (cont.)

Within the investment agreement, the Company undertook towards BioMarCare and Micromedic that in the event that Docor and the Network request the repayment of the 2005 Loan, the Company shall be responsible to repay the 2005 Loan to Docor and the Authority, (if not converted) instead of BioMarCare.

(4) Thrombotech Ltd. (hereinafter: "Thrombotech")

- A) During February 2012, Thrombotech received approval from the Chief Scientist for support in its continued development plan for a total budget of about NIS 4.6 million, of which about NIS 2.2 million will be at a participation rate of 50% and NIS 2.4 million are at a participation rate of 30%. Royalties will be paid from all income from the development of the Company's products.
- B) During January 2012, Thrombotech signed an investment agreement with existing investors, in which it was determined that in consideration for an investment of USD 1.4 million, Thrombotech will grant them 25,927 series B preferred shares, at a price per share of USD 54. The said fundraising was completed during January 2012.

The main consideration of the investment is intended to finance the performance of clinical trials on stroke patients – Phase IIa – in three medical centers in Israel as well as centers in Europe and India.

Of the total amount, the Company invested its relative share of the investment in the amount of about USD 350 thousand, and retained its relative share of holdings in Thrombotech (about 24.8% of the issued capital, and about 22% of the capital fully diluted).

- C) During the first quarter, Thrombotech received IND approval on behalf of the American Food and Drug Administration for the performance of Phase IIa clinical trials in the US.
- D) During May 2012, the negotiations concluded between Thrombotech and D-Pharm Ltd. (a public company whose securities are registered for trade in the Tel-Aviv Stock Exchange Ltd.) (hereinafter: "D-Pharm") for the purchase of Thrombotech by D-Pharm, and a share purchase agreement and investment agreement were signed.

In accordance with the agreement signed, D-Pharm will purchase from Thrombotech and from the remaining shareholders of Thrombotech all of the issued capital of Thrombotech (actual and fully diluted) in consideration for a private placement of ordinary shares of D-Pharm on the basis of a price per D-Pharm share of NIS 0.85 and a Thrombotech share price of NIS 216. The private placement shares will constitute, on the completion date of the transaction after the allocation of private placement shares, about 60% of the issued and paid up share capital and the voting rights in D-Pharm on a fully diluted basis (without including options granted to employees, officers and service providers in the Company and not including shares allocated within the additional investment as detailed hereunder), and about 58.03% of the capital fully diluted. After the completion of the transaction, the Company shall hold about 14.9% of the issued and paid up share capital and the voting rights of D-Pharm (about 14.4% fully diluted, not included shares allocated within the additional investment as detailed herein). The purchase transaction as stated in subject to the existence of condition precedents detailed in the agreement signed between the parties and include, inter alia, the receipt of regulatory approvals, the approval of the general assembly, the absence of a preventative order, etc.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 4 - Significant Events During the Reporting Period (cont.):

B. Subsidiaries (cont.)

(4) Thrombotech Ltd. (hereinafter: "Thrombotech")

D) (cont.)

It was further agreed that subject to the receipt of approval from the Tel-Aviv Stock Exchange Ltd. and the approval of the Securities Authority, if required by law, within 45 business days from the date the transaction is completed, D-Pharm shall publish an offering of rights to all of its shareholders within which D-Pharm shall offer its shareholders a right to purchase, within 30 days of the publication of the said right offering, ordinary shares at a total value of NIS 11,505,000 with a price per share of purchased shares (as detailed above). Within this issuance of rights, Clal Biotechnology Industries Ltd., a controlling shareholder of D-Pharm, undertook to invest a total of NIS 5,349,825 in consideration for an allocation of 6,286,162 ordinary shares of D-Pharm. Additionally, the Company is entitled and event appointed a representative to the board of directors of D-Pharm.

During July 2012, the condition precedents took place and the purchase transaction of Thrombotech by D-Pharm was completed. Accordingly, the Company detracted the investment in Thrombotech and as of the transaction date recognized it as a financial asset available for sale, resulting from an investment in D - Pharm, totaling NIS 2,787 thousand and NIS 1,779 thousand capital gains.

As of the statements date the D-Pharm investment amounts to about NIS 2,409 thousand. The decline in the fair value of the investment was recorded against a capital reserve for financial assets available for sale.

(5) ProtAb Ltd. (hereinafter: "ProtAb")

- A. The management of ProtAb estimates that if the lifespan of the options to shares (hereinafter: the "Options") is 0.53 years and the exercise price is significantly higher than the share price as of the balance sheet date, then the fair value approaches zero. The change in the fair value of the Options is recorded in profit and loss.
- B. In July 2012, an agreement was signed between the Company and between ProtAb to provide a convertible loan in the amount of USD 250 thousand. The loan was provided by the Company to serve ProtAb in continuing its operations.

The loan bears an annual interest rate of labor +3% and it will be repaid unless converted into shares of ProtAb on January 1, 2014.

In the event that ProtAb will offer securities in the agreement whose total amount will be at least USD 500 thousand, the Company may convert the loan (plus accrued interest) into shares of ProtAb, this being with a discount rate of 20% of the shares in the same issuance. In the event that an investment in ProtAb's capital will be performed in an amount of less than USD 500 thousand, the Company may provide ProtAb with written notice converting the loan into ProtAb shares at a (pre money) valuation of USD 500 thousand.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 5 - Significant Events After the Balance Sheet Date

- A. In November 2012, an agreement was signed between Cell Cure Neurosciences Ltd. (hereinafter - "Cell Cure") (an affiliated company), and Bio Time ("BioTime", a U.S. company listed on the NYSE: AMEX under the symbol BTX), in which BioTime undertook to invest a total of \$ 3.5 million in Cell Cure. The investment agreement was signed at a 15.1 million dollars (pre money) valuation for Cell Cure.

According to the investment agreement, BioTime will invest in Cell Cure a total of \$ 3.5 million and will acquire 87,456 ordinary shares of Cell Cure, in consideration for 906,735 shares of BioTime at a value of U.S. \$ 3.86 per share. The value was determined based on the average share price of BioTime shares over a period of 10 trading days on the NYSE: AMEX prior to signing the agreement. The proceeds will be used primarily for continued product development and manufacturing of CellCure's leading treatment for eye diseases as well as the continued operations of CellCure.

BioTime undertook to submit, at its own expense, to the U.S. Securities and Exchange Commission (SEC) the documents required for registration of shares to be traded on the NYSE MKT in accordance with U.S. law (Registration statement on Form S-3) as soon as possible after signing the agreement. Registration of the shares and their tradability are part of the terms of the investment agreement.

If the average value of the BioTime shares fall or rise by more than - 15% below or above 3.86 dollars for the 10 trading days from May 1, 2013, an adjustment will be made by issuing additional shares of Cell Cure to BioTime or the issuance of additional shares of BioTime to Cell Cure, the as applicable, but this adjustment will apply only to the proportion of shares left by Cell Cure biotic at the time, and this adjustment will not exceed 33%.

The BioTime shares issued to Cell Cure are tradable immediately with no time restriction . Any decision to sell BioTime shares must be approved by a committee of the Board of Directors of Cell Cure in consultation with the CEO of Cell Cure and CFO of Cell Cure. Cell Cure shall appoint an expert to sell the shares with the understanding that this entity will coordinate the sales of all BioTime shares held by the various companies held by BioTime. In the event that more than one company places a sell order on a given day, the shares sold and their proceeds will be distributed pro rata based on the average price received,

If the investment agreement is completed, the Company's holdings in Cell Cure will be 21.20% (20.05% fully diluted).

- B. In October 2012, Enlivex completed a Phase I / II clinical trial in allogeneic bone marrow transplant patients. The Company believes that the experiment succeeded and achieved encouraging results, so Enlivex should be able to proceed with advanced clinical trials (subject to receipt of necessary approvals).
- C. In November 2012 approval was given for an application submitted by Enlivex for a Chief Scientist program, at a budget of NIS 3.8 million, and a weighted grant amount of 60% for research and development in Israel, this approval is subject to Enlivex transferring the product development of its product (Apocell) to its own independent lab. Royalties will be paid with revenues from its developed products.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Condensed Consolidated Financial Statements

Note 5 - **Significant Events After the Balance Sheet Date** (cont.)

- D. On 1 July 2012, Verto Ltd. (hereinafter - "Verto") (a portfolio company) convened a general meeting in which it was decided to close the company voluntarily and decided to appoint Mr. Ophir Shahaf as liquidator of the company.

On 31 October 2012, Verto convened a final meeting to submit a final report by the liquidator, The report detailed how the liquidation process was conducted what was done with the company's assets and to decide how to handle the company's documentation and notes.

In the process of liquidation the creditors (the Company and other shareholders) provided a waiver on their convertible loans granted to Verto (principal and accrued interest). As a result of the waiver, the Company reclassified its shareholders' equity minority loans and recognized a capital reserve of due to the deal with the minority holders of Verto at a sum of NIS 214 thousand net.

As of the date of these financial statements, Verto has not yet submitted its liquidators report to the Israeli Registrar of Companies.

Note 6 - **Non-cash Transactions**

The Group recognizes the obligation to pay royalties to the Chief Scientist for income receivable from the following amounts:

For the nine months ending on September 30, 2012 and 2011, NIS 128 thousand and NIS 39 thousand, respectively.

For the three months ending on September 30, 2011, NIS 11 thousand.

For the year ending on December 31, 2011, NIS 51 thousand.

Quarterly Report Regarding the Effectiveness of Internal Control over Financial reporting and Disclosure, in Accordance with Regulation 38c(a):

The management of Hadasit Bio-Holdings (hereinafter: the “Corporation”), under the supervision of its Board of Directors, is responsible for establishing and implementing appropriate internal control over financial reporting and disclosure in the Corporation. In this regard, the members of the Company's management are:

1. Ophir Shahaf, Chief Executive Officer
2. Liat Hadad, Chief Financial Officer

Internal control over financial reporting and disclosure includes controls and procedures used in the Corporation, which were planned by the Chief Executive Officer and Chief Financial Officer, or under their supervision, or by the individual who effectively performs the aforementioned roles, under the supervision the Corporation's Board of Directors, and which are intended to provide reasonable assurance with regards to the reliability of financial reporting, and of the preparation of the reports in accordance with legal requirements, and to ensure that all information which the Corporation is legally required to disclosed in its statements is collected, processed, summarized and reported on the dates and in the format set forth in the law.

Internal control includes, *inter alia*, controls and procedures which were planned with the intention of ensuring that information which the Corporation is required to disclose, as above, is collected and delivered to the Corporation's management, including to its CEO and CFO, or to the individual who effectively performs the aforementioned roles, in order to ensure that decisions are reached at the appropriate time, with regards to disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance that all possible material misrepresentations or omissions in the reports were prevented or discovered.

In the quarterly report regarding the effectiveness of internal controls over financial reporting and disclosure which was attached to the periodic report for the period ended June 30th 2012 (hereinafter: the “Last Quarterly Report Regarding Internal Controls”), the Board of Directors and management evaluated internal controls in the Corporation; and based on this evaluation, the Corporation's Board of Directors and management reached the conclusion that the aforementioned internal controls are effective.

Up to the report date, the Board of Directors and management have not become aware of any event or matter that may alter its assessment regarding the effectiveness of internal control.

As of the report date, based on the evaluation of the effectiveness of internal control presented in the most recent annual report regarding internal control, and based on information brought to the attention of the management and the Board of Directors, as described above, the Company's internal control over financial reporting is effective.

CEO's Declaration Pursuant to Regulation 38c(d)(1)

I, Ophir Shahaf, hereby declare that:

(1) I have reviewed the interim financial statements and other financial information included in the interim statements of Hadasit Bio-Holdings Ltd. for the third quarter of 2012 (hereinafter: the "Reports" or the "Interim Reports").

(2) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports are free of any misrepresentation of material facts, and are not lacking any representation of material facts required in order to ensure that the representations made, under the circumstances in which they were made, would not be misleading in reference to the period covered by the reports.

(3) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports properly reflect, in all material respects, the Corporation's financial position, results of operations, and cash flows as of the dates and for the periods presented in the reports.

(4) Based on my most current assessment of the internal control over financial reporting and disclosure, I have disclosed the following to the Corporation's auditors, Board of Directors, and the Board of Directors' balance sheet committee:

(a) Any significant deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure, which may reasonably cause negative influence to the Corporation's ability to collect, process, summarize or report financial information in a manner that may cast doubt on the reliability of financial reporting and the manner of preparation of the financial statements, in accordance with the requirements of the law;

And -

(b) Any fraud, whether material or immaterial, involving the CEO or whomsoever is directly subordinate to him or other key employees that have a significant role in the internal control over financial reporting and disclosure.

(5) I, both individually and jointly with others in the Company:

(a) Have established controls and procedures, or have ensured that such controls and procedures were implemented under my supervision, in order to ensure that material information relating to the Corporation, including its subsidiaries, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 5770 - 2010, has been brought to my attention by others in the Corporation and in the subsidiaries, specifically over the course of the report period;

(b) Have established controls and procedures, or have ensured that such controls and provisions were implemented under my supervision, in order to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of law, and in accordance with generally accepted accounting principles in Israel;

(c) Have not been made aware of any event or matter that occurred during the period intervening between the most recent report date and the present report date, which may have altered the conclusion reached by the Board of Directors and management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The foregoing does not prejudice my legal liability, or that of any other person, as prescribed by law.

Nov 25, 2012

Date

Ophir Shahaf
CEO

Declaration of the Company's Chief Financial Officer, Pursuant to Regulation 38c(d)(2)

I, Liat Hadad, hereby declare that:

(1) I have reviewed the interim financial statements and other financial information included in the interim reports of Hadasit Bio-Holdings Ltd. for the third quarter of 2012 (hereinafter: the "Reports" or the "Interim Reports").

(2) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports are free of any misrepresentation of material facts, and are not lacking any representation of material facts required in order to ensure that the representations made, under the circumstances in which they were made, would not be misleading in reference to the period covered by the reports.

(3) To the best of my knowledge, the interim financial statements and other financial information included in the Interim Reports properly reflect, in all material respects, the Corporation's financial position, results of operations, and cash flows as of the dates and for the periods presented in the reports.

(4) Based on my most current assessment of the internal control over financial reporting and disclosure, I have disclosed the following to the Corporation's auditors, Board of Directors, and the Board of Directors' balance sheet committee:

(a) Any significant deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure, which may reasonably cause negative influence to the Corporation's ability to collect, process, summarize or report financial information in a manner that may cast doubt on the reliability of financial reporting and the manner of preparation of the financial statements, in accordance with the requirements of the law;

And that-

(b) Any fraud, whether material or immaterial, involving the CEO or whomsoever is directly subordinate to him or other key employees that have a significant role in the internal control over financial reporting and disclosure;

(5) I, both individually and jointly with others in the Company:

(a) Have established controls and procedures, or have ensured that such controls and procedures were implemented under my supervision, in order to ensure that material information relating to the Corporation, including its subsidiaries, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 5770-2010, has been brought to my attention by others in the Corporation and in the subsidiaries, specifically over the course of the report period;

And –

(b) Have established controls and procedures, or have ensured that such controls and provisions were implemented under my supervision, in order to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of law, and in accordance with generally accepted accounting principles in Israel;

(c) I have not been made aware of any event or matter that occurred during the period intervening between the most recent report date and the present report date, which may have altered the conclusion reached by the Board of Directors and management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The foregoing does not prejudice my legal liability, or that of any other person, as prescribed by law.

Nov 25, 2012

Date

Liat Hadad
CFO