

IMPORTANT

This document is an unofficial translation of the Hebrew original, September 30th, 2011 financial report of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on November 24th, 2011.

**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.

**Summary Consolidated Financial Statements
As of September 30, 2011**

(Unaudited)

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Financial Statements As of September 30, 2011

(Unaudited)

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1. Cell Cure Neurosciences Ltd.	
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**Auditors' Review Report to the Shareholders of
HBL - Hadasit Bio-Holdings Ltd.**

Introduction

We have reviewed the attached financial information of **HBL - Hadasit Bio-Holdings Ltd.** (hereinafter: the "Company") and its subsidiaries (hereinafter: the "Group"), including the summary consolidated financial statements of financial position as of September 30, 2011, as well as the summary consolidated financial statements of comprehensive loss, the statements of changes in shareholders' equity, and the statements of cash flows for the nine month and three month periods then ended. The board of directors and management are responsible for the preparation and presentation of financial information for these interim periods, pursuant to International Accounting Standard IAS 34, "Interim Financial Reporting". They are also responsible for preparing the financial information for these interim periods pursuant to Section D of the Securities Regulations (Periodic and Immediate Statements), 5730-1970. Our responsibility is to express a conclusion with regards to the financial information for these interim periods, based on our review.

We did not survey the summary interim financial information for a consolidated subsidiary whose assets included in the consolidation constituted approx. 0.7% of the Company's total consolidated assets as of September 30, 2011, and whose results included in the consolidation for the nine month and three month periods then ended constituted approx. 19% and 10%, respectively. The summary interim financial information for that company was reviewed by a different auditor, whose review report was presented to us. Our conclusion, inasmuch as it refers to the financial information in respect of the above company, is based on the review report performed by the other auditor.

Scope of the Review

We conducted our review in accordance with Review Standard 1 of the Israeli Institute of Certified Public Accountants, "Review of Interim Financial Information Prepared by the Entity's Auditor." A review of interim financial information includes making inquiries, particularly with the people responsible for financial and accounting matters, and performing analytic and other review procedures. A review is significantly limited in scope in comparison to an audit, which is conducted in accordance with generally accepted accounting principles in Israel, and therefore does not allow us to reach an assurance that we have become aware of all material issues which may have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and on the review reports provided by other auditors, nothing has come to our attention which would lead us to believe that the above financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to the preceding paragraph, based on our review and on the review reports provided by other auditors, nothing has come to our attention which would lead us to believe that the above financial

משרד אילת	משרד באר שבע	משרד חיפה	משרד ירושלים	משרד רמת-גן	משרד ראשי - תל אביב
המרכז העירוני ת.ד. 583 אילת, 88104	פארק תעשיות עומר, בניין 10, ת.ד. 1369 עומר, 84965	מעלה השחרור 5 ת.ד. 5648 חיפה, 31055	שרי ישראל 12 ירושלים, 94390	הרקון 6 רמת-גן, 52521	מרכז עזריאלי 1 תל אביב, 67021 ת.ד. 16593 תל אביב, 61164
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information does not fulfill, in all material respects, the disclosure requirements set forth in Section D of the Securities Regulations (Periodic and Immediate Statements), 5730-1970.

**Brightman Almagor Zohar & Co.
 Accountants**

Jerusalem, November 23, 2011

משרד אילת	משרד באר שבע	משרד חיפה	משרד ירושלים	משרד רמת-גן	משרד ראשי - תל אביב
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HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Financial Position

	<u>As of September 30</u>		<u>As of December</u>
	<u>2011</u>	<u>2010</u>	<u>31</u>
	<u>Thousands of NIS</u>		
	<u>Unaudited</u>		<u>Audited</u>
<u>Current assets</u>			
Cash and cash equivalents	11,315	21,954	8,801
Short term deposits	-	-	822
Investments in marketable securities	16,967	15,791	20,781
Receivables and others	1,246	2,284(*)	2,525
Available-for-sale financial assets	373	995	991
	<u>29,901</u>	<u>41,024</u>	<u>33,920</u>
<u>Non-current assets</u>			
Prepaid expenses	12	27	15
Investment in affiliates	12,581	19,511	20,651
Investment in options of affiliates	507	1,064	1,039
Rental fees receivable	1,005	1,134(*)	1,124
Fixed assets, net	534	2,246	1,920
Intangible assets, net	1,856	1,924	2,377
	<u>16,495</u>	<u>25,906</u>	<u>27,126</u>
Total assets	<u><u>46,396</u></u>	<u><u>66,930</u></u>	<u><u>61,046</u></u>
<u>Current liabilities</u>			
Credit from banking corporations	-	11	13
Trade payables	1,976	1,264	1,615
Payables and others	1,591	2,999(*)	1,730
Loans from external shareholders in subsidiaries, net	297	289	266
	<u>3,864</u>	<u>4,563</u>	<u>3,624</u>
<u>Non-current liabilities</u>			
Liabilities in respect of benefits to employees	58	19	58
Royalties payable	951	1,575	964
Expenses payable	2,986	3,370(*)	3,341
	<u>3,995</u>	<u>4,964</u>	<u>4,363</u>
<u>Capital</u>			
Share capital	875	875	875
Premium on shares	98,645	98,645	98,645
Warrants	10,902	10,902	10,902
Capital reserve from operations with controlling shareholder	754	754	754
Capital reserve for share-based payment transactions	2,771	2,293	2,432
Capital reserve for available-for-sale financial assets	115	737	733
Accumulated losses	(79,283)	(56,367)	(61,231)
Total capital attributed to owners of the company's capital rights	<u>34,779</u>	<u>57,839</u>	<u>53,110</u>
Non-controlling interests	3,758	(436)	(51)
Total capital	<u><u>38,537</u></u>	<u><u>57,403</u></u>	<u><u>53,059</u></u>
Total liabilities and capital	<u><u>46,396</u></u>	<u><u>66,930</u></u>	<u><u>61,046</u></u>

(*) Re-classified, see Note 5.

November 23, 2011
Approval date of the financial statements

Dr. Rafi Hofstein
Chairman of the Board

Ophir Shahaf
CEO

Uri Ben-Or
CFO

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary 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
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Research and development expenses	(6,654)	(5,076)	(2,356)	(1,307)	(6,019)
Marketing expenses	(16)	(36)	(8)	(11)	(60)
General and administrative expenses	(5,316)	(5,107)	(1,684)	(1,430)	(7,225)
Other income (expenses)	(1,426)	13,284	(284)	112	14,927
Income (loss) from operating activities	(13,412)	3,065	(4,332)	(2,636)	1,623
Financing income	1,263	525	711	63	776
Financing expenses	(836)	(1,012)	(320)	(249)	(852)
Financing income (expenses), net	427	(487)	391	(186)	(76)
Income (loss) after financing	(12,985)	2,578	(3,941)	(2,822)	1,547
Company's share in the losses of investees	(8,070)	(6,581)	(1,691)	(3,129)	(10,102)
Loss for the period	(21,055)	(4,003)	(5,632)	(5,951)	(8,555)
Other comprehensive loss					
Loss from fair value adjustment of available-for-sale financial assets	(618)	(138)	(132)	(36)	(142)
Total comprehensive loss for the period	(21,673)	(4,141)	(5,764)	(5,987)	(8,697)
Loss for the period attributable to:					
Owners of the company's capital rights	(19,146)	(2,908)	(5,014)	(5,815)	(7,414)
Non-controlling interests	(1,909)	(1,095)	(618)	(136)	(1,141)
	(21,055)	(4,003)	(5,632)	(5,951)	(8,555)
Comprehensive loss for the period attributable to:					
Owners of the company's capital rights	(19,764)	(3,046)	(5,146)	(5,851)	(7,556)
Non-controlling interests	(1,909)	(1,095)	(618)	(136)	(1,141)
	(21,673)	(4,141)	(5,764)	(5,987)	(8,697)
Loss per ordinary share of NIS 0.01 par value (in NIS)					
Basic and diluted loss per share	(0.22)	(0.037)	(0.06)	(0.071)	(0.09)
Number of shares used in the above calculation (in thousands)	87,523	79,523	87,523	81,461	81,539

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Premium on shares	Warrants	Capital reserve from operations with controlling shareholder	Capital reserve for share-based payment transactions	Capital reserve for available- for-sale financial assets	Accumul- ated losses	Total attributable to the owners of the parent company	Non- controlling interests	Total
	Thousands of NIS									
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 in subsidiary - transaction with minority interest	-	-	-	-	-	-	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	875	98,645	10,902	754	2,771	115	(79,283)	34,779	3,758	38,537

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Premium on shares	Warrants	Capital reserve from operations with controlling shareholder	Capital reserve for share-based payment transactions	Capital reserve for available- for-sale financial assets	Accumul- ated losses	Total attributable to the owners of the parent company	Non- controlling interests	Total
	Thousands of NIS									
For the period of nine months ended September 30, 2010 (unaudited)										
Balance as of January 1, 2010	785	89,124	9,379	754	1,577	875	(53,459)	49,035	-	49,035
Exercise of warrants into shares	2	317	(87)	-	-	-	-	232	-	232
Issue of shares and options	88	9,204	1,610	-	-	-	-	10,902	-	10,902
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(138)	-	(138)	-	(138)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	1,076	1,076
Exit from consolidation of subsidiary	-	-	-	-	-	-	-	-	(417)	(417)
Share-based payment	-	-	-	-	716	-	-	716	-	716
Loss for the period	-	-	-	-	-	-	(2,908)	(2,908)	(1,095)	(4,003)
Balance as of September 30, 2010	875	98,645	10,902	754	2,293	737	(56,367)	57,839	(436)	57,403

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Premium on shares	Warrants	Capital reserve from operations with controlling shareholder	Capital reserve for share-based payment transactions	Capital reserve for available- for-sale financial assets	Accumul- ated losses	Total attributable to the owners of the parent company	Non- controlling interests	Total
	Thousands of NIS									
For the period of three months ended 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	-	-	-	-	100	-	-	100	-	100
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	26	26
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 notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Premium on shares	Warrants	Capital reserve from operations with controlling shareholder	Capital reserve for share-based payment transactions	Capital reserve for available- for-sale financial assets	Accumul- ated losses	Total attributable to the owners of the parent company	Non- controlling interests	Total
	Thousands of NIS									
For the period of three months ended September 30, 2010 (unaudited)										
Balance as of July 1, 2010	787	89,431	9,294	754	2,115	773	(50,552)	52,602	(325)	52,277
Exercise of warrants into shares	- (*)	10	(2)	-	-	-	-	8	-	8
Issue of shares and options	88	9,204	1,610	-	-	-	-	10,902	-	10,902
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(36)	-	(36)	-	(36)
Share-based payment	-	-	-	-	178	-	-	178	-	178
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	25	25
Loss for the period	-	-	-	-	-	-	(5,815)	(5,815)	(136)	(5,951)
Balance as of September 30, 2010	875	98,645	10,902	754	2,293	737	(56,367)	57,839	(436)	57,403

(*) Amount lower than NIS 1 thousand.

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Changes in Shareholder's Equity

	Share capital	Premium on shares	Warrants	Capital reserve from operations with controlling shareholder	Capital reserve for share-based payment transactions	Capital reserve for available- for-sale financial assets	Accumul- ated losses	Total attributable to the owners of the parent company	Non- controlling interests	Total
	Thousands of NIS									
For the year ended December 31, 2010										
(Audited)										
Balance as of January 1, 2010	785	89,124	9,379	754	1,577	875	(53,459)	49,035	-	49,035
Exercise of warrants into shares	2	317	(87)	-	-	-	-	232	-	232
Issue of shares and options	88	9,204	1,610	-	-	-	-	10,902	-	10,902
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(142)	-	(142)	-	(142)
Acquisition of shares in a subsidiary	-	-	-	-	-	-	(358)	(358)	358	-
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	1,149	1,149
Exit from consolidation of a subsidiary	-	-	-	-	-	-	-	-	(417)	(417)
Share-based payment	-	-	-	-	855	-	-	855	-	855
Loss for the year	-	-	-	-	-	-	(7,414)	(7,414)	(1,141)	(8,555)
Balance as of December 31, 2010	875	98,645	10,902	754	2,432	733	(61,231)	53,110	(51)	53,059

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary 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
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
<u>Cash flows for operating activities</u>					
Loss for the period	(21,055)	(4,003)	(5,632)	(5,951)	(8,555)
Adjustments required to present cash flows for operating activities (Appendix A)	11,515	(4,210)(*)	2,471	2,558 (*)	(2,056)
Net cash used in operating activities	(9,540)	(8,213)	(3,161)	(3,393)	(10,611)
<u>Cash flows resulting from (used in) investing activities</u>					
Interest receipts	627	525	113	63	581
Realization of investment in marketable securities, net	3,749	5,132	749	5,258	194
Investment in investees	-	(3,156)	-	(945)	(8,245)
Exit from consolidation of a subsidiary, Appendix B	-	(246)	-	-	(246)
Realization of (investment in) short term deposits	822	-	-	-	(822)
Purchase of fixed assets	(69)	(148)	(22)	-	(178)
Net cash provided by (used in) Investing activities	5,129	2,107	840	4,376	(8,716)
<u>Cash flows from financing activities</u>					
Investment of the minority interest in a subsidiary	6,353	-	-	-	-
Issue of Company shares and warrants	-	10,902	-	10,902	10,902
Interest and fee payments to banks	(20)	(19)	(5)	(9)	(35)
Loans from the Chief Scientist	76	459 (*)	32	194 (*)	551
Credit from banks, net	(13)	11	-	11	13
Exercise of warrants into shares	-	232	-	8	232
Net cash provided by financing activities	6,397	11,585	27	11,106	11,663
Effect of changes in exchange rates on cash and cash equivalents balances held in foreign currency	528	(110)	517	(98)	(120)
Increase (decrease) in cash and cash equivalents, net	2,514	5,369	(1,777)	11,991	(7,784)
Cash and cash equivalents at beginning of period	8,801	16,585	13,092	9,963	16,585
Cash and cash equivalents at end of period	11,315	21,954	11,315	21,954	8,801

(*) Re-classified, see Note 2(d).

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Summary 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
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Appendix A - Adjustments Required to Present Cash Flows from Operating Activities					
Expenses not related to cash flows:					
Company's share in the losses of investees	8,070	6,581	1,691	3,128	10,102
Depreciation and write-downs	550	718	129	197	1,071
Financing expenses	836	1,012	320	249	852
Financing income	(1,263)	(525)	(711)	(63)	(776)
Share-based payment	339	716	100	178	855
Share-based payment in subsidiaries	459	1,076	26	25	1,149
Income from reduction in the Company's stake in investees, net	-	(13,172)	-	-	(14,816)
Increase (decrease) in liabilities in respect of benefits to employees	-	6	3	(13)	45
Impairment provision	1,426	-	284	-	-
Changes to assets and liabilities items:					
Decrease (increase) in receivables and others	1,358	(583)(*)	632	206 (*)	(1,192)
Increase (decrease) in payable and others, and other liabilities	(264)	621	(287)	(640)	1,352
Decrease in expenses payable	(358)	(552)	(70)	(28)	(511)
Increase in royalties payable	-	112 (*)	-	- (*)	226
Increase (decrease) in suppliers and other payables	362	(220)	354	(681)	(413)
	<u>11,515</u>	<u>(4,210)</u>	<u>2,471</u>	<u>2,558</u>	<u>(2,056)</u>
Appendix B - Exit from Consolidation of a Subsidiary					
Receivables and others	-	653	-	-	653
Long-term prepaid expenses	-	9	-	-	9
Investment in the Company, net	-	645	-	-	645
Fixed assets, net	-	644	-	-	644
Suppliers and other payables	-	(610)	-	-	(610)
Creditors and credit balances	-	(295)	-	-	(295)
Royalties payable	-	(851)	-	-	(851)
Liability in respect of termination of employer - employee relationships	-	(24)	-	-	(24)
Non-controlling interests	-	(417)	-	-	(417)
Cash and cash equivalents	<u>-</u>	<u>(246)</u>	<u>-</u>	<u>-</u>	<u>(246)</u>

(*) Re-classified, see Note 2(d).

The notes to the summary consolidated financial statements constitute an inseparable part thereof.

HBL - Hadasit Bio-Holdings Ltd.
Notes to the Summary 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 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 holdings 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, by means of the public offering and registration of its securities on the Tel Aviv Stock Exchange (hereinafter: the "Stock Exchange").

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

Hadassah is a medical institution which includes two hospitals in the city of Jerusalem: "Hadassah Ein Kerem" and "Hadassah Har Hatzofim", as well as 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, which then acts to maintain intellectual copyrights, raise funds and 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 consolidated financial statements for details regarding the Company's financial statements for December 31, 2010 and for the year then ended, as well as the accompanying notes thereto.

C. Definitions:

The Company - HBL - Hadasit Bio-Holdings Ltd.

The Group - The Company and the R&D Companies.

Related Parties - As defined in IAS 24.

Interested Parties - As defined in the Securities Regulations (Preparation of Yearly Financial Statements), 5770-2010.

Controlling Shareholders - As defined in the Securities Law, 5728-1968, including regulations enacted therefrom.

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

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

- | | |
|------------------------|---|
| Dollar | - US Dollar. |
| Subsidiaries | - Companies over which the Company has control (as defined in IAS 27), whether directly or indirectly, and whose financial statements are fully consolidated with the Company's statements. |
| Affiliates | - 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 Affiliates. |
| Other Companies | - Companies which are held by the company and over which it does not have control, joint control, or significant influence. |

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

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 used accounting policies, presentation principles and calculation methods that were identical to those used in the preparation of its financial statements for December 31, 2010, and for the year then ended, excluding changes to the accounting policy which resulted from the application of standards, amendments to standards and new interpretations, which came into effect as of the reporting date, as described in Note 3.

B. The summary consolidated financial statements were prepared in accordance with the provisions of Section 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 presented in the financial statements according to their representative exchange rates as published by the Bank of Israel on the balance sheet date.

(2) CPI-linked balances are presented according to the last known index as of the balance sheet date (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 monthly index for the month of reporting date), depending on the details of the transaction.

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

	Dollar Representative Rate (NIS per 1 USD)	Index in Israel	
		Known Index (*) Points	Actual Index (*) Points
Date of financial statements:			
September 30, 2011	3.712	120.38	120.61
September 30, 2010	3.665	116.95	116.62
December 31, 2010	3.549	117.82	117.38
Rates of change:			
	%	%	%
For the period of nine months ended:			
September 30, 2011	4.59	2.17	2.75
September 30, 2010	(2.91)	1.90	1.61
For the period of three months ended:			
September 30, 2011	8.69	-	0.58
September 30, 2010	5.42	1.22	1.23
For the year ended December 31, 2010	(5.99)	2.66	2.27

(*) Based on a 2002 average.

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

Note 2 - **Significant accounting policies (Cont.)**

D. Changes in accounting policy:

Over the course of 2010, the Group changed its accounting policy as pertaining to an undertaking in respect of royalties payable to the Chief Scientist. The Group's previous practice was to recognize all amounts received from the Chief Scientist under operating activities. A decision was reached to change the accounting policy, in such manner that amounts received from the Chief Scientist, and for which a financial liability was recognized, will now be presented under financing activities in the statement of cash flows.

The management believes that the new policy is preferable, since it results in more appropriate accounting treatment as regards the presentation of the statement of cash flows, and is consistent with local practice in the branch, making the Company's financial statements more comparable to others.

This change in accounting policy affects the presentation of comparative data in the statement of cash flows for periods preceding 2010.

Effect of the above retroactive application on the statements of cash flows for the current period and previous periods

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Unaudited		Unaudited		Audited
	Thousands of NIS				
Decrease in cash flows from operating activities	(110)	(459)	(66)	(194)	(551)
Increase in cash flows from financing activities	110	459	66	194	551

Note 3 - **Newly published financial reporting standards and interpretations**

A. New standards and interpretations which are in effect, and which do not have a material influence on the current period and/or on previous reporting periods:

- **Amendment to IAS 34 - Interim Financial Reporting**

The Amendment places an emphasis on the principles provided in IAS 34, which state that the purpose of the presentation of information in interim financial statements with regard to events and transactions that are material to the understanding of the reporting entity's financial position and performance since the last yearly report, is to update the information referring to those events in the last yearly financial statement. The Amendment also provides clarification with regard to the manner in which this principle is to be implemented for financial instruments, while also adding certain disclosure requirements. The amendment will be retroactively applied for yearly reporting periods beginning on January 1, 2011 or thereafter.

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

Note 3 - Newly published financial reporting standards and interpretations (Cont.)

B. New standards and interpretations which were published and have not come into effect, and were not adopted in advance by the Group, and are expected to have an effect on future periods:

- **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 that will serve as a guide for fair value measurement. Accordingly, guidelines were established regarding fair value measurement for all items measured at fair value for presentation in the statement of financial position, or for disclosure purposes.

The Standard defines fair value as the amount that would be received upon the sale of an asset, or paid upon the transfer of a liability, in a transaction made during 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 commencing on or after January 1, 2013. Early adoption is possible.

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

- **IAS 19 (2011), “Employee Benefits”**

The Standard introduces the following changes to the currently existing provisions of IAS 19, “Employee Benefits”:

- Actuarial gains or losses will be charged to other comprehensive income, and will not be classified at a later date under the statement of income. Accordingly, alternative methods were canceled which would have called for the actuarial gains or losses to be charged immediately to the statement of income, or to be calculated using the corridor method.
- Interest income in respect of assets of a defined benefit plan will be recognized based on the discounting rate of the liability, and not based on the assets' projected yield.
- Short-term employee benefits will include benefits which are expected to be fully settled within a period of 12 months from the end of the year in which the service that created the benefit entitlement was provided by the employee.
- Severance pay benefits resulting from a proposal to encourage voluntary resignation will be recognized as a liability on the date when it became no longer possible for the reporting entity to retract the proposal.

The Standard will be retrospectively applied, excluding the exceptions specified in the Standard, for annual periods commencing on or after January 1, 2013. Early adoption is possible.

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

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

Note 4 - **Transactions and material events during the reporting period**

A. Ongoing contractual agreement with changed consideration:

On January 12, 2011, the Company signed a new management agreement with Hadasit Medical Research Services & Development Ltd. (hereinafter: "Hadasit"), for a period of four years beginning on January 1, 2011. The Company is entitled to terminate the agreement one year, two years, or three years after its commencement date, and Hadasit will have no right to any claims or suits against the Company in the event of such termination. The agreement provides that Hadasit will provide the Company, through its employees and consultants, with ongoing management services for the Company's activities and business areas in the field, in coordination with, and under the supervision of, the Company's management and board of directors. In consideration of the provision of management services, the Company will pay Hadasit NIS 620 thousand per year, and the Company will also pay the full salary of the Company's CEO, who is employed by Hadasit.

On February 27, 2011, the general assembly approved the new management agreement.

The following are the effects of the terms of the new management agreement with Hadasit, had those terms applied for the current period and previous periods.

A1. Effect on the statement of comprehensive loss for the period:

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Comprehensive loss for the period attributed to owners of the parent company, as reported	(19,764)	(3,046)	(5,146)	(5,851)	(7,556)
Management fees recognized under comprehensive loss	1,050	1,659	350	553	2,211
Management fees according to the new agreement	1,050	1,050	350	350	1,400
	-	609	-	203	811
General and administrative expenses recognized in comprehensive loss	5,316	5,107	1,684	1,430	7,225
General and administrative expenses according to new agreement	5,316	4,498	1,684	1,227	6,414
	-	609	-	203	811
Loss for the period attributed pro forma to owners of the parent company	(19,764)	(2,437)	(5,146)	(5,648)	(6,745)

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

Note 4 - Transactions and material events during the reporting period (Cont.)

A. Ongoing contractual agreement with changed consideration (cont.):

A2. Effect on loss per share (in NIS):

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Basic loss per share, as reported	(0.22)	(0.04)	(0.06)	(0.07)	(0.09)
Pro forma effect	-	0.01	-	-	0.01
Basic loss per share, pro forma	<u>(0.22)</u>	<u>(0.03)</u>	<u>(0.06)</u>	<u>(0.07)</u>	<u>(0.08)</u>

A3. Effect on retained earnings:

	For the period of nine months ended September 30		For the period of three months ended September 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Retained earnings, as reported	(79,283)	(53,459)	(79,283)	(53,459)	(61,231)
Pro forma effect	-	609	-	203	811
Pro forma retained earnings	<u>(79,283)</u>	<u>(52,850)</u>	<u>(79,283)</u>	<u>(53,256)</u>	<u>(60,420)</u>

- B.** In February 2011, the Company signed a sublease agreement with a third party for a period of 40 months, beginning in April 2011, for a property which had formerly been leased by an Investee. In addition, the Company reduced, beginning in June 2011 and until the end of the lease period, the monthly leasing amount from an Investee.

Due to the above, the Company recognized an impairment provision in the amount of approx. NIS 1,142 thousand, in respect of leasehold improvements.

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

Note 4 - Transactions and material events during the reporting period (Cont.)

- C.** As part of a clinical trial performed by Enlivex Ltd. on the ApoCell Drug for the treatment of graft-versus-host disease (GvHD), Enlivex completed the recruitment and treatment of the second patient group. An external safety committee which discussed the trial's results decided that, based on the data presented to date, the treatment can be considered safe, and accordingly approved the transition to the next treatment group, with an increased treatment dosage.

In March 2011, an agreement for the provision of a convertible loan in the amount of NIS 1 million, drafted according to the standard text for agreements made between the Company and the Portfolio Companies, was signed between Enlivex and the Company. The loan amount was effectively transferred to Enlivex in April 2011.

In July 2011, an agreement for the provision of a convertible loan in the amount of NIS 1 million, drafted according to the standard text for agreements made between the Company and the Portfolio Companies, was signed between Enlivex and the Company. The loan amount was transferred to Enlivex in July 2011.

- D.** During the first quarter of 2011, BioMarCare commenced a second clinical trial on colon cancer patients, and development of the Colon-MarCarePlex™ kit. Following the signing of the memorandum of understanding, BioMarCare commenced development of a second product, based on a panel of molecular markers, using a simple, non-invasive blood test.
- E.** In March 2011, the Company and BioMarCare signed an agreement for the provision of a convertible loan in the amount of NIS 1,200 thousand. The loan will be repaid on July 1, 2012. The loan bears annual interest at a rate of LIBOR + 3%.

In the event that an investment is not made in BioMarCare by the repayment date specified in the loan contract, the Company will be entitled, up to 30 days following the repayment, to issue a notice to BioMarCare stating that the loan will be converted to shares in BioMarCare, with the worth of BioMarCare being considered as USD 250 thousand (pre-money valuation, at full dilution).

- F.** In August 2011, the Company and BioMarCare signed an agreement for the provision of a convertible loan in the amount of NIS 1,000 thousand. The loan will be repaid on July 1, 2012. The loan bears annual interest at a rate of LIBOR + 3%.

In the event that an investment is not performed in BioMarCare by the repayment date specified in the loan contract, the Company will be entitled, up to 30 days following the repayment, to issue a notice to BioMarCare stating that the loan will be converted to shares in BioMarCare, with the worth of BioMarCare being considered as USD 250 thousand (pre-money valuation, at full dilution).

- G.** On December 26, 2010, the Company's board of directors approved a private allocation of warrants to the Company's CEO. The allocation approval was conditional upon the signing and approval of a new management fee agreement between the Company and Hadasit. The aforementioned agreement was signed on January 12, 2011. On February 27, 2011, the general assembly approved the new management agreement, and the warrants were allocated on a capital track, in accordance with the provisions of Section 102 of the Income Tax Ordinance.

Each warrant is exercisable into a single ordinary share in the Company of NIS 0.01 par value, against payment of an CPI-linked exercise addition of NIS 2. The warrants will mature in several batches, over a period of approx. 3.5 years. The warrants, once matured, 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 they were granted, is estimated at approx. NIS 291 thousand.

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

Note 4 - Transactions and material events during the reporting period (Cont.)

G. (Cont.)

The fair value of the warrants granted as above was measured using the binomial model. The parameters used in the implementation of the model were as follows:

Share price	NIS 1.004
Exercise price	NIS 2.00, Index-linked
Expected volatility (*)	63.6%
Lifetime of warrants (in years) (*)	2.5
Risk-free interest rate (**)	2.57%

(*) Projected volatility was determined using historical fluctuations in the stock price on the Tel Aviv Stock Exchange over a period of 5 years. The average lifetime of a warrant was determined according to statistical studies which indicate an early exercise date of 2-3 years on average.

(**) The risk-free interest rate was taken for each batch in accordance with the expected lifetime of the warrants.

H. In April 2011, an investment agreement was signed between the Company, a third party and KAHR Medical Ltd. (hereinafter: "KAHR"), an Investee. According to the agreement, the third party invested a total of USD 2 million in KAHR, in consideration of 19% of KAHR shares. The Company also invested a total of USD 1 million, and converted all loans which the Company had provided to KAHR, in the amount of USD 2.1 million, at a rate discounted by 20%-30% from the investment price specified in the agreement. Following the investment, the Company's stake in KAHR decreased to approx. 65% (at full dilution).

Within the framework of the agreement, KAHR granted the third party first negotiation rights for the acquisition of an exclusive license to KAHR's main development. Upon completion of the transaction, KAHR's board of directors will continue in its currently existing composition, such that the Company will have the right to nominate 4 directors in KAHR, in addition to an additional director currently serving in KAHR. The third party will be entitled to nominate an observer to KAHR's board of directors.

The shares allocated to investors will grant certain preferred rights, and it was stated (*inter alia*), that if, during the period of 15 months following the conclusion of the investment agreement, KAHR allocates preferred shares, then those preferred rights will also be granted to investors in the current investment round.

Within the framework of this investment, the CEO of KAHR was allocated 63,000 antidilutive options for KAHR shares.

Each option is exercisable into a single ordinary share in the Company of NIS 0.01 par value, against payment of a CPI-linked exercise addition of NIS 0.01. The options matured in full on the granting date. The base asset price was derived from the investment round in the company, and is USD 1.75 per share.

Since the exercise price is negligible (NIS 0.01) compared to the share price (USD 1.75), it was derived that the worth of the options will be approximate to the share worth, and accordingly, the chosen model and other parameters affecting the options' value are of no importance.

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

Note 4 - Transactions and material events during the reporting period (Cont.)

H. (Cont.)

The cost of the benefit embedded in the options allocated as above, based on the fair value as of the date they were granted, is estimated at approx. USD 110 thousand (NIS 377 thousand).

Additionally, within the framework of the investment, 5,525 options were allocated to an additional consultant.

Each option is exercisable into a single ordinary share in the Company of NIS 0.01 par value, against payment of an CPI-linked exercise addition of USD 3.62. The options matured in full on the granting date. The cost of the benefit embedded in the options which were allocated as above, based on the fair value as of the date of their granting, is estimated at approx. USD 6 thousand (NIS 20 thousand).

The fair value of options granted to a consultant as above was measured using the Black-Scholes model.

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

Share price	USD 1.75
Realization price	USD 3.62
Expected volatility (*)	87.62%
Lifetime of warrants (in years) (*)	6
Risk-free interest rate (**)	2.5%

(*) Since the Company is not publicly traded, the deviation was calculated based on 5 companies with similar areas of operation to that of the Company, over a period of 6 years.

(**) The risk-free interest rate was derived from the US Treasury Yield Curve, for periods corresponding to the lifetime of the option on the date it was granted.

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

Note 4 - Transactions and material events during the reporting period (Cont.)

- I. On July 1, 2011, KAHR Ltd., a subsidiary of the Company (hereinafter: the "Subsidiary"), granted 11,100 non-marketable warrants, convertible into ordinary shares of the Subsidiary. The warrants were granted to the Subsidiary and to Hadasit. The warrants were granted in accordance with the provisions of Section 3i of the Income Tax Ordinance.

Each warrant is exercisable into a single ordinary share in the Company of NIS 0.001 par value, against payment of an CPI-linked exercise addition of USD 3.62. The warrants will mature in equal parts, every month, over a period of 36 months. The matured warrants will be exercisable for a period of 10 years after the granting date. The cost of the benefit embedded in the warrants which were allocated as above, based on their fair value as of the date they were granted, is estimated at approx. NIS 45 thousand.

The fair value of the warrants granted as above was measured using the binomial model.

The following parameters were used to implement the model:

Share price	1.75\$
Realization price	3.62\$
Expected volatility (*)	85%
Lifetime of warrants (in years)	7-8
Risk-free interest rate	3.22%

(*) Since the Company is not publicly traded, the expected deviation was derived based on 5 companies with similar areas of operation to that of the Company, over a period of 10 years.

- J. On August 10, 2011, the Company's board of directors approved a private allocation of warrants to three directors in the Company, subject to the approval of the extension of service / nomination of the proposed directors by the general assembly. On September 22, 2011, the general assembly approved the extension of service / nomination of these directors, and the warrants were allocated on a capital track, through a trustee, in accordance with the provisions of Section 102 of the Income Tax Ordinance.

Each warrant is exercisable into a single ordinary share in the Company of NIS 0.01 par value, against payment of a CPI-linked exercise addition of NIS 2 (subject to adjustments). The warrants will mature in three batches, and in equal parts, each year over a period of 3 years. The matured 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 which were allocated as above, based on their fair value as of the date they were granted, is estimated at approx. NIS 16 thousand.

The fair value of the warrants granted as above was measured using the binomial model.

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

Share price	NIS 0.485
Realization price	NIS 2.00, Index-linked
Expected volatility (*)	61.6%
Lifetime of warrants (in years) (*)	2.5
Risk-free interest rate (**)	2.58%

(*) The expected volatility was determined based on the historical volatility of share prices on the Tel Aviv Stock Exchange over a period of 5.5 years. The average lifetime of a warrant was determined according to statistical studies which indicate an early exercise of 2-3 years on average.

(**) The risk-free interest rate was derived from the "Galil" Israeli government bond curve, over a period corresponding to the lifetime of the warrants on the date of their granting.

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

Note 5 - **Re-classification**

The Group re-classified the following comparative data amounts as of September 30, 2010. The re-classification resulted from an adjustment of the comparative data to accommodate the manner of presentation of certain transactions in the Group's reports as of September 30, 2011.

	As of September 30, 2011		
	As previously classified	Change	As classified in these statements
	Thousands of NIS		
	Unaudited		
Receivables and others	2,126	158	2,284
Rental fees receivable	-	1,134	1,134
Payables and others	2,841	158	2,999
Expenses payable	2,236	1,134	3,370

Note 6 - **Non-cash transactions**

The Group recognized a liability for royalties payable to the Chief Scientist, against income received from the Scientist, in the following amounts:

	Thousands of NIS
For the period of nine months ended: September 30, 2011	39
September 30, 2010	136
For the period of three months ended: September 30, 2011	11
September 30, 2010	114
For the year ended December 31, 2010	72

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

Note 7 - Subsequent events

- 7.1** In October 2011, approval was given for the application submitted by Enlivex Ltd. (a subsidiary of the Company) for a Chief Scientist program, at a budget of NIS 3 million, and a grant amount weighted to 60%, for the research and development of ApoCell, an apoptotic cell-based treatment for GvHD.
The royalties will be paid from all income received in respect of the devices, kits and cells used in apoptotic cell-based treatment.
- 7.2** In October 2011, approval was given for an application submitted by BioMarCare Ltd. (a subsidiary of the Company) for a Chief Scientist program, at a budget of NIS 1.5 million, and a grant amount weighted to 60%, for the research and development of a PAR indicator-based diagnostic kit used to identify cancer.
The royalties will be paid from all income received in respect of the blood testing kit used to detect cancer by measuring the PAR1 and PAR2 parameters.
- 7.3** In October 2011, approval was given for an application submitted by ProtAb Ltd. (an Investee of the Company) for a Chief Scientist program, at a budget of NIS 3.9 million, and a grant amount weighted to 60% for research and development in Israel, and an additional budget in the amount of NIS 3.9 million with a grant amount weighted to 60%, for the research and development of Proximab - a monoclonal antibody for the treatment of auto-immune diseases.
Royalties will be paid from all revenues arising from the Proximab antibody.
- 7.4** In November 2011, the Company transferred NIS 550 thousand to Enlivex as part of a loan convertible into shares. It was agreed that the loan will bear annual interest at a rate of prime + 3%, and will be repaid, unless converted to Enlivex shares, on June 1, 2014. In the event that Enlivex offers securities in an offer whose total amount will be no less than USD 500 thousand, 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 the repayment date specified in the loan contract, the Company will be entitled, up to 30 days following the repayment, 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).



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

Board of Directors Report for the Quarter Ended September 30, 2011

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. 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.

One significant milestone in this process is the creation of relationships with strategic partners in the pharma world who are able to contribute significant value to the Company’s Portfolio Companies. In addition to its activities in financing the development of the products of subsidiaries, a strategic partner also provides reinforcement of the companies’ science and intellectual property, and can generate value by assisting on other levels as well, including science and experiments, regulation, production, and locating investors and additional partners. The Company considers these transactions



as an important tool in moving the Portfolio Companies' products forward towards commercialization, and also as a method for maintaining shareholders' value.

As of the report date, 4 out of 7 of the Portfolio Companies in which the Company maintains holdings were in or after the human clinical trial Phase: [A] Verto - Entered a clinical trial in 2007, and completed a Phase II/I trial in 2008; [B] Enlivex Ltd. (previously known as TolRex Ltd.) - Entered the clinical trial phase in 2009, and expects to complete the trial in 2011; [C] Thrombotech Ltd. - Entered the human clinical trial phase in February 2010, completed Phase I of the trial in August 2010, and began recruiting patients for Phase IIa in July 2011; [D] BioMarCare - Currently conducting an additional human clinical trial.

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, 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 are most advanced, and 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 Company evaluates investment opportunities in new companies using a model based on close collaboration between Hadassah hospital and the leading Researchers, and the target companies of those investments. According to the aforementioned model, some of the funding directed by the Company to the new project companies is used to conduct pre-clinical and clinical trials in the hospitals' departments, and under the supervision of the Researchers.

During the second quarter of 2011, the Company received approval from the U.S. Securities and Exchange Commission to operate a Level I Sponsored ADR Program (the "**Program**"). The Program enables conversion of company shares into securities of the "American Depositary Shares" ("ADS") type, which represent the Company's shares at an ADS ratio of one to twenty ordinary shares in the Company, and which are traded over the counter in the US, under the symbol HADSY.



ADS securities are convertible into the shares of the company they represent, as well as the opposite - anyone in possession of Company shares may convert them into ADS securities representing Company shares, in accordance with the terms of the Program. The Program enables private and institutional American investors to invest in the Company's share capital by purchasing ADS securities.

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, 2011:

Name of the Portfolio Company in which the Company maintains holdings	Rate of the Company's holdings as of September 30, 2011		Portfolio Company's area of operation
	Not at full dilution	At full dilution	
Thrombotech Ltd.	24.77%	23.43%	Development of drugs intended for focused, selective dissolution of blood clots
Verto Ltd.	74.64%	67.32%	Development of instruments and drugs for the treatment of lupus erythematosus
Cell Cure Neurosciences Ltd.	26.28%	24.54%	Stem-cell based treatment for AMD (Age-Related Macular Degeneration), Parkinson's, and other neurodegenerative diseases
ProtAb Ltd.	69.79%	50.10%	Drugs for the treatment of rheumatoid arthritis and other auto-immune diseases

BioMarCare Ltd. (Formerly Incure Ltd.)	87.49%	91.77%	Kit for early detection of metastasis in certain types of cancer (breast, colorectal) and development of a treatment platform
KAHR Medical 2005 Ltd.	69.50%	64.83%	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.	0.25%	0.25%	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.).

Subsequent to the balance sheet date, the Company announced that substantial support had been received for 3 of the Portfolio Companies, regarding which the committees of the Chief Scientist and of the Ministry of Industry, Trade and Labor had not yet convened for the purpose of discussing the approval of their R&D plans. These companies - Enlivex, BioMarCare and ProtAb - received cumulative approvals for research programs totaling over NIS 7 million, with substantial support percentages ranging from 30 to 60 percent. This financing enables the Portfolio Companies to significantly leverage the investments received from the Company and its partners, and significantly promotes the products in preparation for, and during, the clinical trials.

Concurrently, some of the Portfolio Companies are currently conducting negotiations with external investors in advance of an investment. The Company is also evaluating various financing possibilities in advance of a capital raising during 2012.

The Company's representatives are involved, as much as possible, in the management of the Portfolio Companies, and represent the Company on the boards of directors of those companies. In this way, they are involved in the planning of the scientific and business goals of the companies, such that the provision of financing is only implemented in the event that the companies fulfill those goals. In the event of a failure to meet these goals, the Company changes the manner of provision of financing, or delays it.

C. Main developments in the Portfolio Companies during the third quarter of 2011

(1) Enlivex

As part of a clinical trial performed by Enlivex Ltd. on the ApoCell drug for the treatment of graft vs. host disease (GvHD), Enlivex completed the recruitment and treatment of the third patient group, out of four groups in the trial, and expects to complete treatment of the fourth group by the end of December 2011.

An external safety committee which discussed the results of the trial on the third group decided, based on the data presented to date, that the treatment can be considered safe, and accordingly, approved the transition to the next treatment group, with an increased treatment dosage. 30 days after the conclusion of the fourth group's trial, the committee will convene to discuss this group's results. Enlivex intends to expand the experiment and to recruit more patients in an additional medical center (Sheba).

In July 2011, an agreement for the provision of a convertible loan in the amount of NIS 1 million was signed between Enlivex and the Company. It was agreed that the loan will bear annual interest at a rate of prime + 3%, and will be repaid, unless converted to Enlivex shares, on June 1, 2014. 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 the repayment date specified in the loan contract, the Company will be entitled, up to 30 days following the repayment, 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).

Enlivex is currently conducting negotiations regarding an investment with a number of potential financial and strategic investors.

After the balance sheet date, Enlivex received approval from the Chief Scientist of the Ministry of Industry, Trade and Labor for a single program with a budget of approximately NIS 3 million, with a participation rate of 50%, plus 10% for the development area. The development plan that received approval is a plan for the development of ApoCell, a drug intended for the treatment of graft versus host disease.

(2) KAHR Medical

KAHR is continuing 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 (affecting the immune system). During the quarter, KAHR continued to focus on the development of KAHR-102, which previously displayed significant activity in different models of auto-immune diseases in animals, as well as activity on cancerous cells from human sources. The Company continues to develop the production process for the KAHR-102 product, in collaboration with Recipharm-Cobra Ltd., in advance of a clinical trial involving lymphoma patients at Hadassah.

During the quarter, KAHR continued its negotiations with a number of potential investors, on the topic of the sale of a development license, or for joint development of KAHR-101. KAHR strengthened its collaboration with Sanofi, the strategic partners which had invested in it during the second quarter of this year.

(3) Cell Cure Neurosciences

Cell Cure has concluded the process of manufacturing, under GMP conditions, RPE cells in the retina, in order to make use of them in a cell therapy technique used in a product developed by Cell Cure - OpRegen®. Cell Cure commenced the final characterization process for the cells and product safety tests. This product is intended for the treatment of dry-AMD (Age-Related Macular Degeneration). The disease is widespread among seniors, and is caused by the death of RPE cells, which support the retina and are located below it. The RPE cells are selected from human stem cells which grow on a culture of supportive fibroblast cells from a human source.

During the quarter, Cell Cure completed production of the first formation of RPE cells for OpRegen® under cGMP conditions, by using the advanced technique developed by it to produce the cells more efficiently, while increasing the cell output, as well as the cleanliness level.

Cell Cure's efforts are currently focused on pre-clinical animal trials, based on the guidance and recommendations of the FDA with regard to the new RPE cells that were produced. Concurrently, Cell Cure is continuing trials in order to create a specification for the product in advance of its submission to regulatory bodies.

Cell Cure received approval from the Office of the Chief Scientist at the Ministry of Industry, Trade and Labor for a development program with a budget of approx. NIS 6.8 million, and a weighted participation rate of 50% for the development program that received approval: a stem cell-based treatment program for the treatment of neurodegenerative diseases such as Parkinson's and AMD.

(4) Thrombotech Ltd.

During the quarter, Thrombotech recruited a new CEO, Dr. Ruth Ben-Yakar, who is possessed of managerial, business, scientific and clinical experience, in order to expand and strengthen Thrombotech's activities in these areas.

Over the course of the quarter, Thrombotech began the patient recruitment phase in the Hadassah Hospital, and began preparations for recruiting patients from Ichilov and Wolfson Hospitals. The commencement of the clinical trial in the three centers in India, which is contingent upon receipt of national regulatory approval, was delayed due to bureaucratic reasons, and is expected to be received during the fourth quarter. Additionally, Thrombotech decided to expand the clinical trial, and to include medical centers in Europe and the USA. Thrombotech identified appropriate centers, and has begun preparations towards submitting requests for regulatory approvals in Europe and the USA. The patient recruitment process in Europe and the U.S. is expected to begin during the first quarter of 2012, after the appropriate regulatory approvals have been received. The above is forward looking information, and it is possible that, in the event that a delay occurs in receiving the required approvals, or that they are not received, the trial or its commencement date will be postponed.

Over the course of the quarter, Thrombotech continued marketing activities with other pharmaceutical companies, and is currently in advanced disclosure stages in some of these cases.

Moreover, during the quarter Thrombotech continued its pre-clinical activities undertaken for the purpose of evaluating the applicability of the technology in indications of hypertension and myocardial infarction, with the intention of expanding the possible indications of THR-18 (Thrombotech's leading product), and supporting the marketing efforts vis-a-vis pharma companies.

(5) Verto

Verto did not conduct research activities during the quarter, and continued to invest the majority of its efforts into locating partners for continued performance of the clinical trials it began (Verto successfully completed a Phase I/II clinical trial, and proved the safety and efficacy of the product

under its development). Verto hired the services of a foreign consulting company specializing in the identification and creation of collaborations of this kind with potential partners.

One of the conclusions reached by the consulting company was that, in light of the approval received by a competing drug for the treatment of systemic lupus erythematosus (SLE), the feasibility of continued financing to Verto should be re-evaluated. As part of the conclusions reached by the consulting company, an option was presented to continue promoting Verto's work and development, including expanding intellectual property and recognition among the medical community, on the level of research collaborations with research and academic institutions.

After the balance sheet date, and in light of the fact that Verto was not unable to identify a collaboration as above, or to find an entity to acquire the intellectual property it has developed, the Company's board of directors advised Verto to discontinue its operations..

(6) ProtAb

During the second quarter, ProtAb made progress in the production work done as part of a contract with Xcellerex Ltd. (in the US). During the quarter, ProtAb expanded the tests and trials of the antibody produced from the Pilot Engineering Run, in order to verify that the antibody indeed retains its functional properties after scaling up production processes. The tests performed include a wide variety of experiments, both on cells and on disease models in animals. The above resulted in a delay in the development and production plan for the antibody towards human clinical trials. Consequently, ProtAb is currently in the process of consulting with a several consultants specializing in the development of mononuclear antibodies, specifically in the areas of production, regulation, and development of cures for auto-immune diseases. The purpose of these tests and consultants is to ensure that the production and scaling-up processes which were developed actually create an antibody possessed of the expected therapeutic properties, and that it is possible to continue towards clinical batch production. ProtAb expects to successfully complete the testing and consulting stage during the first quarter of 2012, and to move on to the production of the clinical batch under GMP conditions, in advance of human clinical trials. The above is classified as forward looking information, and it is possible, in the event that a delay occurs in receiving the required approvals, or that other difficulties arise upon receipt of the results, or upon their analysis, that the aforementioned date will be postponed.

During the quarter, ProtAb concluded the toxicological trial in rodents under GLP conditions, with the antibody created from the scaling-up of production process, performed at Harlan Israel Ltd. and commenced during the second quarter of 2011. The first stage of the experiment ended successfully, with no signs of toxicity in the antibody in repeatedly high doses.



During the quarter, ProtAb entered the national phase in several countries with a application for a patent that protects the target protein of ProtAb's lead antibody, following submission of the PCT application on the subject in March 2010.

In August 2011, ProtAb filed a request with the Jerusalem Development Authority to receive a grant for startup companies in the field of biomedicine.

Subsequent to the balance sheet date, ProtAb received approval for two programs at a total budget of approx. NIS 7.85 million, with a participation rate of 30% (for one of the programs), and with a participation rate of 60% for the second program (including an addition of 10% for the development areas). The development plans which received the approval are plans for the development of a monoclonal human antibody for the treatment of rheumatoid arthritis and inflammatory bowel disease.

(7) BioMarCare

During the quarter, BioMarCare was mainly engaged in building infrastructure for two new projects, which mainly dealt with the development of biopsy-based tests for colorectal cancer and breast cancer. During the quarter, BioMarCare focused the majority of its efforts on research and development:

For the Colon-MarCarePlex™ product, which is intended for the early diagnosis of colorectal cancer, BioMarCare formed a panel of 5 molecular markers, which is intended for performing a simple blood test, including a unique marker that was developed. After receiving the approval of the Helsinki committee, approx. 190 blood samples were obtained from patients and healthy individuals for feasibility tests, using the RT-PCR method used to identify the presence of the markers in the patients' blood. Samples are collected in cooperation with the Department of Gastroenterology at Hadassah Hospital, with an emphasis on collecting blood samples from patients in early and pre-cancerous stages. During the quarter, experiments to calibrate the system were conducted, and preliminary results were obtained, based on 20 patients, from an test of the level of each marker separately found in patients diagnosed with polyps, adenomas and colorectal carcinoma (different tumor types).

BioMarCare is evaluating the development, which is designed to allow routine use of the new test to alert and refer the patient for more comprehensive tests, in order to provide further diagnosis and life-saving treatment. The above is forward looking information, and is contingent, *inter alia*, upon successful completion of the trials.

[B] A development is currently being evaluated which involves a method for the use of PAR markers in biopsies taken from early stage breast cancer patients, where the growth is known to result from hormone receptors beta. The purpose of the experiments to assist doctors in deciding whether to use chemotherapy in treating the patient.



[C] For the PAR panel™ product, at the end of the quarter, BioMarCare was possessed of a sample bank of approx. 1000 samples / serum plasma from both patients and healthy individuals, as well as serial collection from patients and from the blood bank. In parallel with the collection of samples, a process was concluded which involved the technological transfer of the biological test for the PAR1 marker, developed by a subcontractor using a standard analysis method named ELISA. To date, over 100 blood samples have been obtained for testing of the ELISA system. A separation was made between healthy individuals and patients. However, due to the fact that the difference between the tested groups is too small, resulting in problematic noise, believes that the product's development time will be longer than originally planned. In light of the above, it was decided, at this stage, to evaluate the samples using two new analytical methods: (i) a molecular examination of the PAR marker levels; (ii) a test using fluorescence (optical radiation emissions) to increase signal strength. Additionally, the specificity of the a new monoclonal antibody for an additional biological marker, PAR2, is being evaluated.

[D] In October 2011, approval was given for an application submitted by BioMarCare Ltd. (a subsidiary of the Company) for a Chief Scientist program, at a budget of NIS 1.5 million, and a grant amount weighted to 60% for the research and development of a PAR marker-based diagnostic kit used to identify cancer.

BioMarCare, together with its American partner, Ariadne Inc., submitted a grant application to the bi-national BIRD Foundation, for a project in the field of companion diagnostics, which is intended to separate between those patients who are likely and unlikely to respond to a drug treatment for the inhibition of the EGFR receptor. As of the report date, BioMarCare was engaged in building an infrastructure to enable creation and operation of the complete program. The BIRD Foundation gave its preliminary approval for provision of a grant in the amount of USD 900 thousand towards financing 50% of the joint project. BioMarCare is working to fulfill the Foundation's requirements, including an agreement between the companies, an agreement with the Foundation, and presentation of complementary financing.

Over the course of the quarter, BioMarCare received a convertible loan from the Company in the amount of NIS 1 million, and an additional amount of NIS 90 thousand from the Jerusalem Development Fund.

Subsequent to the balance sheet date, BioMarCare received approval for a development plan with a budget of approx. NIS 1.5 million, with a participation rate of 50%, with an additional 10% for the development area. The development plan that received approval is a plan for the development of a diagnostic kit that uses PAR markers to identify cancer.

D. Financial position and financing sources

The Group's current assets as of September 30, 2011 totaled approx. NIS 29,901 thousand, as compared with approx. NIS 41,024 thousand as of September 30, 2010. As of December 31, 2010, current assets amounted to approx. NIS 33,920 thousand.

The balance of cash and cash equivalents as of September 30, 2010 amounted to approx. NIS 11,315 thousand, as compared with NIS 21,954 thousand and NIS 8,801 thousand as of September 30, 2010, and December 31, 2010, respectively. The increase in cash resulted mainly from an investment made by Sanofi in the subsidiary, as described above, and from the realization of marketable securities.

The investment in marketable securities as of September 30, 2011 amounted to NIS 16,967 thousand, as compared with NIS 15,791 thousand and NIS 20,781 thousand as of September 30, 2010 and December 31, 2010, respectively. This decrease was due to the realization of investments.

Available-for-sale financial assets decreased from a total of NIS 995 thousand as of September 30, 2010 to NIS 373 thousand as of September 30, 2011, as a result of a decline in BioLine's market value.

Fixed assets as of September 30, 2011 amounted to a total of NIS 534 thousand, as compared with NIS 2,246 and 1,920 thousand as of September 30, 2010 and December 31, 2010. The significant decline recorded for the current quarter resulted from an impairment provision in the amount of NIS 1,142 thousand.

The total balance of investments in affiliates amounted to approx. NIS 12,581 thousand of September 30, 2011, as compared with approx. NIS 19,511 thousand as of September 30, 2010 and approx. NIS 20,651 thousand as of December 31, 2010. The change resulted from the inclusion of ProtAb Ltd. under this item, beginning with the second quarter of 2010, and against the recording of equity losses.

The Group's current liabilities as of September 30, 2011 amounted to approx. NIS 3,864 thousand, as compared with approx. NIS 4,563 thousand as of September 30, 2010, and approx. NIS 3,624 thousand as of December 31, 2010. The balance as of September 30, 2010 included a total of NIS 1,841 thousand in respect of the second payment in the investment round in ProtAb that was held in October 2010.

Non-current liabilities as of September 30, 2011 amounted to a total of NIS 3,995 thousand, as compared with NIS 4,964 and 4,363 thousand as of September 30, 2010 and December 31, 2010, respectively. The decline between the periods resulted from a decline in liabilities to the Chief

Scientist, mainly due to the postponement of the expected income from BioMarCare, and from a decrease in liabilities in respect of leasehold improvements.

The Company's capital attributed to equity holders in the Company as of September 30, 2011 amounted to a total of NIS 34,779 thousand, as compared with capital of NIS 57,839 thousand as of September 30, 2010, and NIS 53,110 thousand as of December 31, 2010. The change resulted mainly from current losses attributed to equity holders in the Company in the amount of approx. NIS 5,014 thousand for the current quarter, and from the recording of a capital reserve in respect of a transaction with the minority interest in the amount of approx. NIS 1,094 thousand.

E. Results of operations:

The Group's loss attributed to equity holders in the Company, for the quarter ended September 30, 2011, amounted to a total of approx. NIS 5,014 thousand, as compared with income of approx. NIS 5,815 thousand for the corresponding period last year, and a loss of approx. NIS 7,414 thousand for 2010. The income for the corresponding period last year, and the relatively low loss recorded for 2010, resulted from income in respect of a revaluation of the investment in ProtAb in the amount of approx. NIS 13,172 thousand.

Administrative and general expenses for the quarter ended September 30, 2011 amounted to a total of approx. NIS 1,684 thousand, as compared with approx. NIS 1,430 thousand for the corresponding period last year, and a total of approx. NIS 7,225 thousand for 2010.

Other expenses - the Group recorded other expenses for the quarter ended September 30, 2011 in the amount of NIS 284 thousand, as compared with profit of approx. NIS 112 thousand for the corresponding period last year. In 2010, other expenses amounted to a total of NIS 14,927, and mainly included a revaluation of the investment in ProtAb.

R&D Expenses:

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.

The following are details of the research and development expenses (with the deduction of participation of the Chief Scientist, and with the addition of royalties payable to the Chief Scientist) which materialized in the Investees for the quarter ended September 30, 2011, and for the corresponding quarter last year:

	For the quarter ended September 30, 2011	For the quarter ended September 30, 2010
	Thousands of NIS	Thousands of NIS
	Subsidiaries	
Verto	18	18
BioMarCare (formerly InCure)	335	229
Enlivex	908	718
KAHR	1,095	342
Total in subsidiaries	2,356	1,307
	Affiliates	
Cell Cure	381	841
ProtAb	1,949	1,110
Conjugate Ltd.	-	535
Thrombotech Ltd.	743	999
Total in affiliates	3,073	3,485
Total R&D expenses	5,429	4,792

F. Liquidity status

For the quarter ended September 30, 2011, cash used in operating activities amounted to a total of NIS 3,161 thousand, as compared with NIS 3,393 and 10,611 for the corresponding quarter last year and for 2010, respectively.

Cash flows provided from investing activities for the quarter ended September 30, 2011 amounted to approx. NIS 840 thousand, and resulted mainly from an investment in marketable securities in the amount of NIS 749 thousand. In comparison, cash flows arising from investing activities in the amount of NIS 4,376 thousand, and cash flows used in investing activities in the amount of 8,716 thousand, were recorded for the corresponding quarter last year and for 2010, respectively, mainly as a result of investments in Investees (ProtAb, Cell Cure and Thrombotech).

Cash flows arising from financing activities for the quarter ended September 30, 2011 amounted to a total of approx. NIS 27 thousand, and resulted mainly from funds received from the Chief Scientist, as compared with NIS 11,106 thousand in the corresponding quarter last year. In 2010, a total of NIS 11,663 thousand resulted from financing activities, of which a total of NIS 10,902 thousand resulted from the issue of shares and warrants in the Company.

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 were as follows: changes in the price of the Company's shares on the stock exchange (which may result in the warrants (Series 3 and 4) not being exercised); and changes in BioLine's share price.

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 four 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, two independent directors are serving in the Company (these two are Ms. Michal Sapir and Mr. Yaron Kulas).

Subsequent to the report date, on August 17, 2011, the Company published a notice convening a general assembly of shareholders in the Company, for the purpose of nominating three directors in the Company. These are Prof. Adi Raveh and Mr. Doron Debbie, for whom a renewal of nomination is requested, in addition to the proposed nomination of a new director, who fulfills, according to the Board's decision, the legal requirements for an external director (Mr. Doron Birger).

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), 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 17, 2011. 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 23, 2011. 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. Details regarding compensation of the Company's senior corporate officers

No changes occurred on the matter over the course of the quarter.

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. As of the report date, the Company donated an immaterial amount to an association for at-risk youth.

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 Mr. Uri Ben-Or, the Company's CFO.

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

The following are the linkage conditions of monetary balances as of September 30, 2011 (thousands of NIS):

	In non- linked NIS	In CPI- linked NIS	In USD or USD- linked	In GBP or GBP- linked	Total
<u>Assets</u>					
Current assets :					
Cash and cash equivalents	4,797	-	6,078	440	11,315
Short term deposits	-	-	-	-	-
Investments in marketable securities	12,490	4,477	-	-	16,967
Receivables and others	1,081	165	-	-	1,246
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	18,741	5,647	6,585	440	31,413
<u>Liabilities</u>					
Current liabilities :					
Credit to banks	-	-	-	-	-
Trade payables	1,114	-	862	-	1,976
Payables and others	1,100	491	-	-	1,591
Loans from external shareholders in subsidiaries	-	-	297	-	297
Non-current liabilities:					
Royalties payable	-	38	913	-	951
Expenses payable	-	2,986	-	-	2,986
Total liabilities	2,214	3,515	2,072	-	7,801
Surplus of financial assets over liabilities	16,527	2,132	4,513	440	23,612

The following are the linkage conditions of monetary balances as of September 30, 2010 (thousands of NIS):

	In non- linked NIS	In CPI- linked NIS	In USD or USD- linked	In GBP or GBP- linked	Total
<u>Assets</u>					
Cash and cash equivalents	19,664	-	1,423	867	21,954
Short term deposits	-	-	-	-	-
Investments in marketable securities	11,069	4,722	-	-	15,791
Receivables and others	1,788	496	-	-	2,284
Available-for-sale financial assets	995	-	-	-	995
Non-current assets:					
Investment in options of affiliates	-	-	1,064	-	1,064
Rental fees receivable	-	1,134	-	-	1,134
Total assets	33,516	6,352	2,487	867	43,222
<u>Liabilities</u>					
Credit to banks	11	-	-	-	11
Trade payables	1,264	-	-	-	1,264
Payables and others	1,000	158	1,841	-	2,999
Loans from external shareholders in subsidiaries	-	-	289	-	289
Royalty liabilities	-	-	1,575	-	1,575
Expenses payable	-	3,370	-	-	3,370
Total liabilities	2,275	3,528	3,705	-	9,508
Surplus of financial assets over liabilities	31,241	2,824	(1,218)	867	33,714

The following are the linkage conditions of monetary balances as of December 31, 2010 (thousands of NIS):

	In non- linked NIS	In CPI- linked NIS	In USD or USD- linked	In GBP or GBP- linked	Total
<u>Assets</u>					
Current assets :					
Cash and cash equivalents	7,566	-	321	914	8,801
Short term deposits	-	-	822	-	822
Investments in marketable securities	20,448	333	-	-	20,781
Receivables and others	640	1,885	-	-	2,525
Available-for-sale financial assets	991	-	-	-	991
Non-current assets:					
Investment in options of affiliates	-	-	1,039	-	1,039
Rental fees receivable	-	1,124	-	-	1,124
Total assets	29,645	3,342	2,182	914	36,083
<u>Liabilities</u>					
Current liabilities :					
Credit to banks	13	-	-	-	13
Trade payables	1,083	-	532	-	1,615
Payables and others	1,730	-	-	-	1,730
Loans from external shareholders in subsidiaries	-	-	266	-	266
Non-current liabilities:					
Royalties payable	-	-	964	-	964
Expenses payable	-	3,341	-	-	3,341
Total liabilities	2,826	3,341	1,762	-	7,929
Surplus of financial assets over liabilities	26,819	1.	420	914	28,154

P. Sensitivity tests

The Company performed sensitivity tests in respect of changes in the upper and lower bounds of 3% and 5% 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 3% and 5% in the USD/NIS exchange rate:

<u>Sensitivity to changes in the USD/NIS exchange rate</u>					
	Profit (loss) from the changes		Fair value as of September 30, 2011: USD/NIS 3.712	Profit (loss) from the changes	
	Increase of 5% in market factor (USD/NIS 3.897)	Increase of 3% in market factor (USD/NIS 3.823)		Decline of 3% in market factor (USD/NIS 3.60)	Decline of 5% in market factor (USD/NIS 3.526)
Thousands of NIS					
Exposure in the linkage balance sheet	226	135	4,513	(135)	(226)

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

The projected influence of changes in the consumer price index on the Group's losses is as follows:

<u>Sensitivity to changes in the consumer price index</u>					
	Profit (loss) from the changes		Index as of September 30, 2011 120.61 points*	Profit (loss) from the changes	
	Increase of 5% in market factor (126.64)	Increase of 3% in market factor (124.23)		Decline of 3% in market factor (116.99)	Decline of 5% in market factor (114.58)
Thousands of NIS					
Exposure in the linkage balance sheet	107	64	2,132	(64)	(107)

- Based on a 2002 average.

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 P of the Company's financial statements as of December 31, 2010.

R. Subsequent events

In July 2011, an agreement for the provision of a convertible loan in the amount of NIS 550 thousand, in the ordinary version used between the Company and the Portfolio Companies, was signed between Enlivex and the Company. The loan amount was transferred to Enlivex in November 2011.

Date: November 23, 2011

Ophir Shahaf

CEO

Dr. Rafi Hofstein

Chairman of the Board

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. Uri Ben-Or, 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 September 30th 2011 (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 for the third quarter of 2011, 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. In addition, the following stages were implemented, as specified below:

- A plan for correction of the deficiencies for 2010 was implemented
- Delimitation was performed for 2011
- A documentation update was performed for 2011, in accordance with the changes made in the Company's financial department
- Tests were performed for the 3rd quarter of 2011, in which no material weaknesses were found which would have an effect on the financial statements

As of the report date, based on of 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 2011 (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), 5753 - 1993, 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 (quarterly or periodic, as relevant) 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.

November 23, 2011

Date

Ophir Shahaf
CEO

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

I, Uri Ben-Or, 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 2011 (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), 1993, 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 (quarterly or periodic, as relevant) 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.

November 23, 2011

Date

Uri Ben-Or