

HBL-HADASIT BIO HOLDINGS LTD.

Periodic Report for the First Quarter of 2014

The Company meets the criteria of the term “small corporation” as defined in the amendment to the Securities Regulations (Periodic and Immediate Reports”-1970, as published in the Official Gazette on 10.3.2014 (“the amendment”). On 12.2.2014, the the Board of Directors of the Company decided to voluntarily adopt all of the concessions included in the amendment for the year of 2013, as they are relevant (or will be relevant) to the Company, commencing from the Periodic Report. Accordingly, the Company is not making public in detail in the 2013 report, see Immediate Report dated 12.2.201 (Document No. :2014-01-038332) and in this Periodic Report, a report on the internal control, it has used the materiality threshold approved for small corporations in connection with the attachment of evaluations and also details regarding exposure to market risks.

HBL-Hadasit Bio-Holdings Ltd.

Directors’ Report for the period ended March 31, 2014

According to the Securities Regulations (Periodic and Immediate Reports)-1970, the Directors' Report is being presented for HBL-Hadasit Bio-Holdings Ltd. for the period ended March 31, 2014 (hereafter: "the reporting period"). The scope of this report is limited and it has been prepared under the assumption that placed in front of the reader is the Directors' Report on the Condition of the Company's Affairs for the year ended December 31, 2013, published in the context of the Periodic Report of the Company for the year 2013, dated March 18, 2013, Document 2014-01-017121 (hereafter "the Periodic Report").

The consolidated reports contain the operating results of the Company, including the subsidiaries which were active during the reporting period: Envilex Ltd. and Kahr Medical Ltd., in addition to 3 affiliated companies: ProtAb Ltd., CellCure Ltd. and Biomarker Ltd. whose financial statements are attached to this quarterly report.

The reports have been prepared according to the International Financial Reporting Standards (IFRS) and the provisions of the Securities Regulations (Annual Financial Statements)-2010.

The functional currency of the Company is the NIS.

A. Preface and summary of the entity's business

The main objective of the Company is to enhance and develop the portfolio companies in which it has holdings, inter alia, by means of providing sources of funds necessary for purposes of the research and development of the science, the technology and the products existing at the basis of the portfolio companies. Providing these resources was designated to permit the portfolio companies to advance and to attain clear milestones, which in the bio-technological industry, serve as an indication that there is validity in research, clinical development, the regulatory process, business development and the other elements connected with the Company's operations which are translated into monetary value for its owners. This value has been assembled over an extended period of time and involves the investment of substantial financial and managerial efforts.

As of the date of the report, 2 out of the 6 portfolio companies in which the Company has holdings are found in the clinical trial stage on human beings: (a) Envilex Ltd, which has successfully completed treatment of 13 patients in the framework of its clinical trial; (b) D-Pharm Ltd. (formerly Thrombotech which was merged into a public company (D-Pharm) during July 2012 and the leading product being developed (THR-18) continued to make progress in the framework of D-Pharm). In December 2013, treatment of the first patient in the framework of the clinical trial Phase 11a began in the Ukraine. The trial is anticipated to comprise 30 patients who will be divided into 3 successive groups with each one being treated with an increasing dosage of the medication, and also is to include an evaluation group. The main goal of the trial is to test the safety of the medication in combination with tPA for patients who have suffered an ischemic cerebral stroke. In addition, the trial will test, inter alia, the effect of the medication on various indices of cerebral injury after an ischemic cerebral stroke. The treatment in this trial by means of the medication will be based on a new method of conveyance developed by the company which simplifies the preparation of the medication near the bed of the patient and its injection, together with the tPA. On January 21, 2014, D-Pharm announced the elicitation of the last patient of the first group out of the three groups of patients who will participate in the clinical trial Phase 11a of THR-18. In March 2014, D-Pharm reported on successful interim results in the trial of Phase 11a of THR-18. In addition, D-Pharm has additional products which are also found in advanced clinical stages; (c) Biomarker: continued clinical research in the framework of which the collection of specimens from patients and healthy persons is being carried out in medical centers in Israel and abroad. Commencing from the month of March 2014, Biomarker is focusing on business development activities, the principal one being the detection of strategic partners and investors in order to advance development and commercialization without additional clinical activities.

The Company is leading the strategic planning of the portfolio companies by means of active involvement in the board of directors of the portfolio companies and by means of current guidance of the management of the companies. The management of the Company takes an active part in the structuring of work programs and budgets, raising capital, business development, etc. By means of this involvement, the Company seeks to assure that the resources which it provides are utilized in the optimal manner and that the companies progress towards clinical trials that will be the basis of the exit strategy. It should be stated that not in all the portfolio companies has the Company been provided with control so that, accordingly, there is a varying measure of involvement between the different portfolio companies. As of the date of the report, representatives on behalf of the Company serve on all of the boards of directors of the portfolio companies.

B. The rate of the holdings of the Company in the portfolio companies and the rate of the Company's holdings in them:

The following is detail of the Company's holdings in the portfolio companies as of 31.3.2014

Name of portfolio company in which the Company has holdings	Rate of the Company's holdings as of 31.3.2014		Operating sector of the portfolio company
	Not fully diluted	Fully diluted	
D-Pharm Ltd. (a public company traded on the Tel-Aviv Stock Exchange Ltd.)	12.89%	12.57%	Development of medications in the sector of the central nervous system (CNS)- including those designated for dissolving blood clots in a focused and selective manner.
CellCure Neurosciences Ltd.	21.2%	20.05%	Stem cell based treatment of the AMD illness (age-dependent loss of sight), Parkinson's and other neurodegenerative illnesses.
ProtAb Ltd.	69.54%	58.9%	Medications for the treatment of rheumatoid arthritis and other autoimmune diseases.
Biomarker Ltd.	65.1%	45.57%	An apparatus for early detection of colon cancer by a blood test and the development of a test for the assessment of the effectiveness of the treatment of colon cancer with metastasis (personally tailored medicine).
Kahr Medical (2005) Ltd.	48.91%	42.84%	Development of protein platform which permits treatment of autoimmune diseases and cancer of different types.
Enlivex Therapeutics Ltd.	91.99%	83.63%	Development of a system (instrument and medication) for the treatment of graft-versus-host disease (GVHD) in transplants and other Inflammatory and autoimmune diseases
Bioline RX Ltd.	0.09%	0.09%	Development of medications in Bioline laboratories and outsourcing in order to move them forward to advanced clinical trials

Company representatives are involved in management of all of the portfolio companies and represent it in the boards of directors of those companies. The Board of Directors of the Company evaluates the continued investments in the portfolio companies according to the Company's strategy and by activating maximum judgment in relation to the situation of each and every company, its closeness to clinical trial or other significant milestone that will cause an inflation of value.

The Company's Board of Directors evaluates the companies that are in the portfolio and the opportunities for new investment according to a series of criteria including the measure of the maturity of the product/technology, the size of the potential market, the length of life of the intellectual property at the basis of the product, the existence of an additional financial partner to finance the company, etc.

The continuation of the present rate of holdings of the Company in the portfolio companies is conditional on the financial ability that the Company will have, which will allow it, subject to the principles of the investments in the portfolio companies, to participate in the investment rounds in the portfolio companies. It is not inconceivable that in the additional rounds of elicitation, the Company will not have the means necessary for purposes of maintaining the rate of its current holdings in the portfolio companies (in whole or in part), and it is also not inconceivable that in these rounds, the Company will decide that it will not be correct or worthwhile to participate in rounds like these. The Company is acting continuously, and also at present, to locate and realize the best sources of financing for its operations and for the operations of the portfolio companies.

C. Principal developments in the Company during the first quarter of 2014

1. In January 2014, the General Assembly approved the terms of service of the CEO of the Company, Mrs. Tamar Kfir, see the Immediate Report dated 22.1.2014 (Document 2014-01-021868) for additional details. Accordingly, in April 2014, the Board of Directors of the Company allotted 1,000,000 non-tradable options to the CEO of the Company, see the Immediate Report dated 6.4.2014 (Document 2014-01-038592) for additional details. In addition, in January 2014, the General Assembly approved a severance stipend in the amount of NIS 96,000 for Mr. Ophir Shahaf, the outgoing CFO, as well as an extension of the exercise period of the non-tradable options which vested through 31.12.2013, so that they will be exercisable through 31.12.14 (Document No. 2014-01-021868).
2. In February 2014, the Board of Directors of the Company approved the adoption of the concessions for small corporations commencing from the December 2013 reports, see the Immediate Report dated 12.2.2014 (Document 2014-01-038332) for additional details.
3. In March 2014, three new directors began service in the Company: Ms. Mirav Kay; Prof. Yakov Naparstek and Mr. Yigal Ehrlich, who is related to the controlling shareholder of Company-Hadasit. Moreover, 2 directors terminated their service in the Company: Dr. Einat Zisman and Mr. Doron Debi (see the Immediate Report dated 17.3.,2014 (Document 2014-01-015705) as well as reports dated 26.3.2014, Document Nos. 2014-01-024510, 2014-01-024537, 2014-01-24555, 2014-01-024762 for additional details).
4. In March 2014, the Company participated in its entire share of the issuance of the rights in D-Pharm, see the Immediate Report dated 31.3.2014 (Document 2014-01-032445) for additional details.
5. On May 14, 2014, the Securities Authority notified the Company that, following its request of April 8, 2014 for the extension of the period of the shelf prospectus of the Company (dated June 25, 2012), it was decided to extend the period for the offering of securities pursuant to the shelf prospectus for 12 additional months, that is until June 24, 2015.
6. On May 15, the Company announced the appointment of Mr. Yoram Azulai as acting CFO of the Company (Document No. 2014-01-064587).
7. On May 18, 2014, the General Assembly approved the service of Dr. Tami Raz, who serves as the CEO of Hadasit, the controlling shareholder of the Company, as a director of the Company; also on that date, the General Assembly approved the renewal of the appointment of the outside auditor of the Company for the year of 2014 and authorized the Board of Directors to determined the terms of his employ.

D. Principal developments in the portfolio companies during the first quarter of 2014 and through issuance of the report

What is stated below is to be considered as forward looking information and is conditional, inter alia, on raising the financial resources which will be necessary for this purpose, the success of the preliminary experiments and obtaining the relevant regulatory approvals required.

1) Envilex Therapeutics

Envilex is developing a system for the treatment of graft-versus-host disease (GVHD) in transplants and other Inflammatory and autoimmune diseases. What is involved is an innovative cell treatment which creates "immune tolerance" and prevents the outbreak of the illness for transplant recipients in its acute stages. Continuing the Company's reports of 17.2.2014, 30.3.2014 (there were additional dates, to add, see the last Immediate Report), Envilex contracted with a group of investors to raise \$ 3.5-\$ 8 million, following which the group of investors plans to execute a public offering in the US.

On May 18, 2014, Enlivex completed the raising of the convertible loan from a group of investors in the amount of \$ 7,051 thousand. Upon completion of the transaction, the Company will hold 25.8% of the share capital of Enlivex (19.41% fully diluted). As a result of closing the transaction, the Company lost control of Enlivex. The capital gain which the Company anticipates recognizing as the result of this loss of control will be calculated after the Company executes an evaluation of the remainder of its holdings of the Enlivex shares.

Upon completion of the transaction, the following convertible loans were converted:(1) The cumulative convertible loans provided over the years by the Company for the benefit of Enlivex, together with accrued interest, in an amount of NIS 16.5 million were converted into 7,079,722 ordinary shares of Enlivex. (2) The convertible loan provided by the group of investors to Enlivex on February 12, 2014 in the amount of NIS 151 thousand was converted into 45,899,677 ordinary shares of Enlivex.

Enlivex is progressing with the development program and is preparing a regulatory portfolio in order to deliberate with the European authority EMA and with additional European research entities as well as with the FDA on an overall program of advanced clinical testing in connection with the graft-versus-host disease (GVHD). Concurrently, the Company is preparing to carry out R&D operations that will allow the performance of the clinical trials in Israel and abroad.

2) **Kahr Medical (2005) Ltd. ("Kahr")**

Kahr is developing a platform of protein medications which permits innovative treatments for autoimmune diseases and cancer of different types. Kahr's technology allows a natural connection between two active proteins and permits both to act in a body at the same time (in synergy).

During the first quarter of 2014, Kahr continued to develop the preclinical stage of its products. Kahr is continuing with the development of 2 products KAHR-101 and KAHR-102 for the treatment of different types of cancer and autoimmune diseases.

In the first quarter of 2014, Kahr continued to concentrate in development of KAHR-102 which showed significant activity in various models of cancer in animals, mostly lymphatic cancer, as well as models of autoimmune diseases in animals. Kahr carried out a number of additional experiments on animals which show significant activity of the product in two models of lymphatic cancer in a rat in especially low concentrations. Additionally, Kahn finished the development of the production process for the KAHR-102 product together with the Kubra Company (Sweden-England) and produced the toxicology trial (toxicity) batches. The toxicology trial on rats and monkeys began in the second quarter of 2014 prior to the first clinical trial on lymphatic cancer patients in Hadassah at the beginning of 2015. The Company met with the regulatory authorities in Europe and Israel in order to obtain approval for the framework of the toxicology trial and the planned clinical trial.

3) **CellCure Neurosciences Ltd.**

CellCure is developing stem cell based treatment (human embryos) of the Dry-AMD illness (age-dependent loss of sight). The leading product is OpRegen® (RPE cells, Retinal Pigment Epithelium).

This product is designated for the treatment of Dry-AMD; Age Related Macular Degeneration. This disease is common at a later age and is caused by the demise of the RPE cells. The OpRegen® cells are meant to replace the dead RPE cells of the patient.

During the first quarter of 2014, CellCure continued preclinical trials for the testing of the activity and safety of the product and is expected to end the trials during the second quarter of 2014. The GLP trials for the testing of the safety of the product are carried out according to the recommendations/guidelines of the FDA in authorized external laboratories (CRO). CellCure finished development of methods for characterization of the activity and measurement of the cell purity of the product and will complete the testing of the product with these methods during the second quarter of 2014 towards the FDA filing. The initial results indicate that the cells produced under GMP conditions are characterized by a high level of cell purity and possess typical RPE activity.

The first batch of the RPE cells was produced under conditions of cGMP and xeno-free (without use of materials derived from animals) by an efficient and advanced method developed by CellCure for the direct production of RPE cells with high output and purity. To the best of the knowledge of the Company, there is not currently another company in the world which has a more efficient production method with cells of higher quality.

CellCure is in continuous contact with the FDA and is developing the OpRegen® product according to the particular regulatory requirements of a product generated from embryonic stem cells. The Company is preparing for filing the IND with the FDA during 2014. At the same time, the Company, in cooperation with clinical physicians from the Ein Kerem Hadassah Hospital is currently presenting a request to the Helsinki Committee and to the Ministry of Health to obtain approval in order to carry out clinical trials at Hadassah.

On April 30, 2014, the management of CellCure decided to submit a purchase offer to its shareholders in order to raise financing by means of convertible loans in a total amount of \$ 4,200 thousand. The principal amount will be transferred in two stages, according to the request of Cell Cure on an "as necessary" basis with an understanding that the second stage will be at the discretion of the participating shareholder. The first stage will be in the amount of \$ 2,200 thousand and the second stage will be in the amount of \$ 2,000 thousand. The principal to be transferred by a shareholder will bear annual interest at the rate of 3%. Each part of the loan as yet unpaid and which will not be converted into ordinary shares of the company, as detailed below, will be repaid by the company within 3 years from the date of the relevant transfer. At any time prior to the relevant transfer, subject to written notification by the shareholder, CellCure will convert any part of the loan not yet repaid to ordinary shares of the company. As part of the first stage as above, during May 2014, Biotime transferred an amount of \$ 600 thousand to CellCure.

In the context of the decision, Biotime granted HBL an option to participate in part of the aforementioned investment in order to maintain its share in the holdings in CellCure. The option is for 90 days.

On May 4, 2014, Biotime notified the Company that in the case that the other shareholders will not exercise their right to transfer part of the principal, it will transfer the principal in full "as necessary".

On May 9, 2014, Biotime announced that the balance of the loan which it granted to CellCure, which stands at \$ 1,200 thousand, will be repaid to it on the condition that CellCure will receive the amount from the sale of Biotime shares that it still holds, and not from any other source, including, but not limited to, funds to be received from the OCS, equity investments, or a loan received by CellCure from Biotime or any shareholder of CellCure or any other third party.

4) ProtAb Ltd. ("ProtAb")

ProtAb develops medications for the treatment of inflammatory intestinal illnesses, rheumatoid arthritis and additional autoimmune diseases. The leading product is an antibody which promotes the anti-inflammatory reaction of the immune system.

During the first quarter of 2014, the Company has been preparing for entry into additional preclinical experiments whose purpose is attaining results that will permit a decision on focusing on a clinical indication. For this purpose, it is acting to raise financing. The financing will permit the continued deciphering of the operational mechanism of the antibody and the execution of additional preclinical experiments for the evaluation of the effectiveness of the antibody in models with animals for new clinical indications, part of which are indications for the development of an orphan drug. Additionally, ProtAb is carrying on contacts with a senior academic institution for cooperation in relation to the deciphering of the operational mechanism of the antibody.

5) Biomarker Technologies Ltd.

Biomarker is developing an apparatus for the early detection of colon cancer by a blood test and the development of a test for the assessment of the effectiveness of the treatment of colon cancer with metastasis (personally tailored medicine).

The project is supported by the Bi-National Fund of Israel and the United States (BIRD Foundation)-in a joint project with Ariadne Diagnostics of Maryland, U.S. (Ariadne) for the development of a mCRC-Strat test for the personalized medicine market which is designated to extend the effectiveness of the pharmacological treatment for colon cancer patients in the metastasis stage, the continued development was transferred to the U.S. During the third quarter of 2013, Biomarker, together with Ariadne, filed an application to the BIRD Foundation to extend the time schedule for the work program of the project until October 2014, in order to convert the proteins test developed in Israel to a test based on a manifestation profile of molecular biomarkers. In response to the application, the BIRD Foundation instructed Biomarker and Ariadne to present a new work program (mini proposal). Accordingly, on April 1, 2014, (after the balance sheet date), Biomarker and Ariadne presented a new work program to the BIRD Foundation, in whose framework a deferral is requested of the termination date of the program until March 2015. As of the date of this report, an approval from the BIRD Foundation of the new work program has not yet been received.

In the second project, Biomarker was engaged in development of a method for the diagnosis of molecular biomarkers in blood (plasma) which is considered a challenge and an enormous technological barrier. The purpose of the activity to develop a Colon-MarCarePlex™ test for the diagnosis of pre-cancerous and cancerous biomarkers in a non-invasive examination. Blood tests are designated to replace the examination of excrements which is considered as a screening test with low sensitivity and very limited public compliance.

Biomarker ended the development of a method to produce RNA (genetic information that is a reproduction of the gene) from plasma of ailing and healthy persons as starting material for the examination of various markers as well as to develop a method for marking RNA from plasma for the microcircuit technology. As of the end of the quarter, the company has classified approximately 70 biomarkers and the company has thoroughly tested 16 biomarkers in 3 groups examined. In connection with this project, Biomarker, on April 10, 2014, filed a patent application with the American patent office

for the clinical diagnostic instruments for colon cancer, including diagnosis of malignancy or precancerous lesions (polyps) by means of identifying molecular signs in blood. In parallel to filing the patent, commencing from March 2014, Biomarker is focusing on business development activities, the principal one of which is locating strategic partners and investors in order to advance the development and commercialization of the product as to which the patent was filed, without additional clinical activity. Accordingly, the clinical manpower was reduced.

6) D-Pharm

In July 2012, D-Pharm completed the acquisition of 98,491 shares of Thrombotech Ltd. (hereafter: "Thrombotech") which, at the time of completion of the transaction, represented all of the actual and fully diluted, issued shares of Thrombotech, in consideration of the allotment of approximately 25,009,462 ordinary shares of D-Pharm to the shareholders of Thrombotech prior to completion of the transaction (including a company which held approximately 20% of Thrombotech). The shares were issued in the framework of the private placement and represented approximately 58% of the fully diluted equity of D-Pharm on the date the transaction was completed. See the Immediate Report dated July 19, 2012 for additional details with regard to the agreement for the acquisition of Thrombotech and the operations of Thrombotech.

D-Pharm is developing technology designated for the treatment primarily of illnesses of the central nervous system (CNS). As of the date of this report, two of the principal products of D-Pharm that are in advanced stages of development are: DP-VPA designated for the treatment of epilepsy, migraines and manic depression and THR-18 designated to improve the safety and efficiency of treatment by the IPA medication for patients with an ischemic stroke.

For additional details regarding D-Pharm's operations, see the D-Pharm reports on Maya.

E. Financial position and sources of financing (consolidated)

The current assets of the Company as of March 31, 2014 totaled NIS 22,515 thousand, as compared to the amount of NIS 26,016 thousand as of March 31, 2013. The change is derived from the use of cash by the Company and the subsidiaries and the realization of marketable securities by the parent company, on the one hand, and the raising of capital by a subsidiary (Kahr), on the other hand.

The balances of cash and cash equivalents as of March 31, 2014 totaled approximately NIS 11,523 thousand, as compared to the amount of NIS 11,988 thousand as of March 31, 2013. The change is derived from the use of cash by the Company and subsidiaries and the realization of marketable securities by the parent company, on the one hand, and the raising of capital by a subsidiary (Kahr), on the other hand.

The balances of cash and cash equivalents and marketable securities of the parent company as of March 31, 2014 totaled NIS 6,414 thousand, as compared to the amount of NIS 12,031 thousand as of March 31, 2013. The decline is derived from the use of cash for current operations and for investment in companies.

The investment in marketable securities and deposits as of March 31, 2014 totaled NIS 6,754 thousand, as compared to the amount of NIS 8,696 thousand as of March 31, 2013. The decline is derived from the realization of marketable securities for current operations, on the one hand, and the investment in marketable securities by the subsidiary, on the other hand.

The financial assets available for sale as of March 31, 2014 totaled approximately NIS 1,663 thousand, as compared to the amount of NIS 3,230 thousand as of March 31, 2013. The decline is derived from the impairment in value of the financial assets held by the Company.

The fixed assets as of March 31, 2014 totaled approximately NIS 522 thousand, as compared to the amount of NIS 306 thousand as of March 31, 2013. The change is derived primarily from the renovation of the laboratory of a subsidiary in the amount of NIS 204 thousand.

The balance of the investment in investee companies as of March 31, 2014 totaled approximately NIS 7,828 thousand, as compared to the amount of NIS 13,506 thousand as of March 31, 2013. The change is derived from the withdrawal of equity losses of the investee companies, on the one hand, and the recognition of capital gain with respect to the decline in the percentage of holdings in CellCure.

The current liabilities of the Company as of March 31, 2014 totaled approximately NIS 5,042 thousand as of March 31, 2014 as compared to the amount of NIS 1,926 thousand as of March 31, 2013. The increase was derived mainly from the inclusion of a liability with respect to leasehold improvements in the current liabilities of the Company.

The non-current liabilities of the Company as of March 31, 2014 totaled NIS 4,661 thousand, as compared to the amount of NIS 5,460 thousand as of March 31, 2013. The change is derived from the increase in royalties payable as the result of the receipts from the OCS and from the change in estimate of risk interest in a

subsidiary, on the one hand, and from the subtraction of the liability with respect to leasehold improvements and its inclusion in the framework of current liabilities.

The equity of the Company which is attributed to the owners of the equity rights in the Company as of March 31, 2014 totaled NIS 15,642 thousand, as compared to the amount of NIS 29,742 thousand as of March 31, 2013. The change is derived from capital reserves from transactions with the minority, on the one hand, and a reduction of equity due to the Company's current losses, on the other.

F. Operating results (consolidated)

The loss of the Company attributed to the holders of equity rights in the Company for the quarter ended March 31, 2014 totaled the amount of approximately NIS 2,371 thousand as compared to approximately NIS 1,166 thousand in the parallel period last year. The increase is derived primarily from recognition of a capital gain as the result of an investment transaction in an affiliated company in the parallel period last year and, on the other hand, a reduction in the net R&D expenses of the investee companies for the reporting period.

The general and administrative expenses totaled approximately NIS 1,141 thousand for the quarter ended March 31, 2014 similar to the amount of NIS 1,125 thousand in the parallel period last year.

Other expenses-the Company recorded other expenses in the quarter ended March 31, 2014 in the amount of approximately NIS 521 thousand that was derived mostly from a capital loss as the result of the repayment of loans provided by the controlling shareholder of CellCure.

R&D expenses

Following is detail of R&D expenses incurred by the investee companies during the quarter ended March 31, 2014 as compared to the R&D expenses for the parallel period last year:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
	N I S 0 0 0	
	Subsidiaries	
Enlivex	14	407
Kahr	436	838
Total subsidiaries	450	1,245
	Affiliates	
CellCure	2,422	4,053
ProtAb	(327)	294
Biomarker	59	449
Total affiliates	2,154	4,796
Total R&D expenses	<u>2,604</u>	<u>6,041</u>

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

G. Liquidity status (consolidated)

In the quarter ended March 31, 2014, the cash used for current operations totaled NIS 1,951 thousand as compared to the amount of NIS 2,872 thousand in the parallel quarter last year.

The cash flows used for investing activities in the quarter ended March 31, 2014 totaled the amount of approximately NIS 19 thousand as compared with cash flows provided by investment activities in the amount

of NIS 403 thousand in the parallel quarter last year. The decline was the result of the realization of lower amounts of marketable securities in the current quarter as compared to the parallel quarter last year.

The cash provided by financing activities for the quarter ended March 31, 2014 totaled the amount of NIS 646 thousand and were derived mainly from grants received from the OCS as compared with the amount of NIS 49 thousand in the parallel quarter last year which also was derived from receipts of OCS grants.

H. Economic exposures and exposure to market risks and the manner of managing them

As of the date of the report, the potential risks incorporated in the Company's operations are:

1. **Market risks:** changes in the price of the Company's shares on the stock exchange (something which could cause the options (Series 4 and Series 6) not to be exercised); a change in the share price of Bioline and D-Pharm.
2. **Economic exposures:** the economic slowdown significantly affected the ability of the Company to raise monetary resources. Suitable monetary resources are the input needed by the portfolio companies in order to progress in the research and development processes. Without suitable monetary resources, the portfolio companies will be unable to purchase the inputs required in order to carry out R&D and for purposes of preparations and entry into the stage of clinical trials on humans. The Company is acting in a number of channels to raise capital.

Other than that, the Company has not yet identified additional market risks to which it is exposed in the course of its operations. Upon identifying such market conditions, the Company will set rules for the management of these risks. The person in the Company responsible for market risks is the CEO of the Company, Ms. Tamar Kfir.

I. Directors possessing accounting and financial expertise

Due to the Company's accounting and financial complexity, the Board of Directors of the Company determined, pursuant to the provisions of Section 92(A)(12) of the Companies Law-1999 that at least two directors possessing accounting and financial expertise will serve in the Board of Directors- that is, directors who do not hold an additional position in the Company, and due to their education, experience and aptitude, are the possessors of extensive expertise and comprehension of business-accounting subjects and financial statements in a manner that will permit them to thoroughly understand the financial statements and to stimulate discussion in connection with the manner of the presentation of the financial data.

As of the date of the report, all of the directors serving in the Company meet the criteria determined with regard to accounting and financial expertise or with regard to professional capability, due to their education and by force of their experience in the management of companies.

J. Report concerning independent directors

The Company has not yet adopted in its bylaws the provision stipulated in Section 19 2(e) of the Companies Law-1999 with regard to the proportion of the independent directors.

As of the date of the report, three independent directors are serving in the Company (two outside directors- Ms. Michal Sapir and Mr. Yaron Kolus, and Mr. Doron Birger).

K. Details of the process of approval of the financial statements of the entity

The principals of the entity in charge of overall control are: the Chairman of the Board of Directors-Dr. Rafi Hopstein and the CEO of the Company-Ms. Tamar Kfir.

The financial statements are prepared by the CEO of the Company with the assistance of the CFO and financial personnel of the Company. After the review of the independent outside auditors and prior to their approval by the Board of Directors of the Company, the draft of the reports undergoes preliminary scrutiny of the directors serving as a Balance Sheet Committee of the Company-Mr. Yaron Kolus, Chairman (outside director), Ms. Michal Sapir (outside director) and Mr. Doron Birger (independent director), who examine the reports and transmit their comments and recommendations to the Board of Directors a number of days prior to the date determined for the meeting of the Board of Directors, in accordance with the provisions of the Companies Regulations (Provisions and Conditions in the Matter of the Process of Approving the Financial Statements)-2010 (hereafter: "Approval Process Regulations").

All members of the Balance Sheet Committee have been determined by the Board of Directors to possess accounting and financial expertise, and who, in any case, have the ability to read and understand financial

statements. All members of the committee have submitted statements as mentioned in Section (1) of the Approval Process Regulations.

For purposes of preparation of the financial statements, the Company made use, inter alia, of two evaluations which are not "very material" according to the Securities Regulations (Periodic and Immediate Reports), and, therefore, they are not attached to the financial statements. These evaluations were for purposes of evaluating the impairment in value of a subsidiary and for purposes of calculating the obligation for the payment of royalties to the OCS by subsidiaries.

L. The approval process by the Balance Sheet Committee

The Company's financial statements were discussed at the meeting of the Balance Sheet Committee held on 12.5.2014, and in a follow-up meeting on 20.5.2014. In the context of the discussion, all of the members of the Balance Sheet Committee participated. Moreover, the independent outside auditors, the CEO of the Company, the CFO and additional advisors invited also participated. At the meeting, the effectiveness of the internal controls over the financial reporting and the Company's disclosure was discussed. A discussion in principle was held in connection with the estimates and approximations used by the Company, the completeness and the fairness of the disclosure and the accounting policies and treatment, and recommendations were formulated to the Board of Directors in the matter of the approval process of the financial statements.

M. Details of the procedures instituted by the Balance Sheet Committee in order to formulate its recommendations to the directors

Prior to the meeting, the committee received for its evaluation: (a) a draft of the quarterly financial statements of the Company and a draft of the Directors' Report; (b) auxiliary sheets which served for preparation of the financial statements; (c) evaluations of non tradable D-Pharm shares.

In the context of the meeting, those present were given for evaluation, estimates and approximations made in connection with the financial statements, the internal controls processes connected with the financial reporting, the risk management policies, the completeness and fairness of the financial statements, the accounting policies and the accounting treatment implemented for material matters and the financial statements data of the Company.

The information accompanying the data included in the financial statements was reviewed before the members of the Balance Sheet Committee, including information relating to the financial and operational position of the Company.

After consulting with the independent outside auditors of the Company, the members of the Balance Sheet Committee reached the conclusion that the Company implemented proper accounting policies and used appropriate estimates and approximations.

The committee formulated recommendations with regard to approval of the Company's financial statements and these were transferred for the review of the Company's directors three days prior to the meeting of the Board of Directors, a reasonable time for assessment by the Board of Directors of the Company.

The financial statements of the Company were discussed and approved in the meeting of the Board of Directors on 20.5.2014.

At the meeting of the Board of Directors, the recommendations of the Balance Sheet Committee were brought before the Board of Directors and a review and analysis was also performed by the CEO of the Company with respect to the principal elements of the financial statements, including in connection with the operating results, the financial condition, the cash flows, etc. Additionally, significant transactions for the reporting period were itemized. The independent outside auditors of the Company as well as all members of the Balance Sheet Committee participated in the meeting of the Board of Directors.

N. Officers and details with regard to compensation of executive officers of the Company

The Company began to pay salary to employees in April 2013. The remaining management services are granted to the Company by Hadasit (its controlling shareholder). See the chapter on the affairs of the entity in the annual report for details of the management agreement signed between the Company and Hadasit.

The compensation policies, as they were prepared by the Compensation Committee and approved by the Board of Directors, were approved in the General Assembly on 17.9.2013.

On 1.1.14, Ms.Tamar Kfir took over the position of CEO of the Company. The terms of service and employment of the CEO were approved by the General Assembly in its meeting on 22.1.14. Details of the

terms of service and employment of the CEO were described in the invitation for the General Assembly dated _____. See the Immediate Report dated April 8, 2014 for details regarding allotment of options to the CEO.

On 12.3.2014, the Compensation Committee approved, and subsequently, on 17.3.2014, the Board of Directors approved a revision to the contract of the CFO of the Company, Ms. Liat Simhayoff Cohen, the main part of which was increasing the base salary to NIS 26,000 per month and extending the period of advance notice to 60 days.

On 19.5.14, the Compensation Committee approved, and subsequently, on 20.5.14, the Board of Directors approved the allotment of 700,000 options to Mr. Yigal Ehrlich and the allotment of 400,000 options to Dr. Rafi Hopstein. The allotment also requires the approval of the General Assembly which will be convened in the coming days.

O. Contributions policy

As of the date of the report, the Company has not yet approved a contributions policy. Nevertheless, the Company's bylaws stipulate that it is permitted to contribute reasonable amounts for appropriate purposes.

P. Internal auditor

During the reporting period, no material changes took place in the subjects itemized in Regulation 10(b)(11) of the Securities Regulations (Periodic and Immediate Reports)-1970. During the reporting period, a report by the internal auditor on the subject of the process of approval of transactions with interested parties and controlling shareholders and the appointment and terms of service of officers was discussed by the Audit Committee on March 12, 2013 and by the Board of Directors on March 17, 2013.

Q. Authorized signatories of the Company

As of the date of the report, the Company has no independent authorized signatories, as this term is defined by the Securities Law and the Securities Regulations (Periodic and Immediate Reports)-1970.

R. Report on exposure to market risks and manner of managing them:

The balances of cash and cash equivalents of the Company are deposited with A rated Israeli banking entities.

According to the Company's policies, the Company invests its liquid balances in a financial Beta liquid deposit.

Those responsible for management of the Company's market risks are Mrs. Tamar Kfir, CEO of the Company, and Dr. Rafi Hofstein, chairman of the Board of Directors.

S. Linkage balance sheet of balances of financial assets and liabilities:

The following are the linkage terms of monetary balances as of March 31, 2014 (NIS 000)

	Unlinked NIS	Linked NIS	In or linked to foreign currency	Total
<u>Assets</u>				
Cash and cash equivalents	4,248	-	7,275	11,523
Investment in marketable securities and deposits	4,662	-	2,092	6,754
Other current assets	719	1,132	-	1,851
Financial assets available for sale	1,663	-	-	1,663
Non current assets:				
Pledged cash	-	-	445	445
Total assets	11,292	1,132	9,812	22,236
<u>Liabilities</u>				
Trade accounts payable	1,244	-	-	1,244
Other current liabilities	384	2,782	-	3,166
Options to investors	-	-	59	59
Loans from investors	151	-	-	151
Non current liabilities:				
Royalties payable	-	-	4,630	4,630
Total liabilities:	1,779	2,782	4,689	9,250
Excess of assets over financial liabilities (liabilities over assets)	9,513	(1,650)	5,123	12,986

The following are the linkage terms of monetary balances as of March 31, 2013 (NIS 000)

	Unlinked NIS	Linked NIS	In or linked to foreign currency	Total
Assets				
Cash and cash equivalents	5,776	-	6,212	11,988
Investment in marketable securities	7,287	1,409	-	8,696
Other current assets	1,823	202	-	2,025
Financial assets available for sale	3,230	-	-	3,230
Non current assets:				
Pledged cash	-	-	424	424
Rental fees receivable	-	1,003	-	1,003
Total assets	18,116	2,614	6,636	27,366
Liabilities				
Trade accounts payable	830	-	155	985
Other current liabilities	175	496	-	671
Non current liabilities:				
Royalties payable	-	-	2,955	2,955
Accrued expenses	-	2,464	-	2,464
Total liabilities	1,005	2,960	3,110	7,075
Excess of assets over financial liabilities (liabilities over assets)	17,111	(346)	3,526	20,291

T. Critical accounting estimates

See Note 3 to the financial statements of the Company as of 31.12.13 for critical accounting estimates of the Company.

Date: May 20, 2014

Dr. Rafi Hofstein
Chairman of the Board

Tamar Kfir
CEO

**This document is an unofficial translation of the Hebrew original
“Condensed Consolidated Financial Statements” (Unaudited financial statements)
dated March 31, 2014 from the financial statements of
HBL-HADASIT BIO HOLDINGS LTD. that was submitted to the
Tel-Aviv Stock Exchange (“TASE”) and the Israeli Securities Authority on May 20, 2014.
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 readers of English.**

HBL-HADASIT BIO HOLDINGS LTD.

**Condensed interim consolidated financial statements
As of March 31, 2014**

(Unaudited)

HBL-HADASIT BIO HOLDINGS LTD.

Condensed interim consolidated financial statements As of March 31, 2014

(Unaudited)

Contents

	<u>Page</u>
Independent Auditors' Report	3
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Equity	6-7
Condensed Interim Consolidated Statements of Cash Flows	8-9
Notes to the Condensed Interim Consolidated Financial Statements	10-19

INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF

HBL-HADASIT BIO-HOLDINGS LTD.

Introduction

We have reviewed the accompanying financial information of HBL-Hadasit Bio-Holdings Ltd., ("the Company") and subsidiaries (hereafter: "the Group") which includes the condensed consolidated statement of financial position as of March 31, 2014 and the condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Financial Reporting for Interim Periods", and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

In addition to the aforesaid in the preceding paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Without qualifying our conclusion as above, we draw your attention to the contents of Note 1.A. to the financial statements. According to the estimation by the Company's management of its cash flows forecast, its continued operations will be possible at least until September 2015, although without the ability to carry out additional significant investments in the investee companies, a situation which might lead to dilution of the holdings in the investee companies. The continued investment in the investee companies is contingent upon the Company's raising additional financing.

The Board of Directors and the management of the Company are taking action in order to raise additional financing from existing and new investors. In addition, the Company is taking steps to defer future payments beyond September 2015, and it has the ability, if necessary, to realize liquid investments in its possession.

Brightman Almagor Zohar & Co.
Certified Public Accountants

May 20, 2014

HBL-HADASIT BIO-HOLDINGS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31,		December 31,
	2014	2013	2013
	N I S 0 0 0		
	Unaudited		Audited
Current assets			
Cash and cash equivalents	11,523	11,988	12,797
Marketable securities and deposits	6,754	8,696	6,749
Other current assets	2,130	2,102	2,295
Pledged cash	445	-	(*) 440
Financial assets available for sale	1,663	3,230	1,564
	<u>22,515</u>	<u>26,016</u>	<u>23,845</u>
Non current assets			
Pledged cash	-	424	(*) -
Long term prepaid expenses	22	-	22
Investment in affiliated companies	7,828	13,506	9,046
Lease fees receivables	-	1,003	-
Fixed assets, net	522	306	546
Intangible assets, net	1,238	1,485	1,299
	<u>9,610</u>	<u>16,724</u>	<u>10,913</u>
Total assets	<u>32,125</u>	<u>42,740</u>	<u>34,758</u>
Current liabilities			
Warrants to investors	59	-	70
Trade accounts payable	1,244	985	1,701
Other current liabilities	3,588	941	3,791
Loans from investors in subsidiary company	151	-	-
	<u>5,042</u>	<u>1,926</u>	<u>5,562</u>
Non current liabilities			
Liabilities for employee benefits	31	41	31
Royalties payables	4,630	2,955	4,278
Accrued expenses	-	2,464	-
	<u>4,661</u>	<u>5,460</u>	<u>4,309</u>
Equity			
Share capital	1,265	1,265	1,265
Share premium	112,979	112,979	112,979
Options	2,065	2,065	2,065
Capital reserve - transactions with controlling shareholder	754	754	754
Capital reserve- share based payment transactions	1,908	1,935	1,962
Capital reserve - financial assets available for sale	36	240	118
	<u>119,007</u>	<u>119,238</u>	<u>119,143</u>
Deficit	(103,365)	(89,496)	(101,217)
Equity attributed to owners of the parent company	15,642	29,742	17,926
Rights not providing control	6,780	5,612	6,961
Total equity	<u>22,422</u>	<u>35,354</u>	<u>24,887</u>
Total liabilities and equity	<u>32,125</u>	<u>42,740</u>	<u>34,758</u>

(*) Reclassified

May 20, 2014

**Date of approval of
the financial statements**

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

**Tamar Cfir
CEO**

**Liat Simhayoff Cohen
CFO**

The notes to the condensed interim consolidated financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the period of three months ended March 31		For the year ended December 31
	2014	2013	2013
	N I S 0 0 0		
	Unaudited		Audited
Research and development expenses, net	(450)	(1,245)	(7,945)
General and administrative expenses	(1,141)	(1,125)	(5,103)
Other income (expenses), net	(521)	3,474	2,824
Loss from regular activities	(2,112)	1,104	(10,224)
Financing income	654	587	267
Financing expenses	(196)	(312)	(1,637)
Financing income (expenses), net	458	275	(1,370)
Income (loss) after financing	(1,654)	1,379	(11,594)
Company's share of losses of affiliated companies	(717)	(2,545)	(7,878)
Loss for the period	(2,371)	(1,166)	(19,472)
Other comprehensive loss			
Gain (loss) from adjustment of fair value of financial assets available for sale	(82)	487	364
Total comprehensive loss for the period	(2,453)	(679)	(19,108)
Loss for the period attributed to:			
Owners of the parent company	(2,148)	(593)	(15,190)
Rights not providing control	(223)	(573)	(4,282)
	(2,371)	(1,166)	(19,472)
Comprehensive loss for the period attributed to:			
Owners of the parent company	(2,230)	(106)	(14,826)
Rights not providing control	(223)	(573)	(4,282)
	(2,453)	(679)	(19,108)
Loss per ordinary share of NIS 0.01 par value			
Basic and diluted loss per share	(0.02)	(0.005)	(0.12)
Amount of shares used in the above calculation (thousands)	126,524	126,524	126,524

The notes to the condensed interim consolidated financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Options	Capital reserve- transactions with controlling shareholder	Capital reserve- share based payment transactions	Capital reserve- financial assets available for sale	Deficit	Total attributed to owners of parent company	Rights not providing control	Total equity
					N I S	0 0 0				
For the period of three months ended March 31, 2014 (unaudited):										
Balance as of January 1, 2014	1,265	112,979	2,065	754	1,962	118	(101,217)	17,926	6,961	24,887
Adjustment of fair value of financial assets available for sale	-	-	-	-	-	(82)	-	(82)	-	(82)
Share based payments of subsidiaries	-	-	-	-	-	-	-	-	42	42
Share based payments	-	-	-	-	(54)	-	-	(54)	-	(54)
Loss for period	-	-	-	-	-	-	(2,148)	(2,148)	(223)	(2,371)
Balance- March 31, 2014	1,265	112,979	2,065	754	1,908	36	(103,365)	15,642	6,780	22,422
For the period of three months ended March 31, 2013 (unaudited):										
Balance as of January 1, 2013	1,265	112,979	2,065	754	1,926	(246)	(88,903)	29,840	6,022	35,862
Adjustment of fair value of financial assets available for sale	-	-	-	-	-	487	-	487	-	487
Share based payments of subsidiaries	-	-	-	-	-	-	-	-	163	163
Share based payments	-	-	-	-	9	-	-	9	-	9
Loss for period	-	-	-	-	-	-	(593)	(593)	(573)	(1,166)
Balance- March 31, 2013	1,265	112,979	2,065	754	1,935	240	(89,496)	29,742	5,612	35,354

The notes to the condensed interim consolidated financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Options	Capital reserve- transactions with controlling shareholder	Capital reserve- share based payment transactions	Capital reserve- financial assets available for sale	Deficit	Total attributed to owners of parent company	Rights not providing control	Total equity
					N I S	0 0 0				
For the year ended December 31, 2013 (Audited):										
Balance as of January 1, 2013	1,265	112,979	2,065	754	1,926	(246)	(88,903)	29,840	6,022	35,862
Adjustment of fair value of financial assets available for sale	-	-	-	-	-	364	-	364	-	364
Investment in subsidiary- transaction with minority	-	-	-	-	-	-	2,876	2,876	4,681	7,557
Share based payments of subsidiaries	-	-	-	-	-	-	-	-	540	540
Share based payments	-	-	-	-	36	-	-	36	-	36
Loss for period	-	-	-	-	-	-	(15,190)	(15,190)	(4,282)	(19,472)
Balance- December 31, 2013	<u>1,265</u>	<u>112,979</u>	<u>2,065</u>	<u>754</u>	<u>1,962</u>	<u>118</u>	<u>(101,217)</u>	<u>17,926</u>	<u>6,961</u>	<u>24,887</u>

The notes to the condensed interim consolidated financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>For the period of three</u> <u>months ended March 31</u>		<u>For the year ended</u> <u>December 31</u>
	<u>2 0 1 4</u>	<u>2 0 1 3</u>	<u>2 0 1 3</u>
	<u>N I S 0 0 0</u>		
	<u>Unaudited</u>		<u>Audited</u>
<u>Cash flows - operating activities</u>			
Loss for the period	(2,371)	(1,166)	(19,472)
Adjustments required to present cash flows used for operating activities (Appendix A)	420	(1,706)	7,861
Net cash used for operating activities	<u>(1,951)</u>	<u>(2,872)</u>	<u>(11,611)</u>
<u>Cash flows - investing activities</u>			
Interest received	2	152	255
Investment in marketable securities and deposits	(2,092)	(2,845)	(5,170)
Realization of marketable securities	2,100	3,096	7,360
Purchase of fixed assets	(29)	-	(367)
Net cash provided by (used for) investing activities	<u>(19)</u>	<u>403</u>	<u>2,078</u>
<u>Cash flows - financing activities</u>			
Receipt of loans from investors	151	-	-
Payments of interest and bank fees	(3)	(12)	(34)
Loans from the OCS	498	61	757
Options to investors	-	-	84
Investment of minority in subsidiary	-	-	7,557
Net cash provided by financing activities	<u>646</u>	<u>49</u>	<u>8,364</u>
Effect of exchange rates changes on balance of cash and cash equivalents	50	(143)	(585)
Decrease in cash and cash equivalents	(1,274)	(2,563)	(1,754)
Cash and cash equivalents at beginning of period	<u>12,797</u>	<u>14,551</u>	<u>14,551</u>
Cash and cash equivalents at end of period	<u>11,523</u>	<u>11,988</u>	<u>12,797</u>

The notes to the condensed interim consolidated financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period of three months ended March 31		For the year ended December 31
	2 0 1 4	2 0 1 3	2 0 1 3
	NIS 000		
	Unaudited	Audited	
Appendix A- Adjustments required to present cash flows used for operating activities			
Income and expenses not involving cash flows:			
Company's share in the losses of affiliated companies	717	2,545	7,878
Capital loss (gain) from realization of affiliated companies	521	(3,529)	(4,441)
Depreciation and amortization	115	98	412
Financing expenses	196	312	1,637
Financing income	(654)	(587)	(267)
Share based payments	(54)	9	36
Decrease in liabilities for employee benefits	-	-	(10)
Share based payments in subsidiaries	42	163	540
Loss from impairment of financial assets available for sale	-	54	1,617
Changes in assets and liabilities items:			
Decrease (increase) in other current assets	210	(676)	(359)
Increase (decrease) in other current liabilities	(215)	(288)	2,562
Decrease in accrued expenses	-	(111)	(2,774)
Decrease in deferred income	-	(13)	-
Increase (decrease) in trade accounts payable	(458)	317	1,030
	420	(1,706)	7,861

The notes to the condensed interim consolidated financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

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

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

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

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

Hadassah is a medical institution, which includes two hospitals in the City of Jerusalem, "Hadassah Ein Kerem" and "Hadassah Mount Scopus", schools for the medical professions and research centers.

Hadasit is the implementation company of Hadassah. Discoveries and developments are made by doctors at Hadassah (hereafter: "the researchers") and are transferred for processing by Hadasit whose responsibility is to safeguard the intellectual property and to act to raise resources in order to commercialize the scientific discoveries.

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

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

As of March 31, 2014, the Company (in its separate financial statements) has a cumulative deficit of NIS 103,365 thousand, a loss of NIS 2,230 thousand (consolidated-NIS 2,453 thousand) and negative cash flows from current operations of NIS 945 thousand (consolidated- NIS 1,951 thousand) for the period of three months ended on that date. Furthermore, as of the balance sheet date, the Company has positive working capital in the amount of NIS 6,993 thousand (consolidated- NIS 17,473 thousand), which according to the Company's management estimate of its cash flow forecast, will allow the continuation of its operations until at least the month of September 2015, but without the ability to carry out significant additional investments in the investee companies, a situation which might lead to dilution of its holdings in the investee companies. The continuation of the investment in the investee companies is contingent upon the Company's raising additional financing.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL (CONT.)

A. (cont.)

The Company's Board of Directors and management are acting in order to raise additional financing from new and existing investors and they estimate, based upon conversations held with potential investors, that the Company has the ability to raise such financing. In addition, the Company is taking steps to defer future payments beyond September 2015, and can, if necessary, realize liquid investments in its possession.

- B. These condensed financial statements should be read in the context of the Company's annual financial statements as of December 31, 2013 and for the year then ended, as well as their accompanying notes.

C. Definitions:

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

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis for the preparation of the financial statements:

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

In preparing these interim financial statements, the Group implemented accounting policies, presentation principles and calculation methods identical to those implemented in preparing the financial statements as of December 31, 2013 and for the year ended on that date.

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

C. Exchange rates and linkage bases

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

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

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

	Representative exchange rate of the \$	CPI in Israel (*)	
		Known CPI	CPI for month
	(NIS per \$ 1)	Points	Points
Date of financial statements:			
As of March 31, 2014	3.49	123.59	123.95
As of March 31, 2013	3.64	122.13	122.38
As of December 31, 2013	3.47	124.45	124.57
Rates of change for the:	%	%	%
Period of three months ended:			
March 31, 2014	0.58	(0.69)	(0.49)
March 31, 2013	(2.28)	0.16	0.25
Year ended December 31, 2013	(7.02)	1.91	1.82

(*) As per 2002 average.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3- FINANCIAL INSTRUMENTS

A. Financial instruments not measured at fair value:

- (1) Other than what is itemized in the following table, the Group believes that the book value of the financial assets and liabilities presented at amortized cost in the financial statements is nearly identical to their fair value.

	Book value		Fair value					
	March 31,		December 31,		March 31,		December 31,	
	2014	2013	2013		2014	2013	2013	
	N I S		0 0 0					
	(Unaudited)		(Audited)		(Unaudited)		(Audited)	
Financial liabilities								
Royalties payable	4,630	2,955	4,278	5,717	2,758	4,051		

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

Following a significant change in the credit risk of Enlivex Therapeutics Ltd. (a subsidiary, hereafter: "Enlivex") during the reporting period, a significant increase took place in the fair value of a loan in the amount of approximately NIS 15 million, taken by subsidiaries (Enlivex and Kahr Medical (2005) Ltd) from the OCS, whose value in the accounts as of March 31, 2014 was NIS 4,630 thousand, so that its fair value as of the reporting date was NIS 5,717 thousand.

For purposes of the approximation of the fair value, the Company used capitalization rates of 27% and 40% which reflect the risk level of the subsidiaries.

B. Financial instruments measured at fair value

(1) Fair value levels

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

<u>As of March 31, 2014 (unaudited)</u>	Level 1	Level 2	Level 3	Total
	N I S 0 0 0			
Financial assets at fair value				
Investment in marketable securities	4,662	-	-	4,662
Financial assets available for sale				
Financial assets available for sale	419	-	1,244	1,663
Total financial assets	5,081	-	1,244	6,325

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3- FINANCIAL INSTRUMENTS (CONT.)

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

(1) Fair value levels (cont.)

<u>As of March 31, 2013 (unaudited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>N I S 0 0 0</u>			
Financial assets at fair value				
Investment in marketable securities	8,696	-	-	8,696
Financial assets available for sale				
Financial assets available for sale	204	-	3,026	3,230
Total financial assets	<u>8,900</u>	<u>-</u>	<u>3,026</u>	<u>11,926</u>
<u>As of December 31, 2013 (audited)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>N I S 0 0 0</u>			
Financial assets at fair value				
Investment in marketable securities	6,749	-	-	6,749
Financial assets available for sale				
Financial assets available for sale	303	-	1,261	1,564
Total financial assets	<u>7,052</u>	<u>-</u>	<u>1,261</u>	<u>8,313</u>

(2) Gains or losses with respect to fair value revaluations classified as level 3

The following is detail of the gains or losses of the Group recognized in operations, and the sections of revenues or expenses in which they were recognized, with a breakdown between gains and losses allocable to a change in unrealized gains (losses) with respect to items held as of the reporting date, and those which were realized.

	<u>Period of three months ended March 31</u>
	<u>2014</u>
	<u>Financial assets at fair value through operations</u>
	<u>NIS 000</u>
	<u>unaudited</u>
Balance as of January 1, 2014	1,261
Acquisitions	-
Gains and losses recognized:	
In operations	-
In other comprehensive income	(17)
Balance as of March 31, 2014	<u>1,244</u>

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3- FINANCIAL INSTRUMENTS (CONT.)

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

(2) Gains or losses with respect to fair value revaluations classified as level 3

	Period of three months ended March 31
	2013
	Financial assets at fair value through operations
	NIS 000
	unaudited
Balance as of January 1, 2013	2,508
Acquisitions	-
Gains and losses recognized:	
In operations	-
In other comprehensive income	520
Balance as of March 31, 2013	3,028

	Year ended December 31
	2013
	Financial assets at fair value through operations
	NIS 000
	audited
Balance as of January 1, 2013	2,508
Acquisitions	-
Gains and losses recognized:	
In operations	(1,526)
In other comprehensive income	279
Balance as of December 31, 2013	1,261

	Year ended December 31
	2013
	Other expenses
	NIS 000
	audited
Amount of losses for the period included in gain or loss allocable to a change in unrealized gains or losses on items held as of the reporting date	(1,526)
Realized gains or losses	-
Total losses with respect to fair value revaluations classified as level 3	(1,526)

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3- FINANCIAL INSTRUMENTS (CONT.)

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

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

<u>Description of instrument being measured</u>	<u>Fair value as of March 31, 2014</u>	<u>Valuation technique</u>
	<u>NIS 000</u>	
	<u>(unaudited)</u>	
Investment in shares and other capital instruments:		
Financial assets available for sale	1,244	B&S

Description of valuation procedures used in determining the fair value

The function in the Company which is trusted with measurement of the process of valuation of the fair value of items classified as level 3 is the executive management of the Company.

NOTE 4 – MATERIAL EVENTS DURING THE REPORTING PERIOD

- A.** During the month of February 2014, Biomarker Technologies Ltd. (an affiliated company, hereafter: Biomarker) received approval from the OCS to close three files with respect to the PAR project, in the amount of approximately NIS 1,995 thousand. As a result of closing these files, Biomarker removed the liability to pay royalties in a capitalized amount of NIS 509 thousand. The grant approved for Biomarker for the year of 2012 in the amount of NIS 873 thousand was separated from the other files and Biomarker will be obligated for royalties with respect to it in the event that there will be sales.
- B.** During the first quarter of 2014, ProtAb Ltd. (an affiliated company, hereafter: ProtAb) received OCS approval for a research program executed in 2013. As a result, ProtAb recognized revenues in the current quarter which were not recognized in 2013, in the amount of approximately NIS 623 thousand.
- C.** In February 2014, Enlivex Therapeutics Ltd entered into a transaction with a business group led by Shai Novik whose purpose, at the initial stage, was to provide a right to the group, limited in time, to invest and/or raise a sum on behalf of Enlivex that is no less than \$3.5 million (and up to \$ 8 million) by receipt of a statement regarding a convertible loan; and at the second stage, to convert Enlivex into a public company traded in the United States. The undertaking in the transaction consists of: (1) a term sheet between the group and Enlivex to provide sources of financing; (2) a convertible loan agreement between the group and Enlivex; (3) an agreement between the Enlivex shareholders.
- Within the context of this transaction, in February 2014, Enlivex received a convertible loan from investors of NIS 151 thousand, bearing annual interest of 8%. Subsequent to the balance sheet date, the loan was converted to shares of Enlivex. See Note 8.B.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

- D. On March 31, 2014, the Company utilized all of the rights according to a shelf proposal report published by D-Pharm Ltd. (an other company) on March 12, 2014. The Company's investment was NIS 932 thousand, in consideration for which the Company received 5,175,654 ordinary shares of D-Pharm Ltd. The payment with respect to the rights and the receipt of the shares were executed subsequent to the balance sheet date.
- E. In January 2014, Kahr Medical Ltd. (a subsidiary, hereafter - Kahr) signed a letter of commitment for two budgets that were approved by the OCS. One was a budget for Israel in the amount of NIS 3.08 million with a participation rate of 60% (including an additional 10% for a development area), and the additional budget for outside of Israel in an amount of approximately NIS 7.1 million and with a participation rate of 30%.
The budgets are for the period beginning on August 1, 2013, and ending on July 30, 2014, and are designated for the continuation of Kahr's product development through the execution of experiments on toxicity and the production of the medication under GMP conditions for the first clinical trial on human subjects.
- F. In January 2014, In April 2014, Enlivex signed a letter of commitment for a budget approved for the Company by the OCS in an amount of up to NIS 3.3 million and at a participation rate of 60% (including an additional 10% for a development area).
The budget approved is for a period from October 1, 2013 to September 30, 2014 and is designated for the development of an ApoCell product for the treatment of Chronic Extensive Graft Versus Host Disease and the execution of research of additional diseases.

NOTE 5 – TRANSACTIONS WITH RELATED PARTIES

During 2014, in the context of understandings reached by the Company and Hadasit Medical Research and Development Ltd. (a related party, hereafter: Hadasit), it was agreed to reduce administrative services granted to the Company. Due to the reduction of these services, the annual management fees will be reduced with respect to the year of 2014 by NIS 70 thousand, so that they will stand at NIS 430 thousand.
In addition, Hadasit agreed to postpone the payment of management fees for 2014 until after the Company raises equity. Should no equity be raised by the Company, the debt will be positioned for immediate repayment.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – SHARE BASED PAYMENTS

A. On March 27, 2014, the Board of Directors of the Company approved a program to allot, for no consideration, non tradable options to the Company's CEO. The following are details of the program:

<u>Description of the plan</u>	<u>Date of grant</u>	<u>Quantity of options</u>	<u>Vesting and additional terms</u>	<u>Exercise increment</u> <u>NIS</u>	<u>Share price on grant date</u> <u>NIS</u>	<u>Fair value on grant date</u> <u>NIS</u>	<u>Total benefit on grant date</u> <u>NIS 000</u>
Options granted to Company's CEO for exercise into Company shares	January 2014	1,000,000	(1)	0.3417	0.237	0.1349	135

(1) The vesting period of an option will be in four equal annual segments, commencing from January 1, 2014 and ending on December 31, 2017. The options will be convertible into 1,000,000 ordinary shares of the Company with NIS 0.01 par value each.

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

Component

Share price (in NIS)	0.237
Exercise price (in NIS)	0.3417
Length of life of the option program (in years)	7
Range of standard deviation (in %)	59%
Range of risk free interest rate (in %)	5.5%
Anticipated dividend rate (in %)	0

B. On January 22, 2014, the General Assembly of the Company approved an extension of the exercise period for options to Mr. Ophir Shahaf, the former CEO of the Company, which had vested as of December 31, 2013, so that they will be exercisable until December 31, 2014 (and not for the 90 day period from termination of his service to the Company). The value of the benefit is nearly zero and, therefore, has not been reflected in the financial statements of the Company.

NOTE 7– NON-CASH TRANSACTIONS

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

- A. For the three months ended March 31, 2014 and 2013, NIS 46 thousand and NIS 442 thousand, respectively.
- B. For the year ended December 31, 2013, NIS 80 thousand.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- A.** In April 2014, Enlivex extended the period from 75 days to 90 days for the initial raising of financing by the business group in order to obtain an adequate investment. The other terms of the transaction remained unchanged.
- B.** In May 2014, Enlivex completed the raising of the convertible loan from a group of investors in the amount of \$ 7,051 thousand. Upon completion of the transaction, the Company will hold 25.8% of the share capital of Enlivex (19.41% fully diluted). As a result of closing the transaction, the Company lost control of Enlivex. The capital gain which the Company anticipates recognizing as the result of this loss of control will be calculated after the Company executes an evaluation of the remainder of its holdings of the Enlivex shares.

Upon completion of the transaction, the following convertible loans were converted:

- (1) The convertible loan provided over the years by the Company for the benefit of Enlivex, together with the interest accrued on it, in an amount of NIS 16.5 million was converted into 7,079,722 ordinary shares of Enlivex.
- (2) The convertible loan provided by the group of investors to Enlivex on February 12, 2014 in the amount of NIS 151 thousand was converted into 45,899,677 ordinary shares of Enlivex.

HBL-HADASIT BIO HOLDINGS LTD.

**Separate interim financial data
As of March 31, 2014**

**Prepared in accordance with the provisions of Regulation 38D of the
Securities Regulations (Periodic and Immediate Reports)-1970**

(Unaudited)

HBL-HADASIT BIO HOLDINGS LTD.

**Separate interim financial data
As of March 31, 2014**

**Prepared in accordance with the provisions of Regulation 38D of the
Securities Regulations (Periodic and Immediate Reports)-1970**

(Unaudited)

Contents

	<u>Page</u>
Independent auditors' report	3
Data on the Financial Position	4
Data on the Comprehensive Loss	5
Data on the Cash Flows	6-7
Notes to the Separate Financial Statements	8-9

To the Shareholders of
HBL-Hadasit Bio-Holdings Ltd.

Dear Sirs/Ms.

Subject: Special Review Report of the Separate Interim Financial Data According to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports)-1970

Introduction

We have reviewed the separate financial information brought according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports)-1970 of HBL-Hadasit Bio-Holdings Ltd. (hereafter: "the Company") as of March 31, 2014 and for the three-month period then ended. The Board of Directors and management of the Company are responsible for the separate interim financial data. Our responsibility is to express a conclusion on this separate interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned interim separate financial information has not been prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports)-1970.

Without qualifying our conclusion as above, we draw your attention to the contents of Note 1.A. to the financial statements. According to the estimation by the Company's management of its cash flows forecast, its continued operations will be possible at least until September 2015, although without the ability to carry out additional significant investments in the investee companies, a situation which might lead to dilution of the holdings in the investee companies. The continued investment in the investee companies is contingent upon the Company's raising additional financing.

The Board of Directors and the management of the Company are taking action in order to raise additional financing from existing and new investors. In addition, the Company is taking steps to defer future payments beyond September 2015, and it has the ability, if necessary, to realize liquid investments in its possession.

**Brightman Almagor Zohar & Co.
Certified Public Accountants**

May 20, 2014

HBL-HADASIT BIO-HOLDINGS LTD.
DATA ON THE FINANCIAL CONDITION

	March 31,		December 31,
	2014	2013	2013
	N I S 0 0 0		
	Unaudited		Audited
Assets			
<u>Current assets</u>			
Cash and cash equivalents	1,752	3,335	610
Investment in marketable securities	4,662	8,696	6,749
Financial assets available for sale	1,663	3,230	1,564
Pledged cash	445	-	(*) 440
Other current assets	1,913	727	2,064
	<u>10,435</u>	<u>15,988</u>	<u>11,427</u>
<u>Non current assets</u>			
Pledged cash	-	424	(*) -
Loans convertible to shares of investee companies	18,367	16,841	18,195
Investment in investee companies	8,880	14,947	10,235
Fixed assets, net	36	93	44
Lease fees receivables	-	1,090	-
	<u>27,283</u>	<u>33,395</u>	<u>28,474</u>
Total assets	<u>37,718</u>	<u>49,383</u>	<u>39,901</u>
Liabilities and shareholders' equity			
<u>Current liabilities</u>			
Other current liabilities	120	-	316
Trade accounts payable	540	457	476
Lease fees payable	2,782	496	2,899
	<u>3,442</u>	<u>953</u>	<u>3,691</u>
<u>Non current liabilities</u>			
Excess of liabilities over assets in investee companies	18,634	16,224	18,284
Lease fees payable	-	2,464	-
	<u>18,634</u>	<u>18,688</u>	<u>18,284</u>
<u>Shareholders' equity</u>			
Share capital	1,265	1,265	1,265
Share premium	112,979	112,979	112,979
Options	2,065	2,065	2,065
Capital reserve - transactions with controlling shareholder	754	754	754
Capital reserve- share based payment transactions	1,908	1,935	1,962
Capital reserve - financial assets available for sale	36	240	118
Deficit	(103,365)	(89,496)	(101,217)
	<u>15,642</u>	<u>29,742</u>	<u>17,926</u>
Total liabilities and shareholders' equity	<u>37,718</u>	<u>49,383</u>	<u>39,901</u>

(*) Reclassified

May 20, 2014	_____	_____	_____
Date of approval of the financial statements	Dr.Rafi Hopstein Chairman of the Board	Tamar Cfir CEO	Liat Simhayoff Cohen CFO

The notes accompanying the financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
DATA ON THE COMPREHENSIVE LOSS

	For the period of three months ended March 31		For the year ended December 31
	2014	2013	2013
	N I S 0 0 0		
	Unaudited		Audited
General and administrative expenses	(803)	(756)	(3,578)
Other income (expenses), net	(521)	3,474	2,824
Gain (loss) from regular activities	(1,324)	2,718	(754)
Financing income	371	145	460
Financing expenses	(17)	(104)	(286)
Financing income, net	354	41	174
Income (loss) after financing	(970)	2,759	(580)
Company's share of losses of investee companies	(1,178)	(3,352)	(14,610)
Loss for the period allocated to shareholders of the Company	(2,148)	(593)	(15,190)
<u>Other comprehensive loss</u>			
Gain (loss) from adjustment of fair value of financial assets available for sale	(82)	487	364
Total comprehensive loss for the year	(2,230)	(106)	(14,826)

The notes accompanying the financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
DATA ON THE CASH FLOWS

	For the period of three months ended March 31		For the year ended December 31
	2 0 1 4	2 0 1 3	2 0 1 3
	N I S 0 0 0		
	<u>Unaudited</u>		<u>Audited</u>
<u>Cash flows - operating activities</u>			
Loss for the period	(2,148)	(593)	(15,190)
Adjustments required to present cash flows used for operating activities (Appendix A)	1,203	(60)	11,637
Net cash used for operating activities	<u>(945)</u>	<u>(653)</u>	<u>(3,553)</u>
<u>Cash flows - investing activities</u>			
Interest received	-	145	242
Convertible loan to investee companies	-	-	(1,126)
Investment in marketable securities	-	(2,845)	(5,170)
Realization of marketable securities	2,100	3,096	7,360
Investment in investee companies	-	-	(721)
Purchase of fixed assets	(12)	-	(9)
Net cash provided by (used for) investing activities	<u>2,088</u>	<u>396</u>	<u>576</u>
<u>Cash flows - financing activities</u>			
Payments of interest and bank fees	(1)	(8)	(17)
Net cash provided by financing activities	<u>(1)</u>	<u>(8)</u>	<u>(17)</u>
Effect of exchange rates changes on balance of cash and cash equivalents	-	-	4
Increase (decrease) in cash and cash equivalents	1,142	(265)	(2,990)
Cash and cash equivalents at beginning of period	610	3,600	3,600
Cash and cash equivalents at end of period	<u>1,752</u>	<u>3,335</u>	<u>610</u>

The notes accompanying the financial statements are an integral part of them.

HBL-HADASIT BIO-HOLDINGS LTD.
DATA ON THE CASH FLOWS

	For the period of three months ended March 31		For the year ended December 31
	2 0 1 4	2 0 1 3	2 0 1 3
	NIS 000		
	Unaudited	Audited	
Appendix A- Adjustments required to present cash flows used for operating activities			
Income and expenses not involving cash flows:			
Company's share in the losses of investee companies	1,178	3,352	14,610
Capital gain from investee companies	521	(3,528)	(4,441)
Depreciation and amortization	20	19	77
Financing expenses	17	104	286
Financing income	(371)	(145)	(460)
Share based payments	(54)	9	36
Loss from impairment of financial asset available for sale	-	54	1,617
Changes in assets and liabilities items:			
Increase (decrease) in lease fees payable	(127)	-	2,404
Decrease (increase) in other current assets	151	94	(157)
Increase in trade accounts payable	64	90	109
Increase (decrease) in other current liabilities	(196)	-	316
Decrease in long term accrued expenses	-	(109)	(2,760)
	1,203	(60)	11,637

The notes accompanying the financial statements are an integral part of them

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

NOTE 1 – GENERAL

- A. The separate financial statements of the Company has been prepared pursuant to Regulation 9C and the tenth addendum to the Securities Regulations (Periodic and Immediate Reports)-1970.

As of March 31, 2014, the Company (in its separate financial statements) had a cumulative deficit of NIS 103,365 thousand, a loss of NIS 2,230 thousand (consolidated-NIS 2,453 thousand) and negative cash flows from current operations of NIS 945 thousand (consolidated- NIS 1,951 thousand) for the period of three months ended on that date. Furthermore, as of the balance sheet date, the Company has positive working capital in the amount of NIS 6,993 thousand (consolidated- NIS 17,473 thousand), which according to the Company's management estimate of its cash flow forecast, will allow the continuation of its operations until at least the month of September 2015, but without the ability to carry out significant additional investments in the investee companies, a situation which might lead to dilution of its holdings in the investee companies. The continuation of the investment in the investee companies is contingent upon the Company's raising additional financing.

The Company's Board of Directors and management are acting in order to raise additional financing from new and existing investors and they estimate, based upon conversations held with potential investors, that the Company has the ability to raise such financing. In addition, the Company is taking steps to defer future payments beyond September 2015, and can, if necessary, realize liquid investments in its possession.

B. Definitions:

The Company - HBL-Hadasit Bio Holdings Ltd

Investee and other companies - As defined in Note 1A to the consolidated financial statements of the Company as of December 31, 2013.

C. Accounting policies:

The separate financial information was prepared pursuant to the accounting policies detailed in Note 1.C. to the separate financial information of the Company as of December 31, 2013 and for the year ended on that date.

NOTE 2 – MATERIAL EVENTS DURING THE REPORTING PERIOD

- A. In February 2014, Enlivex Therapeutics Ltd (a subsidiary, hereafter: Enlivex) entered into a transaction with a business group led by Shai Novik whose purpose, at the initial stage, is to invest and/or raise a sum on behalf of Enlivex that is no less than \$3.5 million (and up to \$ 8 million) by receipt of a convertible loan; and at the second stage, to convert Enlivex into a public company traded in the United States. The transaction consists of: (1) a term sheet between the group and Enlivex to provide sources of financing; (2) a convertible loan agreement between the group and Enlivex; (3) an agreement between the Enlivex shareholders.

HBL-HADASIT BIO-HOLDINGS LTD.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

NOTE 2 – MATERIAL EVENTS DURING THE REPORTING PERIOD (CONT.)

A. (cont.)

Within the framework of this transaction, in February 2014, Enlivex received a convertible loan from investors in the amount of NIS 151 thousand, which bears annual interest of 8%. Subsequent to the balance sheet date, the loan was converted to shares of Enlivex. See Note 3.B.

- B.** On March 31, 2014, the Company utilized all of the rights according to a shelf proposal report published by D-Pharm Ltd. (an other company) on March 12, 2014. The Company's investment was NIS 932 thousand, in consideration for which the Company received 5,175,654 ordinary shares of D-Pharm Ltd. The payment with respect to the rights and the receipt of the shares were executed subsequent to the balance sheet date.

NOTE 3 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- A.** In April 2014, Enlivex extended the period from 75 days to 90 days for the initial raising of financing by the business group in order to obtain an adequate investment. The other terms of the transaction remained unchanged.
- B.** In May 2014, Enlivex completed the raising of the convertible loan from a group of investors in the amount of \$ 7,051 thousand. Upon completion of the transaction, the Company will hold 25.8% of the share capital of Enlivex (19.41% fully diluted). As a result of closing the transaction, the Company lost control of Enlivex. The capital gain which the Company anticipates recognizing as the result of this loss of control will be calculated after the Company executes an evaluation of the remainder of its holdings of the Enlivex shares.

Upon completion of the transaction, the following convertible loans were converted:

- (1) The convertible loan provided over the years by the Company for the benefit of Enlivex, together with the interest accrued on it, in an amount of NIS 16.5 million was converted into 7,079,722 ordinary shares of Enlivex.
- (2) The convertible loan provided by the group of investors to Enlivex on February 12, 2014 in the amount of NIS 151 thousand was converted into 45,899,677 ordinary shares of Enlivex.