

IMPORTANT

This document is an unofficial translation of the Hebrew original, September 30, 2010 financial report of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on December 1, 2010.

The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole binding legal version. This translation is for the convenience of English readers only.

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Financial Statements

As of September 30, 2010

(Unaudited)

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Financial Statements

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(Unaudited)

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Auditors' Review Report to the Shareholders of
HBL - Hadasit Bio-Holdings Ltd.

Introduction

We have reviewed the attached financial information of **HBL - Hadasit Bio-Holdings Ltd.** and its subsidiaries (hereinafter: the "Group"), including the summary consolidated financial statement of financial position as of September 30, 2010, as well as the summary consolidated statement of comprehensive income, the statement of changes in shareholders' equity, and the statement of cash flows for the three month and nine month periods then ended. The board of directors and management are responsible for the preparation and presentation of the financial information for this interim period, pursuant to Internal Accounting Standard 34, Interim Financial Reporting. They are also responsible for the preparation of the financial information for this interim period pursuant to Section D of the Securities Regulations (Periodic and Immediate Statements), 5730-1970. Our responsibility is to provide a conclusion regarding the financial information for this interim period, based on our review.

We did not review the summary interim financial information of a subsidiary whose consolidated assets amounted to approx. 3% of all consolidated assets as of September 30, 2010, and whose consolidated results constitute approx. 74% and approx. 13%, respectively, for the nine month and three month periods ended on the above date. We were also presented with statements of an associate which were prepared by other auditors, where the investment in that associate amounted to NIS 772 thousand as of September 30, 2010, and the Company's share in its losses amounted to approx. NIS 422 thousand and approx. NIS 137 thousand for the nine month and three month periods ended on the above date, respectively. The summary interim financial data of those companies were reviewed by other auditors, whose review reports were delivered to us. Our conclusion, inasmuch as it refers to the financial data included in respect of those companies, is based on the review reports provided by the other auditors.

Scope of the Review

We conducted our review in accordance with Review Standard no. 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Prepared by the Entity's Auditor". A review of interim financial information includes conducting inquiries, particularly with the individuals responsible for financial and accounting matters, as well as performance of analytic and other review procedures. A review is significantly limited in scope in comparison to an audit conducted in accordance with generally accepted accounting principles in Israel, and therefore does not allow us to obtain assurance that we have become aware of all material issues which could have been identified in an audit. Accordingly, we are not expressing an audit opinion.

סניף אילת	סניף באר שבע	סניף חיפה	סניף ירושלים	סניף רמת-גן	משרד ראשי - תל אביב
המרכז העירוני ת.ד. 583 אילת, 88104	פארק תעשיות עומר, בניין 10 ת.ד. 1369 עומר, 84965	מעלה השחרור 5 ת.ד. 5648 חיפה, 31055	שרי ישראל 12 ירושלים, 94390	הרקון 6 רמת-גן, 52521	מרכז עזריאלי 1 תל אביב, 67021 ת.ד. 16593 תל אביב, 61164
טלפון: 08-6375676 פקס: 08-6371628 info-eilat@deloitte.co.il	טלפון: 08-6909500 פקס: 08-6909600 info-beersheva@deloitte.co.il	טלפון: 04-8607333 פקס: 04-8672528 info-haifa@deloitte.co.il	טלפון: 02-5018888 פקס: 02-5374173 info-jer@deloitte.co.il	טלפון: 03-7551500 פקס: 03-5759955 info-ramatgan@deloitte.co.il	טלפון: 03-6085555 פקס: 03-6094022 info@deloitte.co.il

Conclusion

Based on our review and on the review reports provided by other auditors, no finding has come to our attention which would lead us to believe that the above financial information was not prepared, in all material respects, in accordance with IAS 34.

In addition to the conclusion in the preceding paragraph, based on our review and on the review reports provided by other auditors, no finding has come to our attention which would lead us to believe that the above financial information does not fulfill, in all material respects, the disclosure requirements set forth in Section D of the Securities Regulations (Periodic and Immediate Statements), 5730-1970.

Brightman Almagor Zohar & Co. Accountants

Jerusalem, November 29, 2010

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

	<u>As of September 30</u>		<u>As of December 31</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>Thousands of NIS</u>		<u>Thousands of NIS</u>
<u>Current assets</u>			
Cash and cash equivalents	21,954	17,173	16,585
Accounts receivable	2,126	2,199	2,060
Investments in marketable securities	15,791	1,421	21,067
Available-for-sale financial assets	995	-	1,133
	<u>40,866</u>	<u>20,793</u>	<u>40,845</u>
<u>Noncurrent assets</u>			
Investments in associates	19,511	8,475	9,869
Investments in options of associates	1,064	-	-
Fixed assets, net	2,246	539	3,123
Intangible assets	1,924	2,176	2,113
Prepaid expenses	27	40	40
	<u>24,772</u>	<u>11,230</u>	<u>15,145</u>
Total assets	<u>65,638</u>	<u>32,023</u>	<u>55,990</u>
<u>Current liabilities</u>			
Credit from banks	11	-	-
Trade payables	1,264	1,263	2,094
Other accounts payable	2,841	618	674
Loans from external shareholders in subsidiaries, net	289	289	280
	<u>4,405</u>	<u>2,170</u>	<u>3,048</u>
<u>Noncurrent liabilities</u>			
Liabilities in respect of benefits to employees	19	45	37
Royalties payable	1,575	2,197	1,275
Warrants	-	1,204	-
Expenses payable	2,236	-	2,595
	<u>3,830</u>	<u>3,446</u>	<u>3,907</u>
<u>Capital</u>			
Share capital	875	431	785
Share premium	98,645	70,328	89,124
Warrants	10,902	2,187	9,379
Capital reserve from operations with controlling shareholder	754	754	754
Capital reserve for share-based payment transactions	2,293	1,275	1,577
Capital reserve for available-for-sale financial assets	737	1,162	875
Loss for the period	(56,367)	(49,730)	(53,459)
Total equity attributable to equity holders of the Company	<u>57,839</u>	<u>26,407</u>	<u>49,035</u>
Non-controlling interest	(436)	-	-
Total capital	<u>57,403</u>	<u>26,407</u>	<u>49,035</u>
Total liabilities and capital	<u>65,638</u>	<u>32,023</u>	<u>55,990</u>

November 29, 2010
**Date of Authorization of
the Financial Statements**

Prof. Adi Raveh
Member of the Board

Dr. Rafi Hofstein
Chairman of the Board

Ophir Shahaf
CEO

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

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Comprehensive Income

	For the Nine Month Period Ended September 30		For the Three Month Period Ended September 30		For the Year Ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)		(Unaudited)		(Audited)
	Thousands of NIS		Thousands of NIS		Thousands of NIS
Research and development expenses	(5,076)	(4,818)	(1,307)	(1,629)	(5,904)
Marketing expenses	(36)	(46)	(11)	-	(66)
Selling, general and administrative expenses	(5,107)	(3,461)	(1,430)	(1,329)	(5,895)
Other income	13,284	1,559	112	-	1,559
Operating income (loss)	3,065	(6,766)	(2,636)	(2,958)	(10,306)
Financial income	525	504	63	121	832
Financial expenses	(1,012)	(1,303)	(249)	(419)	(322)
Financial income (expenses), net	(487)	(799)	(186)	(298)	510
Income (loss) after financing	2,578	(7,565)	(2,822)	(3,256)	(9,796)
Company's share in the losses of associates	(6,581)	(3,704)	(3,129)	(1,400)	(5,202)
Loss for the period	(4,003)	(11,269)	(5,951)	(4,656)	(14,998)
<u>Other comprehensive income</u>					
Income (loss) resulting from fair value adjustment of available-for-sale financial assets	(138)	1,162	(36)	921	875
Total comprehensive loss for the period	(4,141)	(10,107)	(5,987)	(3,735)	(14,123)

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

HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Comprehensive Income

	For the Nine Month Period Ended September 30		For the Three Month Period Ended September 30		For the Year Ended December 31
	2010	2009	2010	2009	2009
	Unaudited		Unaudited		Audited
	Thousands of NIS		Thousands of NIS		Thousands of NIS
<u>Loss for the period attributable to:</u>					
Equity holders of the Company	(2,908)	(11,269)	(5,815)	(4,656)	(14,998)
Non-controlling interest	(1,095)	-	(136)	-	-
	<u>(4,003)</u>	<u>(11,269)</u>	<u>(5,951)</u>	<u>(4,656)</u>	<u>(14,998)</u>
<u>Comprehensive loss for the period attributable to:</u>					
Equity holders of the Company	(3,046)	(10,107)	(5,851)	(3,735)	(14,123)
Non-controlling interest	(1,095)	-	(136)	-	-
	<u>(4,141)</u>	<u>(10,107)</u>	<u>(5,987)</u>	<u>(3,735)</u>	<u>(14,123)</u>
<u>Basic and diluted loss per regular share at NIS 0.01 par value</u>					
Basic and diluted loss per share (in NIS)	<u>(0.037)</u>	<u>(0.58)</u>	<u>(0.071)</u>	<u>(0.24)</u>	<u>(0.38)</u>
Number of shares used in the calculation of basic earnings per share (in thousands)	<u>79,523</u>	<u>19,508</u>	<u>81,461</u>	<u>19,714</u>	<u>39,926</u>

The attached notes constitute an inseparable part of the summary consolidated financial statements.

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Receipts on account of warrants</u>	<u>Capital reserve from operations with controlling shareholder</u>	<u>Capital reserve for share-based payment transactions</u>	<u>Capital reserve for available-for-sale financial assets</u>	<u>Loss for the period</u>	<u>Non-controlling interest</u>	<u>Total</u>
	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>
<u>For the Nine Month Period Ended September 30, 2010 (Unaudited)</u>									
Balance as of January 1, 2010	785	89,124	9,379	754	1,577	875	(53,459)	-	49,035
Exercise of warrants into shares	2	317	(87)	-	-	-	-	-	232
Issuance of shares and warrants	88	9,204	1,610	-	-	-	-	-	10,902
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(138)	-	-	(138)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	1,076	1,076
Deconsolidation of a subsidiary	-	-	-	-	-	-	-	(417)	(417)
Share-based payment	-	-	-	-	716	-	-	-	716
Loss for the period	-	-	-	-	-	-	(2,908)	(1,095)	(4,003)
Balance as of September 30, 2010	<u>875</u>	<u>98,645</u>	<u>10,902</u>	<u>754</u>	<u>2,293</u>	<u>737</u>	<u>(56,367)</u>	<u>(436)</u>	<u>57,403</u>

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Receipts on account of warrants</u>	<u>Capital reserve from operations with controlling shareholder</u>	<u>Capital reserve for share-based payment transactions</u>	<u>Capital reserve for available-for-sale financial assets</u>	<u>Loss for the period</u>	<u>Non-controlling interest</u>	<u>Total</u>
	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>
<u>For the Nine Month Period Ended September 30, 2009 (Unaudited)</u>									
Balance as of January 1, 2009	194	54,319	-	754	832	-	(38,461)	-	17,638
Issuance of Company shares and warrants	237	16,009	2,187	-	-	-	-	-	18,433
Share-based payment	-	-	-	-	443	-	-	-	443
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	1,162	-	-	1,162
Loss for the period	-	-	-	-	-	-	(11,269)	-	(11,269)
Balance on September 30, 2009	<u>431</u>	<u>70,328</u>	<u>2,187</u>	<u>754</u>	<u>1,275</u>	<u>1,162</u>	<u>(49,730)</u>	<u>-</u>	<u>26,407</u>

The attached notes constitute an inseparable part of the summary consolidated financial statements.

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Receipts on account of warrants</u>	<u>Capital reserve from operations with controlling share-holder</u>	<u>Capital reserve for share-based payment transactions</u>	<u>Capital reserve for available-for-sale financial assets</u>	<u>Loss for the period</u>	<u>Non-controlling interest</u>	<u>Total</u>
	Thousands of NIS	Thousands of NIS	Thousands of NIS	Thousands of NIS	Thousands of NIS	Thousands of NIS	Thousands of NIS	Thousands of NIS	Thousands of NIS
<u>For the three month period</u>									
<u>Ended September 30, 2010</u>									
<u>(Unaudited)</u>									
Balance as of July 1, 2010	787	89,431	9,294	754	2,115	773	(50,552)	(325)	52,277
Exercise of warrants into shares	- (*)	10	(2)	-	-	-	-	-	8
Issuance of share options	88	9,204	1,610	-	-	-	-	-	10,902
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(36)	-	-	(36)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	25	25
Share-based payment	-	-	-	-	178	-	-	-	178
Loss for the period	-	-	-	-	-	-	(5,815)	(136)	(5,951)
Balance on September 30, 2010	875	98,645	10,902	754	2,293	737	(56,367)	(436)	57,403
<u>For the Three Month Period</u>									
<u>Ended September 30, 2009</u>									
<u>(Unaudited)</u>									
Balance as of July 1, 2009	431	70,328	2,187	754	1,005	241	(45,074)	-	29,872
Share-based payment	-	-	-	-	270	-	-	-	270
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	921	-	-	921
Loss for the period	-	-	-	-	-	-	(4,656)	-	(4,656)
Balance on September 30, 2009	431	70,328	2,187	754	1,275	1,162	(49,730)	-	26,407

(*) Represents an amount lower than NIS 1 thousand.

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Statements of Changes in Shareholders' Equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Receipts on account of warrants</u>	<u>Capital reserve from operations with controlling share- holder</u>	<u>Capital reserve for share-based payment trans- actions</u>	<u>Capital reserve for available- for-sale financial assets</u>	<u>Loss for the period</u>	<u>Non- controlling interest</u>	<u>Total</u>
	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>	<u>Thousands of NIS</u>
<u>For the Year Ended For December 31 2009 (Audited)</u>									
Balance as of January 1, 2009	194	54,319	-	754	832	-	(38,461)	-	17,638
Issuance of Company shares and warrants	591	34,805	9,379	-	-	-	-	-	44,775
Share-based payment	-	-	-	-	745	-	-	-	745
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	875	-	-	875
Loss for the period	-	-	-	-	-	-	(14,998)	-	(14,998)
Balance as of December 31, 2009	<u>785</u>	<u>89,124</u>	<u>9,379</u>	<u>754</u>	<u>1,577</u>	<u>875</u>	<u>(53,459)</u>	<u>-</u>	<u>49,035</u>

The attached notes constitute an inseparable part of the summary consolidated financial statements.

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

	For the Nine Month Period Ended September 30		For the Three Month Period Ended September 30		For the Year Ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)		(Unaudited)		(Audited)
	Thousands of NIS		Thousands of NIS		Thousands of NIS
<u>Cash flows from operating activities</u>					
Loss for the period	(4,003)	(11,269)	(5,951)	(4,656)	(14,998)
Adjustments required to present cash flows from operating activities (Appendix A)	(3,751)	4,433	2,752	1,897	5,311
Net cash used in operating activities	(7,754)	(6,836)	(3,199)	(2,759)	(9,687)
<u>Cash flows from investing activities</u>					
Interest receipts	525	373	63	-	450
Investments in marketable securities, net	5,132	-	5,258	-	(21,074)
Investments in investees	(3,156)	(1,685)	(945)	(126)	(4,577)
Deconsolidation of a subsidiary, Appendix C	(246)	-	-	-	-
Purchase of fixed assets	(148)	(303)	-	(27)	(519)
Net cash provided by (used in) investing activities	2,107	(1,615)	4,376	(153)	(25,720)
<u>Cash flows from financing activities</u>					
Credit from banking corporations	11	-	11	-	-
Issuance of Company shares and warrants	10,902	18,433	10,902	-	44,775
Interest payments and bank fees	(19)	(71)	(9)	(62)	(45)
Exercise of warrants into shares	232	-	8	-	-
Net cash provided by (used in) financing activities	11,126	18,362	10,912	(62)	44,730
<u>Influence of exchange rate fluctuations on the balance of cash and cash equivalents</u>					
	(110)	-	(98)	-	-
<u>Increase (decrease) in cash and cash equivalents</u>					
	5,369	9,911	11,991	(2,974)	9,323
<u>Balance of cash and cash equivalents at beginning of period</u>					
	16,585	7,262	9,963	20,147	7,262
<u>Balance of cash and cash equivalents at end of period</u>					
	21,954	17,173	21,954	17,173	16,585

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

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Statements of Cash Flows

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

	For the Nine Month Period Ended September 30		For the Three Month Period Ended September 30		For the Year Ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)		(Unaudited)		(Audited)
	<u>Thousands of NIS</u>		<u>Thousands of NIS</u>		<u>Thousands of NIS</u>
<u>Expenses and income not related to cash flows:</u>					
Company's share in the losses of associates	6,581	3,704	3,128	1,400	5,202
Depreciation and write-downs	718	286	197	114	402
Financial expenses	1,012	1,303	249	419	322
Financial income	(525)	(504)	(63)	(121)	(832)
Share-based payment	716	443	178	270	745
Share-based payment in subsidiaries	1,076	-	25	-	-
Income from decrease in the Company's stake in investees, net	(13,172)	(1,901)	-	-	(1,900)
Provision for impairment in respect of available-for-sale investments	-	342	-	-	341
Increase in liabilities in respect of benefits to employees	6	13	(13)	1	5
<u>Changes to items under assets and liabilities:</u>					
(Increase) Decrease in accounts receivable	(719)	(287)	320	98	(148)
Increase (decrease) in trade payables	(220)	326	(681)	(76)	1,157
Increase (decrease) in other accounts payable	621	708	(640)	(208)	17
Increase (decrease) in expenses payable	(552)	-	(28)	-	-
Increase in royalties payable	707	-	80	-	-
	<u>(3,751)</u>	<u>4,433</u>	<u>2,752</u>	<u>1,897</u>	<u>5,311</u>

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

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Statements of Cash Flows

Appendix B - Non-Cash Activities

During the second quarter of 2010, the Company was allocated shares and options in an associate against an undertaking provided by it to invest a sum of approx. NIS 1,841 thousand. For additional details, see Note 4B.

During the reporting period, an additional liability was recorded for fixed assets totaling NIS 148 thousand, in respect of a payable liability for the adjustment works performed in the leasehold area.

Appendix C - Deconsolidation of a Subsidiary

	For the Nine Month Period Ended September 30		For the Three Month Period Ended September 30		For the Year Ended December 31
	2010	2009	2010	2009	2009
	(Unaudited)		(Unaudited)		(Audited)
	Thousands of NIS		Thousands of NIS		Thousands of NIS
Accounts receivable	653	-	-	-	-
Long term prepaid expenses	9	-	-	-	-
Investment in the company, net	645	-	-	-	-
Fixed assets, net	644	-	-	-	-
Trade payables	(610)	-	-	-	-
Other accounts payable	(295)	-	-	-	-
Royalty liabilities payable	(851)	-	-	-	-
Liabilities due to termination of employer - employee relationships	(24)	-	-	-	-
Non-controlling interest	(417)	-	-	-	-
Cash and cash equivalents	(246)	-	-	-	-

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

Note 1 - General

- A. HBL - Hadasit Bio-Holdings Ltd. (hereinafter: the "Company"), was founded on September 19, 2005, by Hadasit Medical Research Services & Development Ltd. (hereinafter: "Hadasit").

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

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

Hadassah is a medical institution including two hospitals in the city of Jerusalem: "Hadassah Ein Kerem" and "Hadassah Har Hatzofim", as well as medical schools and research centers.

Hadasit serves as Hadassah's technology transfer office. Discoveries and developments produced by the doctors of Hadassah (hereinafter: the "Researchers") are transferred to Hadasit, whose responsibility is to preserve the intellectual property, and to raise funds and commercialize the scientific discoveries.

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

In January 2006, the Company first issued shares and warrants in the stock exchange.

- B. These summary financial statements and their attached notes should be consulted with regards to the Company's yearly financial statements for December 31, 2009 and the year then ended.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

Note 1 - General (Cont.)

C. Definitions

- | | |
|---------------------------------|---|
| The Company | - HBL - Hadasit Bio-Holdings Ltd. |
| The Group | - The Company and the R&D Companies. |
| Related Parties | - As defined in IAS 24. |
| Interested Parties | - As defined in the Securities Regulations (Preparation of Yearly Financial Statements), 5753 - 1993. |
| Controlling Shareholders | - As defined in the Securities Law, 5728 - 1968, including regulations issuing therefrom. |
| Index | - The consumer price index, as published by the Central Bureau of Statistics. |
| Dollar | - The US Dollar. |
| Subsidiaries | - Companies over which the Company has control (as defined in IAS 27), either directly or indirectly, and whose financial statements are fully consolidated with those of the Company. |
| Associates | - Companies over which the Company has significant influence, and where the Group's investments in those companies, whether directly or indirectly, are included in the financial statements using the equity method. |
| Investees | - Subsidiaries and Associates. |

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

Note 2 - Significant Accounting Policies

A. Basis for preparation of the financial statements

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

In its preparation of these financial statements, the Group implemented an accounting policy, rules of presentation and calculation methods which are identical to those implemented in the preparation of its financial statements for December 31, 2009, and for the year then ended, apart from changes to the accounting policy resulting from the implementation of new standards, revisions to standards, and interpretations, which came into effect on the date of the financial statements, as described in Note 3.

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

C. Exchange rates and linkage basis

- (1) Balances in foreign currency, or linked to foreign currency, are included in the financial statements according to their representative exchange rates as published by the Bank of Israel on the balance sheet date.
- (2) Balances linked to the consumer price index are presented according to the last known index on the balance sheet date (the index for the month preceding the month of the reporting date), or according to the index for the last month of the reporting period (the index for the month of reporting date), depending on the terms of the transaction.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements As of September 30, 2010

Note 2 - Significant Accounting Policies (Cont.)

C. Exchange rates and linkage basis (Cont.)

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

	Dollar Representative Rate (NIS per 1 USD)	Index in Israel	
		Known Index (*) Points	Actual Index (*) Points
<u>Date of the financial statements</u>			
September 30, 2010	3.665	132.52	132.89
September 30, 2009	3.758	129.8	130.17
December 31, 2009	3.775	130.42	130.42
Rates of change over the period of:	<u>%</u>	<u>%</u>	<u>%</u>
Nine months ended September 30, 2010	(2.9)	1.61	1.89
Nine months ended September 30, 2009	(1.16)	3.42	3.61
Three months ended September 30, 2010	(5.42)	1.23	1.22
Three months ended September 30, 2009	(4.11)	1.26	2.44
One year ended December 31, 2009	(0.71)	3.82	3.92

(*) According to a 1998 average.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

Note 3 - Newly published financial reporting standards and interpretations

A. New standards and interpretations that affect the current period and / or previous reporting periods:

IAS 27 (Revised), "Consolidated and Separate Financial Statements"

The Standard provides the following rules for the accounting treatment of consolidated and separate financial statements:

- The Standard provides that transactions with holders of non-controlling interest, due to which the Group holds control of a subsidiary before and after the transaction, are to be treated as capital transactions.
- In cases of transactions following which the Group loses its control over a subsidiary, the investment balance in the subsidiary is to be measured on the date control was lost, at fair value.
- The minority share in the losses of a subsidiary in excess of its equity are to be attributed to it without regard to its obligations and its ability to make additional investments in the subsidiary.

The Standard's provisions apply to yearly periods beginning on January 1, 2010 and thereafter. The Standard's provisions are being retroactively implemented, excluding a number of exceptions for which they will be prospectively implemented.

During the three month and nine month periods ended September 30, 2010, a total of NIS 136 thousand and 1,095 thousand in profit and loss, respectively, was attributed by the Group to non-controlling interest, which was presented under equity, and not under profit and loss, as would have been done had the new Standard not been adopted.

The balance of non-controlling interest in the Company's capital as of September 30, 2010 amounted to a total of NIS 436 thousand, as a result of presentation of a capital reserve in respect of share-based payment in subsidiaries.

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

IFRS 3 (Revised), "Business Combinations"

The new Standard establishes rules for the accounting treatment of business combinations. The Standard is being implemented with regards to business combinations which took place on January 1, 2010 or thereafter.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

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

B. New Standards and interpretations which are in effect, and which do not have a significant influence on the current period and / or on previous reporting periods: (Cont.)

Revision to IAS 28, "Investments in Associates" (Regarding the Loss of Significant Influence on an Associate)

As part of the adoption of IAS 27 (revised) noted above, certain provisions of IAS 28, "Investments in Associates", were revised. The revision provides the accounting treatment for the loss of significant influence over an associate, where the entity continues to retain a certain holding in the investee. The revision will be retroactively applied for yearly reporting periods beginning on January 1, 2010 and thereafter.

Revisions to IFRS 2, "Group Cash-Settled Share-Based Payment Transactions"

The revisions specify the accounting treatment for separate and individual financial statements of an entity in respect of share-based payment transactions settled by other entities in the group. The revisions also include in IFRS 2 previous provisions from IFRIC 8, "Applicability of IFRS 2", and IFRIC 11 - Group and Treasury Share Transactions. The instructions issuing from these revisions will apply to yearly periods beginning on January 1, 2010. The revisions are being retroactively applied, excluding revisions that refer to previous instructions, which are in effect from their original date.

Revision to IAS 7, "Cash Flow Statements"

The revision to IAS 7, "Cash Flow Statements", clarifies that only exits that result in an asset being recognized in the statement of financial position may be classified as cash flows used in investing activities. The revision will be retroactively applied for yearly reporting periods beginning on January 1, 2010 or later.

Revision to IAS 1, "Presentation of Financial Statements"

The revision to IAS 1, "Presentation of Financial Statements", determines that the liability component of an instrument which may, as chosen by the counterparty, be settled through the issuance of the entity's capital instruments, is to be classified as either current or noncurrent based on the settlement date, by way of transfer of cash or of other assets, and not based on the settlement date by way of conversion. The revision will be retroactively applied for yearly reporting periods beginning on January 1, 2010 or thereafter.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

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

- A. On March 11, 2010, the Company's board of directors approved the granting of options to six members of the Company's advisory board. Each of the six offerees will be allocated 10,000 non-marketable warrants in the Company, exercisable to a total of 60,000 regular Company shares. The exercise price of the aforementioned warrants will be NIS 2 for each warrant. The warrants will mature in three equal portions, once per year, beginning on February 19, 2009. The cost of the bonus, amounting to a total of NIS 15 thousand, included in the warrants granted as above, based on their fair value on the date of their granting, will be presented under profit and loss over the maturity period.
- B. On April 12, 2010, the Company entered into an agreement for the allocation of the shares of Protab Ltd. (hereinafter: "Protab"), a company fully owned and controlled by the Company, to investors and to the Company, and for the conversion of its convertible loans into shares, subject to fulfillment of the suspending conditions established between the parties. After fulfillment of the suspending conditions, the allocation was carried out as follows:

- (1) The investors and the Company undertook to deliver to Protab USD 4 million in the following manner: USD 2 million immediately after fulfillment of the suspending conditions, and an additional USD 2 million 6 months after that date. In consideration of the above, Protab allocated to the investors and to the Company 111,111 Series A preferred shares at NIS 0.01 par value each, proportional to each investor's relative investment share in the consideration. In addition, the investors and the Company were allocated options to purchase Series A preferred shares, exercisable within a period of 3 years, or until certain conditions have been fulfilled, whichever is earlier, with exercise money of USD 45 per option.

The investors were also allocated regular shares at NIS 0.01 par value each, with exercise money of NIS 0.01 per option.

- (2) The Company converted all of its convertible loans, totaling NIS 7,093 thousand, including accrued interest, at a discount of 20% from the price at which Protab shares were allocated, to 64,743 Series A preferred shares of NIS 0.01 par value each.
- (3) Protab allocated 39,878 options exercisable into regular shares at NIS 0.01 par value each, for distribution to employees and consultants. As of the date of signing the financial statements, the options have not been specifically allocated to employees and consultants.

As a result of the Company's entry into an agreement for the allocation of shares, the Company's stake in Protab decreased to approx. 70%. (Approx. 51% at full dilution.)

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

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

B. (Cont.)

As part of the agreement, Protab's Articles of Incorporation were updated. The update specified, inter alia, that for the purpose of certain activities specified in the Articles of Incorporation, the consent of all holders of Series A preferred shares, holding over 7.5% of the Company's share capital, will be required, after issuance of the shares, and after repayment of all their debts to the Company pursuant to the agreement.

Pursuant to the share allocation agreement, the Company discontinued the consolidation of Protab in its consolidated financial statements, and included its investment in Protab using the equity method, at its fair value on the investment date. The Company recognized income of approx. NIS 13 million under the item for other income in profit and loss as a result of the deconsolidation.

In accordance with Protab's value appraisal and fair value allocation for identifiable assets and liabilities, the Company attributed a total of approx. NIS 5,259 thousand, of which approx. NIS 4,209 thousand were for the patent, and NIS 1,050 thousand were for the goodwill. The patent has a lifetime of 15 years.

As of the date of signing the financial statements, the Company has settled the liability to Protab Ltd. in respect of the aforementioned agreement.

- C. In May 2010, a request made by a subsidiary of the Company for a program issued by the Chief Scientist was approved for a budget of approx. NIS 4.7 million, with a weighted grant rate of 54%, for the development of a mononuclear antibody, Proximav, used in the treatment of rheumatoid arthritis. In the opinion of management, the full grant amount will be received by the associate to carry out this plan.
- D. In March 2010, the board of directors of an associate approved a plan for allocation, without consideration, of 8,057 non-marketable warrants to the Company's CEO, employees, officers and service providers. The warrants were allocated in a capital track, in accordance with the provisions of Section 102 of the Income Tax Ordinance.

The cost of the bonus included in the warrants allocated as above, based on their fair value on the date of their granting, is estimated at approx. NIS 580 thousand. This amount will be presented under profit and loss over the maturity period.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

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

- E. In March 2010, the board of directors of an associate approved a plan for allocation, without consideration, of 6,442 non-marketable warrants to the company's CEO, employees, officers and service providers. The warrants were allocated in a capital track, in accordance with the provisions of Section 3(I) of the Income Tax Ordinance.

The cost of the bonus included in the warrants allocated as above, based on their fair value on the date of their granting, is estimated at approx. NIS 398 thousand. This amount will be presented under profit and loss over the maturity period.

- F. On March 24, 2010, the Company and an associate signed an agreement for the provision of a loan convertible to shares of the associate in the amount of USD 100,000.

The parties agreed that the loan would bear interest at an annual rate of 3% + LIBOR, and will be repaid, unless it is converted into shares in the associate, on March 23, 2012. In the event that the associate offers securities in an offer whose total amount is no less than USD 1,000,000, the Company will have the option to convert the loan (with the addition of accrued interest) into shares of the associate, taking into account an assumed rate of 20% of the value of the shares in that allocation.

- G. During April 2010, an associate entered into a phase 1 human clinical trial, for which the Company received authorization from the Ministry of Health in February 2010. The clinical trial is being conducted on 40 healthy volunteers, and is intended to test the product's safety. The trial is scheduled to be concluded by the end of 2010.

This trial is intended to support the product's safety and the possibility of using it to treat a variety of medical conditions, including stroke, heart attack, pulmonary embolism and venal occlusion. The clinical trial will be done in the Clinical Research Center at Hadassah Ein Kerem hospital.

This entry into the human clinical trial phase does not guarantee that the trials will be successful, or that the product developed by the Company will become a commercial product authorized for distribution.

Following new findings obtained in animal trials, which indicate the effectiveness of the peptide in the treatment of chronic pulmonary diseases such as asthma, the associate submitted an application for approval of the patent, and will evaluate the continued development of applications with multinational corporations which may show interest in developing a medical treatment for asthma.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

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

- H. According to a shelf prospectus for the Company published on August 31, 2009, and in accordance with the Securities Regulations (Shelf Registration of Securities), 5766 - 2005, the Company published on August 29, 2010 a shelf offering for issuance and registration for trading on the Tel Aviv Stock Exchange Ltd. (hereinafter: the "Shelf Offering"). As part of the Shelf Offering, the Group allocated 88,477 units, comprised of approx. 8,848 thousand shares and approx. 8,848 warrants (Series 4) in consideration of NIS 128 per unit. The warrants are unlinked, and are exercisable until August 30, 2014, with unlinked exercise money of NIS 1.75 each. The total net consideration received as a result of the offering amounted to approx. NIS 10,902 thousand.
- I. On September 13, 2010, the shareholders of Thrombotech (hereinafter: the "Associate") exercised 11,824 options (out of 28,374 outstanding options), to Series A-2 shares in the Associate at NIS 0.01 par value, in consideration of a total of NIS 3,854 thousand. Of this amount, the Company invested approx. NIS 943 thousand. After the exercise of options, the Company continues to hold 24% of the Associate's equity. On the exercise date, the Associate extended the exercise period for the remaining options until December 29, 2011.

HBL - Hadasit Bio-Holdings Ltd.

Notes to the Summary Consolidated Financial Statements **As of September 30, 2010**

Note 5 - Subsequent events

On October 10, 2010, Cell Cure (an associate) signed an investment agreement with the Company, Teva Pharmaceutical Industries Ltd. (hereinafter: "Teva") and BioTime Inc. (an American company publicly traded on the NYSE) (hereinafter: "BioTime"), within which BioTime, Teva and the Company undertook to invest a total of USD 7.1 million in the Associate.

The investment agreement was signed based on the Company's pre-money valuation of USD 8 million. From the total investment amount, BioTime will invest in Cell Cure a total of USD 4.1 million, including conversion of a loan in the amount of USD 250 thousand; Teva will invest a total of USD 2 million, and the Company will invest USD 1 million, including the conversion of USD 100 thousand (see 4(F)).

Along with the investment agreement, an agreement was signed between the Associate and Teva in which the Associate granted Teva the option to receive a worldwide and exclusive license for the development and commercialization of the leading product developed by the company for treatment of the eye disease AMD.

The parties determined the amounts to be paid to the Company by Teva in respect of exercise of the option, and also the royalty rate to be paid to the Associate in the event that the product is sold, as well as the time period over which royalties will be required for payment. In the event that Teva chooses to realize the option, Teva will bear the research and development costs for the product that is the subject of the license from that point forward.

The following agreements were also signed between the Associate and Hadasit Medical Research Services & Development Ltd. (hereinafter: "Hadasit"):

1. Revision of the license granted by Hadasit to the Associate.
2. An agreement for provision of research services by Hadasit to the Associate for a period of 5 years, at a scope of USD 300 thousand per year.
3. An agreement for provision of consulting services, which established that Hadasit and 2 Hadassah researchers involved in the developments which constitute the basis of the Associate's operations will be eligible to receive options in Cell Cure amounting to 5% of the Associate's issued capital on the date the investment agreement is closed.