

IMPORTANT

This document is an unofficial translation of the Hebrew original, June 30th, 2011 financial & BOD report of Hadasit Bio-Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on August 28th, 2011.

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

HBL - Hadasit Bio-Holdings Ltd.

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

(Unaudited)

HBL - Hadasit Bio-Holdings Ltd.

Summary Consolidated Financial Statements As of June 30, 2011

(Unaudited)

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

Introduction

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

We have not reviewed the financial information for the summary interim periods of a consolidated subsidiary, whose assets included in the consolidation constitute approx. 0.6% of total consolidated assets as of June 30, 2011, and whose results included in the consolidation constitute approx. 13.6% and 14.1%, respectively, for the six month and three months periods then ended. The interim summary financial information for that company was reviewed by a different auditor, whose review report was presented to us. Our conclusion, inasmuch as it refers to the financial information for that company, is based on the review report prepared by that auditor.

Scope of the Review

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

Conclusion:

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

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

משרד אילת המרכז העירוני ת.ד. 583 אילת, 88104	משרד באר שבע פארק תעשיית עומר, כניין 10, ת.ד. 1369 עומר, 84965	משרד חיפה מעלה השחרור 5 ת.ד. 5648 חיפה, 31055	משרד ירושלים שרי ישראל 12 ירושלים, 94390	משרד רמת-גן הרקון 6 רמת-גן, 52521	משרד ראשי - תל אביב מרכז עזריאלי 1 תל אביב, 67021 ת.ד. 16593 תל אביב, 61164
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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, August 25, 2011

משרד אילת	משרד באר שבע	משרד חיפה	משרד ירושלים	משרד רמת-גן	משרד ראשי - תל אביב
המרכז העירוני ת.ד. 583 אילת, 88104	פארק תעשיות עומר, כניין 10, ת.ד. 1369 עומר, 84965	מעלה השחרור 5 ת.ד. 5648 חיפה, 31055	שרי ישראל 12 ירושלים, 94390	הרקון 6 רמת-גן, 52521	מרכז עזריאלי 1 תל אביב, 67021 ת.ד. 16593 תל אביב, 61164
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HBL - Hadasit Bio-Holdings Ltd.
Summary Consolidated Statements of Financial Position

	<u>As of June 30</u>		<u>As of December</u>
	<u>2011</u>	<u>2010</u>	<u>31</u>
	<u>Thousands of NIS</u>		
	<u>Unaudited</u>		<u>Audited</u>
<u>Current Assets</u>			
Cash and cash equivalents	13,092	9,963	8,801
Short-term deposits	-	-	822
Investments in marketable securities	17,619	20,799	20,781
Receivables and others	1,876	2,604 (*)	2,525
Available-for-sale financial assets	505	1,031	991
	<u>33,092</u>	<u>34,397</u>	<u>33,920</u>
<u>Non-current assets</u>			
Prepaid expenses	12	25	15
Investment in affiliates	14,273	21,717	20,651
Investment in options of affiliates	632	1,220	1,039
Rental fees receivable	1,018	1,140 (*)	1,124
Fixed assets, net	561	2,379	1,920
Intangible assets, net	2,220	1,987	2,377
	<u>18,716</u>	<u>28,468</u>	<u>27,126</u>
Total assets	<u>51,808</u>	<u>62,865</u>	<u>61,046</u>
<u>Current liabilities</u>			
Credit from banking corporations	-	-	13
Trade payables	1,623	1,947	1,615
Liability in respect of investment in an affiliate	-	1,841	-
Payables and others	1,872	1,585 (*)	1,730
Loans from external shareholders in subsidiaries, net	266	302	266
	<u>3,761</u>	<u>5,675</u>	<u>3,624</u>
<u>Non-current liabilities</u>			
Liabilities in respect of benefits to employees	55	32	58
Royalties payable	792	1,471	964
Expenses payable	3,025	3,410 (*)	3,341
	<u>3,872</u>	<u>4,913</u>	<u>4,363</u>
<u>Capital</u>			
Share capital	875	787	875
Premium on shares	98,645	89,431	98,645
Warrants	10,902	9,294	10,902
Capital reserve from operations with controlling shareholder	754	754	754
Capital reserve for share-based payment transactions	2,671	2,115	2,432
Capital reserve for available-for-sale financial assets	247	773	733
Loss for the period	(74,269)	(50,552)	(61,231)
Total capital attributable to equity holders in the company	<u>39,825</u>	<u>52,602</u>	<u>53,110</u>
Non-controlling rights	4,350	(325)	(51)
Total capital	<u>44,175</u>	<u>52,277</u>	<u>53,059</u>
Total capital and liabilities	<u>51,808</u>	<u>62,865</u>	<u>61,046</u>

* Reclassified, see Note 5.

August 25, 2011

Approval date of the financial statements	Uri Ben Or CFO	Dr. Rafi Hofstein Chairman of the Board	Ophir Shahaf CEO
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The notes to the summary consolidated financial statements constitute an inseparable part thereof.

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

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Research and development expenses	(4,298)	(3,768)	(2,619)	(1,840)	(6,019)
Marketing expenses	(8)	(25)	(4)	(17)	(60)
Administrative and general expenses	(3,632)	(3,677)	(2,211)	(1,755)	(7,225)
Other income (expenses)	(1,142)	13,172	(761)	13,172	14,927
Income (loss) from regular activities	(9,080)	5,702	(5,595)	9,560	1,623
Financing income	552	462	387	332	776
Financing expenses	(516)	(763)	(202)	(626)	(852)
Financing income (expenses), net	36	(301)	185	(294)	(76)
Income (loss) after financing	(9,044)	5,401	(5,410)	9,266	1,547
Company's share in the losses of Investees	(6,379)	(3,453)	(2,503)	(2,141)	(10,102)
Income (loss) for the period	(15,423)	1,948	(7,913)	7,125	(8,555)
Other comprehensive loss					
Loss from fair value adjustment of available-for-sale financial assets	(486)	(102)	(233)	(426)	(142)
Total comprehensive income (loss) for the period	(15,909)	1,846	(8,146)	6,699	(8,697)
Income (loss) for the period attributable to:					
Equity holders in the company	(14,132)	2,907	(6,937)	7,734	(7,414)
Non-controlling rights	(1,291)	(959)	(976)	(609)	(1,141)
	(15,423)	1,948	(7,913)	7,125	(8,555)
Comprehensive income (loss) for the period attributable to:					
Equity holders in the company	(14,618)	2,805	(7,170)	7,308	(7,556)
Non-controlling rights	(1,291)	(959)	(976)	(609)	(1,141)
	(15,909)	1,846	(8,146)	6,699	(8,697)
Earnings (losses) per ordinary share of NIS 0.01 par value (In NIS)					
Basic earnings (losses) per share	(0.16)	0.05	(0.07)	0.17	(0.09)
Number of shares used in the above calculation (in thousands)	87,523	39,976	87,523	40,027	81,539
Diluted earnings per share	-	0.04	-	0.15	-
Number of shares used in the above calculation (in thousands)	-	41,547	-	46,087	-

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

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

	<u>Share capital</u>	<u>Premium on shares</u>	<u>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>Total attributable to the owners of the parent company</u>	<u>Non- controlling rights</u>	<u>Total</u>
	Thousands of NIS									
For the six month period ended June 30 (Unaudited)										
Balance as of January 1, 2011	875	98,645	10,902	754	2,432	733	(61,231)	53,110	(51)	53,059
Investment in a subsidiary - transaction with minority interest	-	-	-	-	-	-	1,094	1,094	5,259	6,353
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(486)	-	(486)	-	(486)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	433	433
Share-based payment	-	-	-	-	239	-	-	239	-	239
Loss for the period	-	-	-	-	-	-	(14,132)	(14,132)	(1,291)	(15,423)
Balance as of June 30, 2011	875	98,645	10,902	754	2,671	247	(74,269)	39,825	4,350	44,175
For the six month period ended June 30 (Unaudited)										
Balance as of January 1, 2010	785	89,124	9,379	754	1,577	875	(53,459)	49,035	-	49,035
Exercise of warrants into shares	2	307	(85)	-	-	-	-	224	-	224
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(102)	-	(102)	-	(102)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	1,051	1,051
Exit from consolidation of a subsidiary	-	-	-	-	-	-	-	-	(417)	(417)
Share-based payment	-	-	-	-	538	-	-	538	-	538
Income for the period	-	-	-	-	-	-	2,907	2,907	(959)	1,948
Balance as of June 30, 2010	787	89,431	9,294	754	2,115	773	(50,552)	52,602	(325)	52,277

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

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

	<u>Share capital</u>	<u>Premium on shares</u>	<u>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>Total attributable to the owners of the parent company</u>	<u>Non-controlling rights</u>	<u>Total</u>
	Thousands of NIS									
For the three month period ended June 30 (Unaudited)										
Balance as of April 1, 2010	875	98,645	10,902	754	2,604	480	(68,426)	45,834	(348)	45,486
Investment in special company - transaction with the minority interest	-	-	-	-	-	-	1,094	1,094	5,259	6,353
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(233)	-	(233)	-	(233)
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	415	415
Share-based payment	-	-	-	-	67	-	-	67	-	67
Loss for the period	-	-	-	-	-	-	(6,937)	(6,937)	(976)	(7,913)
Balance as of June 30, 2011	875	98,645	10,902	754	2,671	247	(74,269)	39,825	4,350	44,175
For the three month period ended June 30 (Unaudited)										
Balance as of April 1, 2010	785	89,124	9,379	754	1,898	1,199	(58,286)	44,853	668	45,521
Exercise of warrants into shares	2	307	(85)	-	-	-	-	224	-	224
Fair value adjustment of available-for-sale financial assets	-	-	-	-	-	(426)	-	(426)	-	(426)
Share-based payment	-	-	-	-	217	-	-	217	-	217
Share-based payment in subsidiaries	-	-	-	-	-	-	-	-	33	33
Exit from consolidation of a subsidiary	-	-	-	-	-	-	-	-	(417)	(417)
Loss for the period	-	-	-	-	-	-	7,734	7,734	(609)	7,125
Balance as of June 30, 2010	787	89,431	9,294	754	2,115	773	(50,552)	52,602	(325)	52,277

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

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

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

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

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

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
<u>Cash flows for operating activities</u>					
Income (loss) for the period	(15,423)	1,948	(7,913)	7,125	(8,555)
Adjustments required to present cash flows for operating activities (Appendix A)	9,045	(6,760)(*)	2,994	(8,275)(*)	(2,056)
Net cash used in operating activities	(6,378)	(4,812)	(4,919)	(1,150)	(10,611)
<u>Cash flows from (for) investment activities</u>					
Interest receipts	514	456	415	408	581
Realization of (investment in) marketable securities	3,000	(126)	(2,993)	69	194
Investments in Investees	-	(2,211)	-	(2,211)	(8,245)
Exit from consolidation of a subsidiary, Appendix B	-	(246)	-	(246)	(246)
Exercise of (investment in) short term deposits	822	-	-	-	(822)
Purchase of fixed assets	(47)	(148)	(29)	-	(178)
Net cash resulting from (used in) investment activities	4,289	(2,275)	(2,607)	(1,980)	(8,716)
<u>Cash flows from financing activities</u>					
Issue of share and warrants in the Company	-	-	-	-	10,902
Interest payments and bank fees	(15)	(10)	(14)	(5)	(35)
Loans from the Chief Scientist	44	265(*)	17	199(*)	551
Credit from banks	(13)	-	(8)	-	13
Exercise of warrants into shares	-	224	-	224	232
Investment in a subsidiary by the minority interest	6,353	-	6,353	-	-
Net cash resulting from financing activities	6,369	479	6,348	418	11,663
Effect of changes in exchange rates on cash and cash equivalent balances held in foreign currency	11	(14)	15	104	(120)
Increase (decrease) in cash and cash equivalents, net	4,291	(6,622)	(1,163)	(2,608)	(7,784)
Cash and cash equivalents at beginning of period	8,801	16,585	14,255	12,571	16,585
Cash and cash equivalents at end of period	13,092	9,963	13,092	9,963	8,801

(*) Reclassified, see Note 3.C.

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

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

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2011	2010	2011	2010	2010
Thousands of NIS					
	Unaudited		Unaudited		Audited
<u>Appendix A - Adjustments required to present cash flows from operating activities</u>					
Expenses not related to cash flows:					
Company's share in the losses of Investees	6,379	3,453	2,503	2,141	10,102
Depreciation and write-downs	421	521	213	262	1,071
Financing expenses	516	763	202	626	852
Financing income	(552)	(462)	(387)	(332)	(776)
Share-based payment	239	538	67	217	855
Share-based payment in subsidiaries	433	1,051	415	33	1,149
Income from decrease in the Company's stake in Investees, net	-	(13,172)	-	(13,172)	(14,816)
Increase (decrease) in liabilities in respect of benefits to employees	(3)	19	(5)	11	45
Provision for impairment of fixed assets	1,142	-	761	-	-
Changes to items under assets and liabilities:					
Decrease (increase) in receivables and others	727	(792)(*)	318	464(*)	(1,192)
Increase (decrease) in payables and others, and other liabilities	23	1,261	(253)	483	1,352
Increase (decrease) in expenses payable	(288)	(518)	(247)	203	(511)
Increase (decrease) in royalties payable	-	115(*)	(65)	- (*)	226
Increase (decrease) in payables and others	8	463	(528)	789	(413)
	<u>9,045</u>	<u>(6,760)</u>	<u>2,994</u>	<u>(8,275)</u>	<u>(2,056)</u>
<u>Appendix B - Exit from consolidation of a subsidiary</u>					
Other accounts receivable	-	653	-	653	653
Long-term prepaid expenses	-	9	-	9	9
Investment in the Company, net	-	645	-	645	645
Fixed assets, net	-	644	-	644	644
Suppliers and other creditors	-	(610)	-	(610)	(610)
Creditors and credit balances	-	(295)	-	(295)	(295)
Liability in respect of royalties payable	-	(851)	-	(851)	(851)
Liability in respect of termination of employer - employee relationships	-	(24)	-	(24)	(24)
Non-controlling rights	-	(417)	-	(417)	(417)
Cash and cash equivalents	<u>-</u>	<u>(246)</u>	<u>-</u>	<u>(246)</u>	<u>(246)</u>

(*) Re-classified.

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

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

Note 1 - General

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

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

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

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

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

Hadasit is the technology transfer office of Hadassah. Discoveries and developments are produced by the doctors of Hadassah (hereinafter: the "Researchers"), and are then transferred for handling to Hadasit, which is responsible for preserving intellectual copyrights, and for acting to raise funds, and marketing the scientific discoveries.

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

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

- B. For details regarding the Company's annual financial statements as of December 31, 2010, and for the year ended that date, see these summary consolidated financial statements and their attached notes.

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 Annual Financial Statements), 5770 - 2010.

Controlling Shareholders - As defined in the Securities Law, 5728 - 1968, including its amendments.

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

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

Note 1 - General (Cont.)

C. Definitions (Cont.)

- | | |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dollar | - The US Dollar. |
| Subsidiaries | - Companies over which the Company holds control (as defined in IAS 27), either directly or indirectly, and whose financial statements are fully consolidated with those of the Company. |
| Affiliates | - Companies over which the Company has material influence, and where the Group's investments in those companies, either directly or indirectly, are included in the financial statements using the equity method. |
| Investees | - Subsidiaries and affiliates. |
| Other Companies | - Companies held by the Company, and over which it does not hold control, joint control or significant influence. |

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 (IAS) 34, "Interim Financial Reporting" (hereinafter: "IAS 34").

In preparing these financial statements, the Group applied an accounting policy, presentation rules and calculation methods which were identical to those applied in the preparation of its financial statements for December 31, 2010, and for the year ended that date, excluding differences in accounting policy which resulted from the application of standards, amendments to revisions, and new interpretations which came into effect on the date of the financial statements, as specified in Note 3.

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

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

Note 2 - Significant Accounting Policies (Cont.)

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 that were published by the Bank of Israel and were in effect as of the end of the report period.
- (2) CPI-linked balances are presented according to the last known index as of the balance date (the index for the month preceding the month of the financial statements date), or according to the index for the last month of the report period (the monthly index for the month of the reporting date), depending on the details of the transaction.
- (2) The following are exchange rate data for the Dollar and the Index:

	Dollar Representative Rate	Index in Israel	
		Known Index (*)	Actual Index (*)
		(NIS per 1 USD)	Points
Date of the financial statements:			
As of June 30, 2011	3.415	120.38	119.91
As of June 30, 2010	3.875	115.53	115.2
As of December 31, 2010	3.55	117.82	117.38
Rates of change:			
	%	%	%
For the six month period ended:			
June 30, 2011	(3.78)	2.17	2.15
June 30, 2010	2.6	0.66	0.37
For the three month period ended:			
June 30, 2011	(1.89)	1.46	1.26
June 30, 2010	4.4	1.53	1.34
For the year ended December 31, 2010	(5.99)	2.66	2.27

(*) Based on a 2002 average.

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

Note 2 - Significant Accounting Policies (Cont.)

D. Change to the accounting policy:

Over the course of 2010, the Group changed its accounting policy with regards to presentation of a liability for royalties payable to the Chief Scientist. The Group previously recognized all receipts from the Scientist as a part of current operations, and decided to change its accounting policy in such manner that amounts received from the Chief Scientist, and for which a financial liability was recognized, were presented under financing activities in the statement of cash flows.

Management believes that the new policy is preferable, since it results in more appropriate treatment regarding the presentation of the statement of cash flows, and is consistent with local practice in the branch, making the Company's financial statements more comparable.

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

Effect of the retroactive adoption of the statement of cash flows on the current period and previous periods

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Decrease in cash flows from current operations	(44)	(265)	(17)	(199)	(551)
Increase in cash flows from financing activities	44	265	17	199	551

Note 3 - Newly published financial reporting standards and interpretations

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

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

The amendment emphasizes the principles set forth in IAS 34, according to which the purpose of the information presented in interim financial statements, regarding events and transactions that are material to the understanding of changes in the entity's financial position and performance since the last annual reporting date, is to update the information that referred to the foregoing in the last annual financial statement. In addition, clarification was added regarding the manner in which this principle is to be implemented with respect to financial instruments. Certain disclosure requirements were also added. The amendment will be retroactively applied for annual reporting periods beginning on January 1, 2011 or thereafter.

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

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

B. New standards are interpretations which were published and are not in effect, and which were not adopted by the Group using early adoption, and are expected to have an effect on subsequent periods:

- **IFRS 13, “Fair Value Measurement”**

The standard replaces the detailed fair value measurement provisions specified in the various International Financial Reporting Standards, with provisions that will be grouped together into a single standard, which will serve as a guide for the measurement of fair value. Accordingly, instructions for fair value measurement were determined for all items measured at fair value in the statement of financial position, or for disclosure purposes.

According to the standard, fair value is defined as an amount that would be received from the sale of an asset, or the amount that would have been paid for the transfer of a liability, during the ordinary course of business between market participants on the measurement date.

The standard provides the various approaches that can be used to measure fair value, and instructs the use of valuation techniques that make maximal use of projected market data. A determination was made stating that the optimal use of non-financial assets is to be estimated and used as the basis for the measurement of the fair value of those assets. The standard will be prospectively applied to annual periods beginning on January 1, 2013 or thereafter. Early adoption is possible.

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

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

The standard amends the current provisions of IAS 19, Employee Benefits, in the following respects:

- Actuarial income or loss will be presented under other comprehensive income, and will not be classified at a later date under profit and loss. Accordingly, alternatives for presentation of actuarial income or losses under profit and loss were cancelled immediately, or calculated using the corridor method.
- Interest income in respect of assets of the defined benefit plan will be recognized according to the capitalization rate of the commitment, and not according to the expected return on those assets.
- Short-term employee benefits will include benefits that are expected to be fully settled by the end of 12 months from the end of the year in which the qualifying service was given by the employee.
- Benefits in respect of dismissal as a result of a proposal to encourage voluntary resignation will be recognized as a liability on the date when the reporting entity is no longer able to back out of the proposal.

The standard will be retrospectively applied, excluding the exceptions specified in the standard, to annual reporting periods commencing on January 1, 2013 or thereafter. Early adoption is possible.

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

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

Note 4 - Transactions and material events during the report period

A. Ongoing contractual agreement with changed consideration:

On January 12, 2011, the Company signed a new management agreement with Hadasit Medical Research Services and Development Ltd. (hereinafter: "Hadasit") for a period of four years beginning on January 1, 2011. The Company may terminate the agreement following a period of one, two or three years from the date it came into effect, and Hadasit shall have no claims or lawsuits on the subject against the Company. The agreement states that Hadasit will provide the Company, through its employees and consultants, ongoing management services for the Company's activities and business in the area, in coordination with and subject to the supervision of the Company's management and board of directors. In exchange for the provision of management services, the Company will pay Hadasit NIS 620 thousand per year, and the Company will also bear the full cost of the wages paid to the Company's CEO, employed by Hadasit.

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

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

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

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

The following is the effect of the changes in terms, had the terms of the new management fees agreement with Hadasit been in effect during the current period and previous periods.

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

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Income (loss) for the period attributed to owners of the parent company, as reported	(14,618)	2,805	(7,170)	7,308	(7,556)
Management fees according to the previous agreement	1,106	1,106	553	553	2,211
Management fees according to the new agreement	700	700	350	350	1,400
	406	406	203	203	811
General and administrative expenses according to the previous agreement	4,038	3,677	2,414	1,755	7,225
General and administrative expenses according to the new agreement	3,632	3,272	2,211	1,552	6,414
	406	406	203	203	811
Income (loss) for the period attributed to owners of the parent company, pro forma	(15,024)	3,211	(7,373)	7,511	(6,745)

A2. Effect on earnings (losses) per share (in NIS):

	For the six month period ended June 30		For the three month period ended June 30		For the year ended December 31
	2011	2010	2011	2010	2010
	Thousands of NIS				
	Unaudited		Unaudited		Audited
Earnings (losses) per share, as reported	(0.16)	0.05	(0.09)	0.17	(0.09)
Pro forma influence	(0.01)	0.01	-	0.01	0.01
Basic earnings (losses) per share, pro forma	(0.17)	0.06	(0.09)	0.18	(0.08)
Diluted earnings (losses) per share, as reported	-	0.04	-	0.15	-
Pro forma influence	-	0.01	-	-	-
Earnings (losses) per diluted share, pro forma	-	0.05	-	0.15	-

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

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

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

A3. Effect on retained earnings:

	<u>For the six month period ended June 30</u>		<u>For the three month period ended June 30</u>		<u>For the year ended December 31</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	Thousands of NIS				
	<u>Unaudited</u>		<u>Unaudited</u>		<u>Audited</u>
Retained earnings, as reported	(74,269)	(50,552)	(74,269)	(50,552)	(61,231)
Pro forma influence	(406)	406	(203)	203	811
Retained earnings, pro forma	<u>(74,675)</u>	<u>(50,147)</u>	<u>(74,472)</u>	<u>(50,349)</u>	<u>(60,420)</u>

B. In February 2011, the Company signed a sublease agreement with a third party for a period of 40 months beginning on April 2011, for an area previously rented by an Investee. In addition, the Company decreased, beginning in June 2011 and until the end of the rental period, the monthly rental fees received from an Investee.

As a result of the foregoing, the Company recognized a provision for impairment in the amount of approx. NIS 1,142 thousand for the leasehold improvements.

C. As part of the clinical trial being conducted by Enlivex Ltd. with the ApoCell drug for the treatment of Graft versus Host Disease (GvHD), Enlivex completed the process of recruiting and treating the second patient group. An external safety committee which discussed the results decided that, based on the data presented to date, the treatment is safe, and accordingly, approved the progression to the new treatment group, with an increase in the treatment dosage.

In March 2011, an agreement for the provision of a convertible loan in the amount of NIS 1 million, prepared according to the ordinary version used between the Company and the Portfolio Companies, was signed between Enlivex and the Company. Effectively, the loan amount was transferred to Enlivex in April 2011.

D. In the first quarter of 2011, Biomarker began a second clinical trial on colorectal cancer patients, and also began development on the Colon-MarCarePlex™ kit. Following the signing of the memorandum of understanding, Biomarker began a second product development process, based on a panel of molecular markers, using a simple, non-invasive blood test.

E. In March 2011, an agreement for the provision of a convertible loan in the amount of NIS 1,200 thousand was signed between the Company and Biomarker. The loan will be repaid on July 1, 2012. The loan bears annual interest at a rate of LIBOR+3%.

In the event that an investment in Biomarker capital is not made by the repayment date specified in the loan contract, the Company will be entitled, until 30 days following repayment of the loan, to provide notice to Biomarker regarding its conversion of the loan to Biomarker shares, according to a Biomarker value of USD 250 thousand (pre-money valuation at full dilution).

F. On December 26, 2010, the Company's Board of Directors approved a private allocation of options to the Company's CEO. Approval of the allocation is conditional upon the signing and approval of a new management fee agreement between the Company and Hadasit. The aforementioned agreement was signed on January 12, 2011. On February 27, 2011, the general assembly approved the new management agreement, and warrants were allocated on the capital track, pursuant to the provisions of section 102 of the Income Tax Ordinance.

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

Note 4 - Transactions and Material Events During the Report Period (Cont.)

Each warrant can be exercised into a single regular share in the company at NIS 0.01 par value, against payment of an index-linked exercise premium of NIS 2. The warrants will mature in several batches, over a period of approx. 3.5 years. The warrants, once matured, will be exercisable for a period of 7 years from the date of their granting, or 10 years from the start of the program, whichever is later. The cost of the benefit embedded in the aforementioned allocated warrants, based on the fair value as of the date of their granting, is estimated at approx. NIS 291 thousand.

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

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

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

(*) The expected volatility was determined based on historical volatility of the share prices in the Tel Aviv Stock Exchange over a period of 5 years. The average warrant lifetime was determined in accordance with statistical studies which indicated early exercise of 2-3 years on average.

(**) The risk-free interest rate was taken for each batch in accordance with the options' expected lifetimes.

- G.** In April 2011, an investment agreement was signed between the Company, a third party and KAHR Medical Ltd. (hereinafer: "KAHR"), an Investee. According to the agreement, a third party invested USD 2 million in KAHR, in consideration of approx. 19% of the shares of KAHR. The Company also invested USD 1 million, and converted all the loans granted by the Company to KAHR, totaling approx. USD 2.1 million, at a discount of 20%-30% percent from the investment price, as specified in the agreement. As a result of the investment, the Company's stake in KAHR decreased to approx. 65% (at full dilution).

As part of the agreement , KAHR granted a third party the right to conduct first negotiations for the acquisition of an exclusive license for KAHR's main development. Upon completion of the transaction, KAHR's board of directors will continue operating in its current composition, in such manner that the Company will have the right to nominate 4 directors in KAHR, in addition to another director serving in KAHR. The third party will have the right to nominate an observer in KAHR's board of directors.

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

As part of this investment, KAHR's CEO was allocated 63,000 antidilutive options for KAHR shares.

Each warrant can be exercised into a single regular share in KAHR of NIS 0.001 par value, against payment of an exercise addition of NIS 0.01. The warrants matured in full on the granting date. The base asset price is derived from an investment round in the company, and stands at USD 1.75 per share.

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

Note 4 - Transactions and Material Events During the Report Period (Cont.)

G. (Cont.)

Since the exercise price is negligible (NIS 0.01) compared to the share price (USD 1.75), it follows that the option value is close to the share value, and therefore the model chosen, and the other parameters influencing the option's worth, have no significance.

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

Moreover, as part of the investment, an additional 5,525 options were allocated to a consultant. Each warrant may be exercised into a single regular share in the company at NIS 0.001 par value, against payment of an Index-linked exercise premium of NIS 3.62. The warrants matured in full on the granting date. The cost of the benefit embedded in the warrants allocated as above, based on the fair value as of the date of their granting, is estimated at approx. USD 6 thousand (NIS 20 thousand).

The fair value of the aforementioned warrants granted to a consultant was measured using the Black-Scholes model.

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

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

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

(**) The risk-free interest rate was derived from the curve of United States treasury bonds for periods matching the lifetime of the option on the date of its granting.

Note 5 - Re-classification

The Group re-classified the amounts specified below for the comparative data as of June 30, 2010. The re-classification results from the adjustment of comparative data to the manner of presentation of certain transactions in the Group's statements as of June 30, 2011.

	<u>As of June 30, 2010</u>		
	<u>As classified previously</u>	<u>The change</u>	<u>As classified in these statements</u>
	<u>Thousands of NIS</u>		
	<u>Unaudited</u>		
Receivables and others	2,446	158	2,604
Rental fees receivable	-	1,140	1,140
Payables and others	1,427	158	1,585
Expenses payable	2,270	1,140	3,410

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

Note 6 - **Non-cash transactions**

The Group recognized a commitment to pay royalties to the Chief Scientist, against the income receivable from him, totaling the following amounts:

Six months ended June 30, 2010	-	NIS 250 thousand
Six months ended June 30, 2011	-	NIS 28 thousand
Three months ended June 30, 2010	-	NIS 58 thousand
Three months ended June 30, 2011	-	NIS 28 thousand
Year ended December 31, 2010	-	NIS 72 thousand

Note 7 - **Subsequent events**

In July 2011, an agreement for the provision of a convertible loan in the amount of NIS 1 million, according to the ordinary version used between the Company and the Portfolio Companies, was signed between Enlivex and the Company. The loan amount was transferred to Enlivex in July 2011.



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

Board of Directors Report for the Quarter ended June 30, 2011

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

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

A main requirement for achieving the Company’s goals is obtaining financing sources which will enable the delivery of measured and monitored flows to the Portfolio Companies, for the purpose of allowing them to meet defined milestones in the fields of research and development, production, intellectual property and regulation, in such manner that enables them to reach the human clinical trial Phase.

The Company’s main objective is to improve and promote the Portfolio Companies in which it maintains holdings, by providing, among others, the financing resources needed by them, within the Company’s limitations, for the research and development of the science, technology and products which constitute the foundation of the Portfolio Companies. The provision of these resources is intended to enable the Portfolio Companies to move forward and achieve clearly defined milestones, which, in the bio-technology industry, serve as an indication of real substance in the areas of research, clinical development, regulatory process, business development and other elements related to the company’s activity, as translated into financial value for its owners. This value is developed over a prolonged period of time, and involves the investment of significant financial and managerial resources.

A significant milestone in the process is the link to strategic partners in the pharma world, who can provide a great deal of value to the Company’s Portfolio Companies. In addition to its involvement in financing the development of the Subsidiaries’ products, a strategic partner also provides reinforcement of the companies’ science and intellectual property, and can produce value by assisting on other levels as well, including science and experiments, regulation, production, and identification of investors and additional partners. The Company considers these transactions to be an important tool



for promoting the Portfolio Companies' products towards commercialization, and also a method for maintaining shareholders' value.

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

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

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

During the quarter, the Company received approval from the U.S. Securities and Exchange Commission to operate a Level I Sponsored ADR Program (the "**Program**"). As part of the Program, conversion will be permitted of company shares into securities of the "American Depositary Shares" ("ADS") type, which represent the Company's shares at an ADS ratio of one to twenty regular Company shares, and which will be traded via over the counter trading in the US, under the symbol HADSY. The Company has fulfilled all of the local regulator's requirements, and has adjusted the

structure and manner of translation of the financial statements, immediate reports and website, in order to receive the aforementioned approval.

ADS securities are securities which are convertible into shares of the Company they represent, and therefore - anyone in possession of Company shares may convert them to ADS representing Company shares, all in accordance with the terms of the Program. The Program enables private and institutional American investors to invest in the Company's share capital by purchasing ADS. In light of recent developments in the Company, and mainly transactions made by Portfolio Companies with strategic partners, and performance of clinical trials in additional Portfolio Companies, the Company believes that the exposure to foreign markets can serve the Company and the Portfolio Companies, and can provide a convenient opportunity for American investors to invest in the Company.

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

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

The following are details regarding the Company's holdings in the Portfolio Companies as of June 30, 2011:

Name of the Portfolio Company in which the Company maintains holdings	Rate of the Company's holdings as of June 30, 2011		Portfolio Company's area of operation
	Not at full dilution	At full dilution	
Thrombotech Ltd.	24.77%	23.43%	Development of drugs intended for focused, selective dissolution of blood clots
Verto Ltd.	7464%	6732%	Development of instruments and drugs for the treatment of lupus erythematosus
Cell Cure Neurosciences Ltd.	26.28%	24.54%	Stem-cell based treatment for AMD (Age-Related Macular Degeneration), Parkinson's, and other neurodegenerative diseases
ProtAb Ltd.	6979%	5010%	Drugs for the treatment of rheumatoid arthritis and other auto-immune diseases
BioMarCare Ltd. (Formerly Incure Ltd.)	8749%	9177%	Kit for early detection of metastasis in certain types of cancer (breast, colorectal) and development of a treatment platform
KAHR Medical (2005) Ltd.	6950%	6483%	Development of a protein platform enabling treatments for auto-immune diseases and various types of cancer
Enlivex Therapeutics Ltd.	9199%	(83)63%	Development of a system (device and drug) for the treatment of Graft-versus-Host Disease in transplants and in inflammatory and auto-immune diseases
BioLineRx Ltd.	0.25%	0.25%	Development of drugs in BioLine and outsourced laboratories, in order to promote them to advanced clinical trial phases

The maintenance of the Company's current rate of holdings in the Portfolio Companies is conditional upon the Company's financial ability being such that will enable it, subject to the investing principles



for the Portfolio Companies, to participate in investment rounds in the Portfolio Companies. It is possible that, in subsequent financing rounds, the Company will not have the means necessary to maintain its current rates of holding in the Portfolio Companies (all or some), and it is also possible that, in the aforementioned rounds, the Company will decide that it would be inappropriate or undesirable to participate in such rounds.

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

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

During the quarter, and as part of the implementation of the conclusions reached following the evaluation of the effectiveness of internal control in the Company, the Company nominated, during the second quarter, a CFO (who provides his services through the Company).

C. Central developments in the Portfolio Companies during the second quarter of 2011

(1) Enlivex

As part of the clinical trial performed by Enlivex with the ApoCell drug, which is intended for the treatment of Graft-versus-Host Disease (GvHD), Enlivex has concluded patient recruitment for the third of four patient groups in the trial. An external safety committee which discussed the results of the two groups (first and second) decided that, based on the data presented to date, the treatment is safe, and, accordingly, approved the transition to the next treatment group with an increased dosage. At the end of 30 days from conclusion of the third group's trial, the committee will convene to discuss its results.

Enlivex has completed preparations for the development of its universal product (VerCell) - an apoptotic cell-based shelf product - and is currently in negotiations with a strategic partner for collaboration in the field. The plan includes development of the product up to the clinical trial phase (inclusive).

Enlivex has submitted, beginning on March 2011, a new continuation plan to the office of the Chief Scientist, which includes clinical development at an advanced phase. However, due to a delay at the office of the Chief Scientist, a committee has not yet been convened to approve the plan. The previous plan, which concluded at the end of February 2011, was evaluated and approved by the office of the Chief Scientist.

(2) KAHR Medical

KAHR is continuing development of the pre-clinical stage for its products. KAHR is continuing the development of two products, 101-KAHR and 201-KAHR, intended for the treatment of various types of cancer and auto-immune diseases.

During the second quarter, KAHR continued to focus on the development of 201-KAHR, which previously displayed significant activity in different models of auto-immune diseases, as well as activity on cancerous cells of a human source. KAHR is continuing the development of final production process for the 201-KAHR product with Recipharm-Cobra Ltd. (Sweden-England).

At the start of the quarter, KAHR signed a strategic partnership agreement with Aventis Holdings Inc. (hereinafter: "Sanofi"), the third largest pharma company in the world. As part of the agreement, Sanofi invested USD 2 million in cash, and the Company invested USD 1 million in cash and also converted approx. USD 2 million of convertible loans into capital. During the quarter, KAHR attempted to recruit additional investors to join an additional investment under the same conditions, including a continuing investment of an additional USD 1 million by Sanofi. The entire investment is intended for the financing of pre-clinical trials and Phase I/II of clinical trials on the 201-KAHR product, and for the identification of new candidate drugs based on the technological platform of KAHR Medical. As of the report date, negotiations with these investors are in the advanced stages.

(3) Cell Cure Neurosciences

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

During the quarter, Cell Cure completed production of the first formation of RPE cells under cGMP conditions, by using the advanced technique it developed.

Cell Cure's efforts are currently focused on pre-clinical animal trials, based on the guidance and recommendations of the FDA with regards to the new RPE cells that were produced. Concurrently, Cell Cure commenced experiments to characterize the product in advance of its submission to regulatory bodies.

(4) Thrombotech Ltd.

During the second quarter, Thrombotech continued pre-clinical activities for the purpose of evaluating the applicability of the technology in indications of hypertension and myocardial infarction, with the intention to expand the possible indications of THR-18 (Thrombotech's leading product), and to support marketing efforts vis-a-vis pharma companies.

Subsequent to the report date, Thrombotech received all regulatory approvals needed to enable the beginning of the advanced clinical trial (Phase IIa) in Israel. Thrombotech has completed preparations for recruitment of the first group of patients, with the trial being done in Hadassah Ein Kerem hospital. Thrombotech has also recruited 3 clinical centers in India to perform the trial. Commencement of the trial in India is conditional upon receipt of national regulatory approval, which is delayed due to bureaucratic difficulties. The approval is expected to be received in the beginning of the third quarter. No significant advances have taken place in receiving the regulatory approval in Uzbekistan.

Subsequent to the report date, Thrombotech nominated Dr. Ruth Ben-Yakar as company CEO, in place of Dr. Yitzhak Lamensdorf.

(5) Verto

Verto did not conduct research activities during the second quarter, and invested the majority of its efforts into locating partners for continued performance of the clinical trials it began (Verto successfully completed Phase I/II clinical trial, and proved the safety and efficacy of the product under its development). Verto hired the services of a foreign consulting company specializing in the identification and creation of collaborations of this kind with potential partners.

One of the conclusions reached by the consulting company was that, in light of the approval of a competing drug for the treatment of systemic lupus erythematosus (SLE), the feasibility of continued financing to Verto should be re-evaluated. As part of the conclusions reached by the consulting company, an option was presented to continue promoting Verto's work and development, including expanding intellectual property and recognition among the medical community, on the level of research collaborations with research and academic institutions. This possibility is being evaluated, and a group in the US was identified which expressed interest in a research collaboration with Verto. At this stage, Verto does not require additional cash flows from the Company.

(6) ProtAb

During the second quarter, ProtAb made progress in the production work done as part of a contract with Xcellerex Ltd. (in the US). During this period, ProtAb conducted analytical characterization and performed several tests on the antibody produced, in order to enable production processes on a scale that will be appropriate for the production of the therapeutic antibody for human clinical trials.

ProtAb also conducted a viral clearance test, which affirms that the production processes do remove possible viruses, and conducted preliminary stability tests. All of the aforementioned tests are necessary tests included in the regulatory file that will be submitted to the authorities before performance of the clinical trials. ProtAb is currently in the final preparatory stages for production of the clinical batch under GMP conditions, in advance of human clinical trials.

During the second quarter, ProtAb signed a contract with Harlan Israel Ltd., and performed a toxicology test on rodents under GLP conditions. The first stage of the experiment ended successfully, with no signs of toxicity in repeatedly high doses. ProtAb is preparing for the performance of a toxicocinetica test under GLP conditions, and has completed development of the analytical methods supporting this test.

(7) BioMarCare

During the second quarter, ProtAb focused most of its efforts on research and development, as specified below:

- For the Colon-MarCarePlex™ product, which is intended for the early diagnosis of colorectal cancer, BioMarCare formed a panel of 5 molecular indicators, which is intended for a simple blood test, including a unique indicator. After receiving the approval of the Helsinki committee, ProtAb has recruited to date over 50 blood samples from patients and healthy individuals for feasibility tests, using the RT-PCR method (a widespread molecular method used for diagnostics), whose purpose is to identify, with high precision, the presence of the indicators in the patients' blood. The test is being conducted in collaboration with the surgery and gastrointestinal departments at Hadassah hospital.

Following the departure of the trial's initiator, Dr. Aviram Nissan, from Hadassah hospital, the leading researcher nominated to replace him was Dr. Eran Israeli, a senior gastroenterologist from the Center for Inflammatory Bowel Disease. BioMarCare rented and equipped research laboratories in the campus of Hadassah Ein Kerem hospital, where research and development work on its developed products is being conducted.



- BioMarCare has begun experiments for calibration of the system and evaluation of the contribution of each biomarker, both synergistically and additively, for all biomarkers included in the panel composition. Routine use of this new test will enable, in BioMarCare's opinion and based on the assumption that the tests will conclude successfully, alerting the patient and referring them for more comprehensive tests for continued diagnosis and lifesaving treatment.
- With regards to the *PAR panel*TM product, BioMarCare has collected approx. 900 samples, from patients, healthy individuals, series and control groups. Concurrently, efforts are underway to conclude development, which began at a subcontractor, of an ELISA test, based on the PAR1 indicator (a polyclonal antibody). Various alternatives were evaluated for transferring the method's technologies from the subcontractor, in order to complete the development. At the end of the quarter, the technological transfer of the test to BioMarCare was completed. From this stage onwards, BioMarCare focused on calibration of the test (signal against background, and separation between patients and healthy individuals) and preparing it for a comprehensive examination of all collected samples (internal clinical validation test).

Concurrently, BioMarCare, through an additional subcontractor, began development of polyclonal antibodies for PAR1 & PAR2, in order to preserve an inventory of antibodies, and to enable receipt of antibodies which will serve in the development of a diagnostic kit for the PAR2 indicator.

BioMarCare identified an American partner for submission of a grant application to the bi-national BIRD Foundation, for a project in the field of companion diagnostics, which is intended to separate between patients who are likely and unlikely to respond to a drug treatment which is intended to inhibit the EGFR receptor. Subsequent to the report date, preliminary approval was received from the BIRD Foundation regarding receipt of a sum in the amount of USD 900 thousand for financing 50% of the joint project. BioMarCare is working to fulfill the Foundation's requirements, including an agreement between the companies, an agreement with the Foundation, and presentation of complementary financing.

D. Financial position and financing sources

The Group's current assets as of June 30, 2011 totaled approx. NIS 33,092 thousand, compared to approx. NIS 34,397 thousand as of June 30, 2010. As of December 31, 2010, current assets amounted to approx. NIS 33,920 thousand.

The balance of cash and cash equivalents as of June 30, 2010 amounted to approx. NIS 13,092 thousand, compared to NIS 9,963 thousand and NIS 8,801 thousand as of June 30, 2010, and

December 31, 2010, respectively. The increase in cash resulted mainly from the investment of Sanofi in the subsidiary, as noted above, and from the realization of marketable securities.

The investment in marketable securities as of June 30, 2011 amounted to NIS 17,619 thousand, compared to NIS 20,799 thousand and NIS 20,781 thousand as of June 30, 2010 and December 31, 2010, respectively. The decrease is as a result of realization of investments.

Available-for-sale financial assets decreased from a total of NIS 1,031 thousand as of June 30, 2010 to NIS 505 thousand as of June 30, 2011, as a result of a decline in the market value of BioLine.

Fixed assets as of June 30, 2011 amounted to a total of NIS 561 thousand, compared to NIS 2,379 and 1,920 thousand as of June 30, 2010 and December 31, 2010. The significant decrease in the current quarter resulted from a provision for impairment in the amount of NIS 1,142 thousand.

The total investment balance in affiliates amounted to approx. NIS 14,273 thousand of June 30, 2011, compared to approx. NIS 21,717 thousand as of June 30, 2010 and approx. NIS 20,651 thousand as of December 31, 2010. The change resulted from the inclusion of ProtAb Ltd. under this item, beginning on the second quarter of 2010, and against the recording of equity losses.

The Group's current liabilities as of June 30, 2011 amounted to approx. NIS 3,761 thousand, compared to approx. NIS 5,675 thousand as of June 30, 2010, and approx. NIS 3,624 thousand as of December 31, 2010. The balance as of June 30, 2010 included a total of NIS 1,841 thousand in respect of the second payment in the investment round in ProtAb that was held in October 2010.

Non-current liabilities as of June 30, 2011 amounted to a total of NIS 3,872 thousand, compared to NIS 4,913 and 4,363 thousand as of June 30, 2010 and December 31, 2010, respectively. The decrease between the periods resulted from a decrease in liabilities to the Chief Scientist, mainly due to the postponement of the expected income from BioMarCare, and from a decrease in liabilities in respect of leasehold improvements.

The Company's capital attributed to equity holders in the Company as of June 30, 2011 amounted to a total of NIS 39,825 thousand, compared to capital of NIS 52,602 thousand as of June 30, 2010, and NIS 53,110 thousand as of December 31, 2010. The change resulted mainly from current losses attributed to equity holders in the Company in the amount of approx. NIS 6,937 thousand for the current quarter, and from the recording of a capital reserve in respect of a transaction with the minority interest in the amount of approx. NIS 1,094 thousand.

E. Results of operations:



The Group's loss attributed to equity holders in the Company, for the quarter ended June 30, 2011, amounted to a total of approx. NIS 6,937 thousand, compared to income of approx. NIS 7,308 thousand for the corresponding period last year, and a loss of approx. NIS 7,556 thousand for 2010. The income for the corresponding period last year, and the relatively low loss for 2010, resulted from income in respect of a revaluation of the investment in ProtAb in the amount of approx. NIS 13,172 thousand.

Administrative and general expenses for the quarter ended June 30, 2011 amounted to a total of approx. NIS 2,211 thousand, compared to approx. NIS 1,755 thousand for the corresponding last year, and a total of approx. NIS 7,225 thousand for 2010. The change resulted from a decrease in payment of management fees.

Other expenses - the Group recorded other expenses for the report period in the amount of NIS 761 thousand, as a result of a provision for impairment in respect of leasehold improvements (additionally, in the previous quarter NIS 381 thousand was recorded as a provision for an onerous contract, which was classified in this quarter as a provision for impairment). In 2010, other expenses amounted to a total of NIS 14,927, and mainly included the revaluation of the investment in ProtAb.

R&D Expenses:

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



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

	For the quarter ended June 30, 2011	For the quarter ended June 30, 2010
	Thousands of NIS	Thousands of NIS
Subsidiaries		
Verto	1	-
BioMarCare (formerly InCure)	369	240
Enlivex	907	860
ProtAb	-	103
KAHR	1,345	843
Total in subsidiaries	2,622	1,840
In affiliates (Company's share in expenses)		
Cell Cure	464	293
ProtAb	1,780	-
Conjugate Ltd.	-	176
Thrombotech Ltd.	80.	223
Total in affiliates (the Company's share in expenses)	2,324	692
Total R&D expenses	4,946	2,532

F. Liquidity status

For the quarter ended June 30, 2011, cash used in operating activities amounted to a total of NIS 4,919 thousand, compared to NIS 1,150 and 10,611 for the corresponding quarter last year, and for 2010, respectively.

The cash flow used for investment activities in the quarter ended June 30, 2011 amounted to a total of approx. NIS 2,607 thousand, and resulted mainly from an investment in marketable securities in the amount of NIS 2,993 thousand. This was compared to cash flows used for investment activities in the amount of NIS 1,980 and 8,716 for the corresponding quarter last year and for 2010, respectively, mainly as a result of the investment in Investees (ProtAb, Cell Cure and Thrombotech).

Cash resulting from financing activities for the quarter ended June 30, 2011 amounted to a total of approx. NIS 6,348 thousand, and resulted mainly from the investment of Sanofi in KAHR, compared to NIS 418 thousand in the corresponding quarter last year. In 2010, a total of NIS 11,663 thousand resulted from financing activities, of which a total of NIS 10,902 thousand resulted from the issuance of shares and warrants in the Company.

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

As of the report date, the potential risks embedded in the Company's activities were as follows: changes in the price of the Company's stock on the stock exchange (which may result in the warrants (Series 3 and 4) not being exercised); and changes to the share price of BioLine.

H. Directors with accounting and financial expertise

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

As of the report date, all four directors serving in the Company fulfill the criteria determined with regards to accounting and financial expertise, and also with regards to professional qualifications, as a result of their education and experience in the management of companies.

I. Report regarding independent directors

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

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

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

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

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

The financial statements are prepared by the Company's CEO, with the assistance of the CFO and the Company's financial personnel. After performance of the auditor's review, and before their approval by the Company's Board of Directors, the draft statements are delivered for the advance review of the directors serving as the Company's balance sheet committee - Mr. Yaron Kulas, chairman (external director), and Ms. Michal Sapir (external director), who review the statements and deliver their remarks and recommendations to the Board of Directors several days before the date set for the Board of Directors' meeting, in accordance with the provisions of the Companies Regulations (Provisions and Conditions Regarding the Approval Process for Financial Statements), 5770 - 2010 (hereinafter: the "**Approval Process Regulations**").

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

Process for approval of the balance sheet committee

The Company's financial statements were discussed in a balance sheet committee meeting held on August 23, 2011. All balance committee members participated in the discussion. The meeting was also attended by the Company's auditor, the Company's internal auditor, the Company's CEO and



other invited consultants. In the meeting, the effectiveness of internal control over financial reporting and disclosure was discussed, and a principle discussion was held with regards to estimates and evaluations made by the Company, completeness and full disclosure, and the accounting policy and treatment, and recommendations to the Board of Directors were formed with regards to the process for the approval of the financial statements.

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

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

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

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

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

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

The Company's financial statements were discussed and approved in a meeting held by the Company's Board of Directors on August 25, 2011. In the Board of Directors meeting, the recommendations of the balance sheet committee were presented to the Board members, and a review and analysis was conducted by the Company's CEO regarding the main points of the financial statements, including those pertaining to the results of its operations, its financial position, cash flows, etc. Major transactions for the period were also presented. The Board of Directors meeting was

attended by the Company's auditors and the chairman of the balance sheet committee (Mr. Yaron Kulas).

K. Details regarding compensation of the Company's senior corporate officers

No changes occurred on the matter during the quarter.

During the quarter, Mr. Uri Ben-Or was nominated (through a company under his control) to serve as the Company's CFO.

L. Donations policy

As of the report date, the Company has not yet adopted a donations policy. However, the Company's Articles of Incorporation state that the Company may donate reasonable sums of money towards worthy causes. As of the report date, the Company donated an immaterial amount to an association for at-risk youth.

M. Internal auditor

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

N. Report regarding exposure to market risks and methods for their treatment:

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

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

The officers responsible for managing the Company's market risks are Mr. Ophir Shahaf, the Company's CEO, and Mr. Uri Ben-Or, the Company's CFO.

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

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

	In non- linked NIS	In index- linked NIS	In USD, or USD- linked	In GBP, or GBP- linked	Total
<u>Assets</u>					
Current assets					
Cash and cash equivalents	6,021	-	6,252	819	13,092
Short term deposits	-	-	-	-	-
Investments in marketable securities	13,159	4,460	-	-	17,619
Other accounts receivable	1,698	178	-	-	1,876
Available-for-sale financial assets	505	-	-	-	505
Non-current assets:					
Investment in the options of affiliates	-	-	632	-	632
Rental fees receivable	-	1,018	-	-	1,018
Total assets	21,383	5,656	6,884	819	34,742
<u>Liabilities</u>					
Current Liabilities:					
Credit to banks	-	-	-	-	-
Trade payables	1,366	-	257	-	1,623
Other accounts payable	1,872	-	-	-	1,872
Loans from external shareholders in subsidiaries	-	-	266	-	266
Non-current liabilities:					
Royalties payable	-	-	792	-	792
Expenses payable	-	3,025	-	-	3,025
Total liabilities	3,238	3,025	1,315	-	7,579
Surplus of financial assets over liabilities	18,145	2,631	5,569	819	27,163

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

	In non- linked NIS	In index- linked NIS	In USD or USD- linked	In GBP or GBP- linked	Total
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	7,167	-	1,882	914	9,963
Short term deposits	-	-	-	-	-
Investments in marketable securities	20,472	327	-	-	20,799
Other accounts receivable	2,446	158	-	-	2,604
Available-for-sale financial assets	1,031	-	-	-	1,031
Non-current assets:					
Investment in the options of affiliates	-	-	1,220	-	1,220
Rental fees receivable	-	1,140	-	-	1,140
Total assets	31,116	1,625	3,102	914	36,757
<u>Liabilities</u>					
Current Liabilities:					
Credit to banks	-	-	-	-	-
Trade payables	1,589	358	-	-	1,947
Other accounts payable	1,585	-	-	-	1,585
Loans from external shareholders in subsidiaries	-	-	302.	-	302.
Non-current Liabilities:					
Royalties payable	-	-	1,471	-	1,471
Expenses payable	-	3,410	-	-	3,410
Total liabilities	3,174	3,768	1,773	-	8,715
Surplus of financial assets over liabilities	27,942	(2,143)	1,329	914	28,042

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

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

P. Sensitivity tests

The Company performed sensitivity tests in respect of changes in the upper and lower bounds of 3% and 5% for the relevant market factors.

Currency risk:

The Group holds balances in foreign currency, mainly in USD, resulting in exposure to volatility in USD/NIS exchange rates. The following table presents details regarding the Group's loss for an increase / decrease of 3% and 5% in the USD/NIS exchange rate:

<u>Sensitivity to changes in the USD/NIS exchange rate</u>					
	Income (loss) from the changes		Fair value as of June 30, 2011 USD/NIS 3.415	Loss from the changes	
	Increase of 5% in market factor (3.586 USD/NIS)	Increase of 3% in market factor (3.517 USD/NIS)		Decrease of 3% in market factor (3.312 USD/NIS)	Decrease of 5% in market factor (3.244 USD/NIS)
Thousands of NIS					
Exposure in the linkage balance sheet	278	168	5,569	(168)	(278)

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

The expected influence of the Group's loss as a result of changes in the consumer price index is presented below:

<u>Sensitivity to changes in the consumer price index</u>					
	Income from the changes		Index as of June 30, 2011 110.3 Points*	Loss from the changes	
	Increase of 5% in market factor (115.8)	Increase of 3% in market factor (113.6)		Decrease of 3% in market factor (107.5)	Decrease of 5% in market factor (105.4)
Thousands of NIS					
Exposure in the linkage balance sheet	132	79	2,631	(79)	(132)

The changes chosen using the relevant risk variables were chosen in accordance with management's estimations regarding reasonably possible changes in these risk variables.

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

Q. Critical accounting estimates

For details regarding the Company's critical accounting estimates, see Note P of the Company's financial statements as of December 31, 2010.



R. Subsequent events

In July 2011, an agreement for the provision of a convertible loan in the amount of NIS 1 million, in the ordinary version used between the Company and the Portfolio Companies, was signed between Enlivex and the Company. The loan amount was transferred to Enlivex during July 2011.

Date: August 25, 2011

Ophir Shahaf

CEO

Dr. Rafi Hofstein

Chairman of the Board

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

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

1. Ophir Shahaf, Chief Executive Officer
2. Uri Ben-Or, Chief Financial Officer

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

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

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

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure which was attached to the periodic report for the period ended December 31, 2010 (hereinafter: the “Last Annual Report Regarding Internal Control”), the Board of Directors and management evaluated internal control in the Corporation; and based on this evaluation, the Corporation's Board of Directors and management reached the conclusion that the aforementioned internal control, as of December 31, 2010, included a material weakness.

Due to this material weakness that was identified and reported in the periodic report for 2010, the Company began implementing several changes in its system of accounting and internal controls (including hiring a CFO possessed of experience working with public companies, and hiring a treasurer possessed of accounting expertise and in-depth knowledge of IFRS).

Up to the report date for the second quarter of 2011, the Board of Directors and management have not become aware of any event or matter that may alter its assessment regarding the effectiveness of internal control. In addition, the following stages were implemented, as specified below:

- A plan for correction of the deficiencies for 2010 was implemented
- Delimitation was performed for 2011

- A documentation update was performed for 2011, in accordance with the changes made in the Company's financial department
- Tests were performed for the 2nd quarter of 2011, in which no material weaknesses were found which would have an effect on the financial statements

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

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

I, Ophir Shahaf, hereby declare that:

(1) I have reviewed the interim financial statements and other financial information included in the interim statements of Hadasit Bio-Holdings Ltd. for the second quarter of 2011 (hereinafter: the "Reports" or the "Interim Reports").

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

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

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

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

And -

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

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

(a) Have established controls and procedures, or have ensured that such controls and procedures were implemented under my supervision, in order to ensure that material

information relating to the Corporation, including its subsidiaries, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 5753 - 1993, has been brought to my attention by others in the Corporation and in the subsidiaries, specifically over the course of the report period;

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

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

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

August 25, 2011

Date

Ophir Shahaf
CEO

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

I, Uri Ben-Or, hereby declare that:

(1) I have reviewed the interim financial statements and other financial information included in the interim reports of Hadasit Bio-Holdings Ltd. for the second quarter of 2011 (hereinafter: the "Reports" or the "Interim Reports").

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

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

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

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

And that-

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

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

(a) Have established controls and procedures, or have ensured that such controls and procedures were implemented under my supervision, in order to ensure that material information relating to the Corporation, including its subsidiaries, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 1993, has been brought to my attention by others in the Corporation and in the subsidiaries, specifically over the course of the report period;

And –

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

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

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

August 25, 2011

Date

Uri Ben-Or