Kamada Ltd.

Consolidated Financial Statements as of December 31, 2012

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Ernst & Young

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of Kamada Ltd.

We have audited the accompanying consolidated balance sheets of Kamada Ltd. ("the Company") as of December 31, 2012 and 2011 and the related consolidated statements of comprehensive Income (loss), changes in equity and cash flows for each of the three years ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2012 and 2011 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Tel-Aviv, Israel
March 7, 2013

/S/Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

Consolidated Balance Sheets

	Note	As of December 31, 2012	2011
		In thousands	
Current Assets			
Cash and cash equivalents	5	$ 16,866	$ 24,374
Short-term investments	6	16,929	16,800
Restricted cash		-	1,512
Trade receivables	7	13,861	7,131
Other accounts receivables	8	1,661	1,928
Inventories	9	20,513	15,335
		69,830	67,080
Non-Current Assets			
Long-term inventories	9	238	555
Property, plant and equipment, net	10	18,827	17,413
Long term assets	11	219	66
		19,284	18,034
		89,114	85,114
Current Liabilities			
Short term credit and Current maturities of convertible debentures	12	5,370	12
Trade payables	13	12,220	12,528
Other accounts payables	14	3,413	3,112
Deferred revenues	19a,b	8,176	7,243
		29,179	22,895
Non-Current Liabilities			
Loans from others		-	12
Warrants	15a	23	681
Convertible debentures	15b	18,747	22,419
Employee benefit liabilities, net	18	577	539
Deferred revenues	19a,b	12,054	15,983
		31,401	39,634
Shareholder's Equity	21		
Kamada Ltd.'s shareholders' equity:			
Ordinary shares of NIS 1 par value:			
Authorized - 60,000,000 ordinary shares; Issued and outstanding – 28,665,121 and 27,577,113 shares at December 31, 2012 and 2011, respectively		7,204	6,928
Additional paid in capital		96,874	91,225
Warrants		-	325
Conversion option in convertible debentures		3,794	3,794
Capital reserve due to translation to presentation currency		(3,490)	(3,490)
Capital reserve from hedges		229	-
Other capital reserves		4,614	4,754
Accumulated deficit		(80,691)	(80,951)
		28,534	22,585
		$ 89,114	$ 85,114

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Comprehensive income (Loss)

	Note	2012	2011	2010
		For the Year Ended December 31,		
		In thousands		
Revenues from proprietary products		$ 46,445	$ 35,308	$ 22,980
Revenues from distribution		26,230	24,175	11,497
Total revenues	24a	72,675	59,483	34,477
Cost of revenues from proprietary products		26,911	22,188	18,878
Cost of revenues from distribution		23,071	20,574	9,827
Total cost of revenues	24b	49,982	42,762	28,705
Gross profit		22,693	16,721	5,772
Research and development expenses	24c	11,821	11,729	9,279
Selling and marketing expenses	24d	1,853	2,331	2,152
General and administrative expenses	24e	4,781	5,126	4,543
Operating income (loss)		4,238	(2,465)	(10,202)
Financial income	24f	578	870	560
Income (expense) in respect of currency exchange and translation differences and derivatives instruments, net		(100)	937	(1,052)
Income(expense) in respect of revaluation of warrants to fair value		(576)	540	(640)
Financial expense	24f	(3,357)	(3,597)	(3,087)
Income (loss) before taxes on income		783	(3,715)	(14,421)
Taxes on income		523	-	-
Net Income (loss)		260	(3,715)	(14,421)
Other Comprehensive Income:				
Net gain on cash flow hedge		229	-	-
Exchange differences on translation of financial statements from functional currency to presentation currency		-	(1,786)	1,494
Total comprehensive income (loss)		$ 489	$ (5,501)	$ (12,927)
Income (loss) per share attributable to equity holders of the Company:	25			
Basic income (loss) per share		$0.01	$(0.13)	$ (0.54)
Diluted income (loss) per share		$0.01	$(0.15)	$ (0.54)

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Warrants	Conversion option in convertible debentures	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Other capital reserves	Accumulated deficit	Total equity
	In thousands								
Balance as of December 31, 2009	$ 6,250	$ 79,645	$ 4,141	$ 3,794	$ (3,198)	$ -	$ 2,443	$ (62,815)	$ 30,260
Net loss	-	-	-	-	-	-	-	(14,421)	(14,421)
Other comprehensive income	-	-	-	-	1,494	-	-		1,494
Total comprehensive income (loss)	-	-	-	-	1,494	-	-	(14,421)	(12,927)
Exercise of warrants and options into shares	639	9,745	(2,802)	-	-	-	(67)	-	7,515
Cost of share-based payment	-	-	-	-	-	-	1,632	-	1,632
Balance as of December 31, 2010	6,889	89,390	1,339	3,794	(1,704)	-	4,008	(77,236)	26,480
Net loss	-	-	-	-	-	-	-	(3,715)	(3,715)
Other comprehensive loss	-	-	-	-	(1,786)	-	-	-	(1,786)
Total comprehensive loss	-	-	-	-	(1,786)	-	-	(3,715)	(5,501)
Exercise of warrants and options into shares	39	830	(9)	-	-	-	(150)	-	710
Expiration of warrants issued	-	1,005	(1,005)	-	-	-	-	-	-
Cost of share-based payment	-	-	-	-	-	-	896	-	896
Balance as of December 31, 2011	6,928	91,225	325	3,794	(3,490)	-	4,754	(80,951)	22,585
Net income	-	-	-	-	-	-	-	260	260
Other comprehensive income	-	-	-	-	-	229	-	-	229
Total comprehensive income	-	-	-	-	-	229	-	260	489
Exercise of warrants and options into shares	276	5,649	(325)			-	(1,407)	-	4,193
Cost of share-based payment	-	-	-	-	-	-	1,267	-	1,267
Balance as of December 31, 2012	$ 7,204	$ 96,874	$ -	$ 3,794	$ (3,490)	$ 229	$ 4,614	$ (80,691)	$ 28,534

The accompanying notes are an integral part of the Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2012	2011	2010
	In thousands		
Cash Flows from Operating Activities			
Net Income (loss)	$ 260	$ (3,715)	$ (14,421)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	3,044	3,040	2,640
Financial expenses, net	3,455	1,250	4,219
Cost of share-based payment	1,267	878	1,620
Income tax expense	523	-	-
Loss (gain) from sale of property and equipment	-	33	(6)
Change in employee benefit liabilities, net	38	118	47
	8,327	5,319	8,520
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(6,662)	5,830	(8,182)
Decrease (Increase) in other accounts receivables	451	(104)	(350)
Increase in inventories	(4,861)	(6,462)	(1,816)
Decrease in deferred expenses	89	193	38
Increase (decrease) in trade payables	(157)	1,059	5,936
Decrease in other accounts payables	322	379	4,042
Increase in deferred revenues	(3,438)	813	18,126
Decrease in liabilities due to construction contracts	-	-	(128)
	(14,256)	1,708	17,666
Cash received (paid) during the year for:			
Interest paid	(2,200)	(2,545)	(2,020)
Interest received	249	313	418
Taxes paid	(642)	(86)	(126)
	(2,593)	(2,318)	(1,728)
Net cash provided (used) by operating activities	(8,262)	$ 994	$ 10,037

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	For the Year Ended December 31,		
	2012	2011	2010
		In thousands	
Cash Flows from Investing Activities			
Sale (Purchase) of short term investments, net	$ 665	$ 2,358	$ (18,750)
Purchase of property and equipment and intangible assets	(4,609)	(1,982)	(3,646)
Restricted cash, net	1,512	(1,512)	201
Proceeds from sale of property and equipment	-	-	12
Net cash used in investing activities	(2,432)	(1,136)	(22,183)
Cash Flows from Financing Activities			
Proceeds from exercise of warrants and options	2,978	710	7,495
Repayment of liabilities due to research and development grants	-	(1,095)	-
Short term credit from bank and others, net	(12)	(18)	-
Repayment of loans and other, net	-	-	(65)
Net cash provided by (used in) financing activities	2,966	(403)	7,430
Exchange differences on balances of cash and cash equivalent	220	(793)	(57)
Decrease in cash and cash equivalents	(7,508)	(1,338)	(4,773)
Cash and cash equivalents at the beginning of the year	24,374	25,712	30,485
Cash and cash equivalents at the end of the year	$ 16,866	$ 24,374	$ 25,712
Significant non-cash transactions			
Purchase of Property, Plant and equipment and intangible assets on credit	$ -	$ 133	$ 357
Exercise of warrants accounted f for as a derivative	$ 1,215	$ -	$ 20

The accompanying notes are an integral part of the Consolidated Financial Statements.

NOTE 1: - GENERAL

a. General description of the Company and its activity

Kamada Ltd. ("the Company") is an orphan drug focused, plasma derived protein therapeutics Company with an existing marketed product portfolio. The Company develops and produces specialty plasma-derived protein therapeutics and currently markets these products through strategic partners in the United States and Europe and directly, through local distributors, in several emerging markets. The Company flagship product is "Glassia".

The Company's activity is divided into two operating segments:

Proprietary Products	Development, manufacture and sale of plasma-derived therapeutics products.
Distribution	Distribution of drugs in Israel manufacture by other companies for clinical uses, most of which are produced from plasma or its derivatives products.

The Company's securities are listed for trading on the Tel Aviv stock exchange.

b. The Company has two fully-owned subsidiaries – Kamada Inc and Bio-Kam Ltd which both are not active. In addition the Company owns 74% of Kamada Assets Ltd. ("Kamada Assets").

c. Definitions

In these Financial Statements –

The Company	-	Kamada Ltd.
The Group	-	The Company and its subsidiaries.
Subsidiary	-	A company in which the Company has a controlling interest (as defined in IAS 27) and whose financial statements are consolidated with the Company's Financial Statements.
Related parties	-	As defined in IAS 24.
USD/$	-	U.S. dollar.
NIS	-	New Israeli Shekel

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of financial statements

1. Measurement basis:

The Company's Financial Statements are prepared on a cost basis, except for financial instruments at fair value through profit or loss and employee benefit assets and employee benefit liabilities.
The Company has elected to present profit or loss items using the "function of expense" method.

b. The Company's operating cycle is one year.

c. The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intercompany balances and transactions and gains or losses resulting from intercompany transactions are eliminated in full in the consolidated financial statements.

d. Functional currency, presentation currency and foreign currency

1. Functional currency and presentation currency

Until December 31, 2011, the NIS constituted the main economic environment in which the Company was active and therefore this currency constituted the Company's functional currency. Starting January 1, 2012, the USD constitutes its functional currency, for the following reasons: most of the Company's sales are in U.S. dollars and are expected to be in dollars from this point onward.
A significant portion of the Company's expenses from this point onward is expected to be in USD, and in addition, the Company performs hedging transactions on a significant portion of its NIS expenses vs. its USD expenses. Furthermore, starting 2012 the Company's budget is in USD and the currency in which receipts from operating activities are usually held is the USD. In light of the above, starting January 1, 2012, the dollar is constitute its functional currency, with this change made on a prospective basis. Furthermore, starting from that date the Company changed the presentation currency of the Financial Statements to the dollar, with this change made retrospectively. Translation differences created were charged to capital reserve due to translation differences. The Company believes that the retrospective adjustment does not have material effect on its financial position or on its shareholder's equity and therefore the Company did not include the balance sheet as of January 1, 2011.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

2. Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted at the relevant index at the end of each reporting period according to the terms of the agreement.

e. Cash equivalents

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition.

f. Short-term deposits:

Short-term bank deposits are with a maturity of more than three months from the deposit day but less than one year.

g. Allowance for doubtful accounts

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. Impaired debts are derecognized when they are assessed as uncollectible. As of December 31, 2012 and 2011, the balance of doubtful accounts was zero.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

h. Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

Cost of inventories is determined as follows:

Raw materials	- At cost of purchase using the first-in, first-out method.
Products undergoing processing	- At the average costs for the month of manufacturing including materials, labor and other direct and indirect manufacturing costs on the basis of each batch.
Finished products	- At the average costs for month of manufacturing including materials, labor and other direct and indirect manufacturing costs on the basis of each batch.
Purchased products and goods	- On a "first in – first out" basis.

The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

i. Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. In cases where the Company operates as a principal supplier and it exposed to the risks and rewards associated with the transaction, revenues are presented on a gross basis. Revenues are measured at the fair value of the consideration received less any trade discounts, volume rebates and returns.

The specific criteria for revenue recognition for the following types of revenues are:

- Revenues from the sale of goods are recognized when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which ownership passes.

- Agreements with multiple elements provide for varying consideration terms, such as upfront payments and milestone payments. Revenues from such agreements that do not contain a general right of return and that are composed of multiple elements such as distribution exclusivity, license and

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

services are allocated to the different elements and are recognized in respect of each element separately. An element constitutes a separate accounting unit if and only if it has a separate value to the customer. Revenue from the different element is recognized when the criteria for revenue recognition have been met and only to the extent of the consideration that is not contingent upon completion or performance of future services in the contract.

Revenue from milestone events stipulated in the agreements is recognized upon the occurrence of a substantive element specified in the agreement or as a measure of substantive progress towards completion.

In events that the Company receives at no charge raw material, that is required for manufacturing one of the Company's products, the Company recorded the fair value of the raw material used and sold as revenue and charged the same fair value to cost of revenue.

Revenues from participation in research and development-
Amounts received for participation in research and development, are recognized as revenues on a straight line basis over the estimated development period.

Deferred revenues

Deferred revenues include unearned amounts received from customers not yet recognized as revenues.

j. Research and development grants and Government investment grants

Research and development grants are recognized when there is reasonable assurance that the grants will be received and the Company will comply with the attached conditions. Government investment grants referring to assets such as property, plant and equipment are presented as offset from the assets for which the grants were received.

Research and development grants received from the Israel-U.S. Binational Industrial Research and development Fund ("BIRD- F") as support for a research and development project which grants include an obligation to pay to the BIRD- F royalties that are conditional on future sales arising from the project, are recognized upon receipt as a liability if future economic benefits are expected from the project that will result in royalty-bearing sales.

During 2011 the Company paid the BIRD- F all of its liabilities due to these grants.

k. Taxes on income

Taxes on income in profit or loss comprise current and deferred taxes. Current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Temporary differences for which deferred tax assets had not been recognized are reviewed at the end of each reporting period and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

l. Leases

The Group as lessee:

1. Finance lease

Finance leases transfer to the Company substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

The leased asset is depreciated over the shorter of the lease term and the expected life of the leased asset.

2. Operating lease

Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

m. Property, plant and equipment

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that can be used only in connection with the plant and equipment

The cost of self-constructed assets includes the cost of materials, direct labor costs as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Buildings	4	
Machinery and equipment	15-20	15
Vehicles	15	
Computers, equipment and office furniture	6-33	33
Leasehold improvements	Throughout the lease period	18

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Company and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

n. Intangible assets

Separately acquired intangible assets with finite useful life, are measured on initial recognition at cost.
Intangible assets are amortized over their useful life using the straight-line method and reviewed for impairment whenever there is an indication that the asset may be impaired.

Research and development costs

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

sale; the Company's intention to complete the intangible asset and use or sell it; the Company's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Company's ability to measure reliably the expenditure attributable to the intangible asset during its development. Since the Company development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied and therefore, development expenditures are recognized in profit or loss when incurred.

Software

The Company's assets include computer systems comprising hardware and software. Software forming an integral part of the hardware to the extent that the hardware cannot function without the programs installed on it is classified as property, plant and equipment. In contrast, software that adds functionality to the hardware is classified as an intangible asset.

The useful life of IT systems is 5 years.

o. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount.

p. Financial instruments

1. Financial assets

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

After initial recognition, the accounting treatment of financial assets is based on their classification as follows:

a. Financial assets at fair value through profit or loss

Financial assets held for trading and = derivative instruments that do not qualify for hedge accounting.

b. Loans and receivables

The Company has receivables that are financial assets with fixed or determinable payments that are not quoted in an active market. Loans are presented based on their terms, normally at face value less direct transaction costs through the systematic amortization process and less incurred amortization.

2. Financial liabilities

Financial liabilities within the scope of IAS 39 are initially measured at fair value.

After initial recognition, the accounting treatment of financial liabilities is based on their classification as follows:

a. Financial liabilities measured at amortized cost

Loans, including debentures, are measured based on their terms at amortized cost using the effective interest method taking into account directly attributable transaction costs.

b. Financial liabilities measured at fair value through profit or loss

Derivatives, including separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

The group examines the existence of embedded derivative and the need to separate it on the date, the Company becoming side of the commitment. Revaluation of the need to separate the embedded derivative is done only when there is a change in the commitment, which impact significantly on the cash flow from the commitment.

3. Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to market prices at the end of the reporting period. For financial instruments where there is no active market,

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow or other valuation models.

4. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5. Compound financial instruments

Convertible debentures which contain both an equity component and a liability component are separated into two components. This separation is performed by first determining the carrying amount of the liability component based on the fair value of an equivalent non-convertible liability. The carrying amount of the equity component is the residual amount. Direct transaction costs are apportioned between the equity component and the liability component based on the allocation of proceeds to the equity and liability components, as above. Conversion feature that is change in predetermined dates is accounted for as an equity component,

6. De-recognition of financial instruments

a. Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b. Financial liabilities

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged or cancelled or expires. A financial liability is extinguished when the debtor (the Company) discharges the liability by paying in cash, other financial assets, goods or services or is legally released from the liability.

q. Derivative financial instruments designated as hedges

The Company enters into contracts for derivative financial instruments such as forward currency contracts and cylinder strategy in respect of foreign currency to hedge risks associated with foreign exchange rates fluctuations. Such

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

derivative financial instruments are recognized at fair value.
At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which the company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The hedge effectiveness is assessed at the end of each reporting period.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity as other comprehensive income (loss), while any ineffective portion is recognized immediately in profit or loss.

Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized or when a forecast payment occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are reclassified to profit or loss. If the hedging instrument expires or is sold, terminated or exercised, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

r. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present (legal or constructive) obligation as a result of a past event, it is expected to require the use of economic resources to clear the obligation and a reliable estimate can be made of it.

s. Employee benefit liabilities

The Company has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Company has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

2. Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.
The Company has defined contribution plans pursuant to Section 14 to the Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

In addition the Company operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds..

In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company.

Actuarial gains and losses are recognized according to the "corridor" method.
As for the cancelation of the "corridor" method commencing January 1, 2013, see note 4.

t. Share-based payment transactions

The Company's employees and other service providers are entitled to remuneration in the form of equity-settled share-based payment transactions.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration of equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period which the performance and/or service conditions are to be satisfied, ending on the date on which the relevant

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

employees become fully entitled to the award ("the vesting period").

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

u. Income (loss) per Share

Income (loss) per share is calculated by dividing the income (loss) attributable to Company shareholders by the weighted number of outstanding ordinary shares during the period. Potential ordinary shares are only included in the calculation of diluted income (loss) per share when their impact dilutes the income (loss) per share. Furthermore, potential ordinary shares converted during the period are included under diluted income (loss) per share only until the conversion date, and from that date on are included under basic income (loss) per share.

NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Judgments

Revenue

The Company assesses the criteria for recognition of revenue related to up-front payments and multiple components as outlined by IAS 18, Revenue. Judgment is necessary to determine over which period the Company will satisfy its obligations related to up-front payments and when components can be recognized separately and the allocation of the related consideration to each component.

Estimates and assumptions

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Company that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Legal claims

In estimating the likelihood of outcome of legal claims filed against the

NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- Pensions and other post-employment benefits

  The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- Determining the fair value of share-based payment transactions

  The fair value of share-based payment transactions is determined using an acceptable option pricing model.
  The assumptions used in the model can include the share price, exercise price, expected volatility, expected life, expected dividend and risk-free interest rate.

- Provisions for clinical trial and related expenses

  Accrued expenses costs for clinical trial activities performed by third parties, are based on estimates on the progress of completion of the clinical trials or services, as of the end of each reporting period, pursuant to the contract with the third parties, and the agreed upon fee to be paid for such services.

NOTE 4: - DISCLUSURE OF NEW IFRS IN THE PERIOD BEFORE APPLICATION.

IAS 1 – Presentation of financial statements

In June 2011, the IASB issued an amendment to IAS 1 ("the Amendment") which provides guidance for the presentation of other comprehensive income. According to the Amendment, items which may be carried to profit or loss at a later stage should be presented separately from items that can never be carried to profit or loss.

The Amendment is to be applied retrospectively commencing from the financial statements for annual periods beginning on January 1, 2013, or thereafter.

IAS 19 (Revised) - Employee benefits

In June 2011, the IASB published IAS 19 (Revised) ("the Standard"). The main

NOTE 4: - DISCLUSURE OF NEW IFRS IN THE PERIOD BEFORE APPLICATION. (CONT.)

revisions included in the Standard applicable to the company are:

- The "corridor" approach which allowed the deferral of actuarial gains or losses has been eliminated.
- The return on the plan assets is recognized in profit or loss based on the discount rate used to measure the employee benefit liabilities, regardless of the actual composition of the investment portfolio.
- The distinction between short-term employee benefits and long-term employee benefits will be based on the expected settlement date and not on the date on which the employee first becomes entitled to the benefits.

The Standard is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013, or thereafter.
The Company estimates that the effect of the Standard is expected to be a decrease of other comprehensive income of $162 thousands as of December 31, 2012, an increase of other comprehensive loss of $50 thousands and $150 thousands as of December 312011 and on January 1, 2011, respectively.

<u>IAS 32 – Financial instruments: Presentation and IFRS 7 – Financial instruments: disclosure</u>

The IASB issued amendments to IAS 32 ("the amendments to IAS 32") regarding the offsetting of financial assets and liabilities. The IASB also issued amendments to IFRS 7 ("the amendment to IFRS 7") regarding the offsetting of financial assets and liabilities.

The amendments to IAS 32 are to be applied retrospectively commencing from the financial statements for periods beginning on January 1, 2014, or thereafter. Earlier application is permitted. The amendments to IFRS 7 are to be applied retrospectively commencing from the financial statements for periods beginning on January 1, 2013, or thereafter.

The Company estimates that the amendments to IAS 32 are not expected to have a material impact on its financial statements. The required disclosures pursuant to the amendments to IFRS 7 will be included in the Company's financial statements.

<u>IFRS 9 – Financial instruments</u>

1. The IASB issued IFRS 9, "Financial Instruments", the first part of Phase 1 of a project to replace IAS 39, "Financial Instruments: Recognition and Measurement".

   According to the Standard, all financial assets should be measured at fair value upon initial recognition. In subsequent periods, debt instruments should be measured at amortized cost only if both of the following conditions are met:

   - The asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows.
   - The contractual terms of the financial asset give rise on specified dates

NOTE 4: - (CONT.) DISCLUSURE OF NEW IFRS IN THE PERIOD BEFORE APPLICATION.

to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets should be at fair value.

Financial assets that are equity instruments should be measured in subsequent periods at fair value and the changes recognized in profit or loss or in other comprehensive income, in accordance with the election by the Company on an instrument-by-instrument basis. Nevertheless, if equity instruments are held for trading, they should be measured at fair value through profit or loss.

The Standard is effective commencing from January 1, 2015. Earlier application is permitted.

2. The IASB issued certain amendments to the Standard regarding derecognition and financial liabilities. According to those amendments, the provisions of IAS 39 will continue to apply to derecognition and to financial liabilities for which the fair value option has not been elected.

The changes arising from these amendments affect the measurement of a liability for which the fair value option has been chosen. Pursuant to the amendments, the amount of the adjustment to the liability's fair value that is attributable to changes in credit risk should be presented in other comprehensive income. All other fair value adjustments should be presented in profit or loss.

The amendments are effective commencing from January 1, 2015. Earlier application is permitted provided that the Company also adopts the provisions of the Standard regarding the classification and measurement of financial assets.

The Company is evaluating the possible impact of the Standard but is presently unable to assess its effect, if any, on the financial statements.

<u>IFRS 10, IFRS 11, IFRS 12, IFRS 13– Consolidated financial statements, Joint arrangements, Disclosure of interests in other Entities, Fair value measurement</u>

The IASB issued four new Standards: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" ("the new Standards") and IFRS 13, "Fair Value Measurement", and amended two existing Standards, IAS 27R (Revised 2011), "Separate Financial Statements", and IAS 28R (Revised 2011), "Investments in Associates and Joint Ventures".

The new Standards are to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter.

The Company believes that the adoption of IFRS 10, IFRS 11, IFRS 12, IFRS 13 are not expected to have a material effect on the financial statements.

NOTE 5: - CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011
	In thousands	
Cash and deposits for immediate withdrawal	$ 4,149	$ 4,980
Cash equivalents in NIS deposits (1)	5,716	3,970
Cash equivalents in USD deposits (1)	7,001	15,424
	$ 16,866	$ 24,374

(1) The deposits bear interest set by period (1.47%-2.5% per year).

NOTE 6: - SHORT-TERM INVESTMENTS

	December 31, 2012	December 31, 2011
	In thousands	
Marketable securities at fair value through profit or loss (in NIS)	$ 5,994	$ 16,800
Short-term deposits in NIS (1)	6,923	-
Short-term deposits in USD (1)	4,012	-
	$ 16,929	$ 16,800

(1) The deposits bear interest set by period (0.95%-2.69% per year).

NOTE 7: - TRADE RECEIVABLES

	December 31, 2012	December 31, 2011
	In thousands	
Open accounts (1):		
In NIS	$ 7,113	$ 5,719
In USD	6,654	1,304
	13,767	7,023
Checks receivable	94	108
Trade receivables	$ 13,861	$ 7,131

NOTE 7: - TRADE RECEIVABLES (CONT.)

Customer debts do not bear interest. The average number of customer credit days is 60 days.

An analysis of past due but not impaired trade receivables with reference to reporting date:

	Neither past due nor impaired	Past due trade receivables with aging of Up to 30 Days	30-60 Days	60-90 Days	90-120 Days	Over 120 days	Total
	In thousands						
December 31, 2012	$ 12,710	$ 993	$ -	$ 28	$ 16	$ 20	$ 13,767
December 31, 2011	$ 2,046	$ 4,647	$ 21	$ 171	$ 127	$ 11	$ 7,023

NOTE 8: - OTHER ACCOUNTS RECEIVABLES

	December 31, 2012	2011
	In thousands	
Materials for clinical trials (1)	$ 209	$ 298
Government authorities	383	807
Prepaid expenses	825	803
Financial derivatives, net	231	-
Other receivables	13	20
	$ 1,661	$ 1,928

(1) The Company estimates that the materials for clinical trials will be used until December 31, 2013.

NOTE 9: – INVENTORIES

	December 31, 2012	2011
	In thousands	
Raw materials	$ 3,839	$ 3,377
Work in progress	5,994	1,870
Finished products (1)	6,474	6,889
Purchased products	4,206	3,199
	$ 20,513	$ 15,335

(1) The Company included finished products totaling $ 238 thousand under of long-term inventory.

NOTE 10: – PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

2012

	Land and Buildings	Machinery and Equipment (1) (2)	Vehicles	Computers, Equipment and Office Furniture	Leasehold Improvements	Total
	In thousands					
Cost						
Balance at January 1, 2012	$ 18,555	$ 18,158	$ 86	$ 3,014	$ 1,009	$ 40,822
Additions	2,072	2,047	-	305	1	4,425
Balance as of December 31, 2012	20,627	20,205	86	3,319	1,010	45,247
Accumulated Depreciation						
Balance as of January 1, 2012	6,124	14,075	54	2,171	984	23,408
Additions	1,216	1,444	13	325	14	3,012
Balance as of December 31, 2012	7,340	15,519	67	2,496	998	26,420
Depreciated cost as of December 31, 2012	$ 13,287	$ 4,686	$ 19	$ 823	$ 12	$ 18,827

2011

	Land and Buildings	Machinery and Equipment (1) (2)	Vehicles	Computers, Equipment and Office Furniture	Leasehold Improvements	Total
	In thousands					
Cost						
Balance at January 1, 2011	$ 19,349	$ 18,692	$ 92	$ 2,719	$ 1,086	$ 41,938
Additions	623	921	-	523	-	2,066
Disposals	-	(71)	-	-	-	(71)
Exchange differences on translation of financial reports statements from functional currency to presentation currency	(1,417)	(1,384)	(6)	(228)	(77)	(3,112)
Balance as of December 31, 2011	18,555	18,158	86	3,014	1,009	40,821
Accumulated Depreciation						
Balance as of January 1, 2011	5,476	13,647	45	2,057	988	22,213
Additions	1,109	1,535	13	278	71	3,006
Disposals	-	(38)	-	-	-	(38)
Exchange differences on translation of financial reports statements from functional currency to presentation currency	(461)	(1,069)	(4)	(164)	(75)	(1,773)
Balance as of December 31, 2011	6,124	14,075	54	2,171	984	23,408
Depreciated cost as of December 31, 2011	$ 12,431	$ 4,083	$ 32	$ 843	$ 25	$ 17,413

NOTE 10: – PROPERTY, PLANT AND EQUIPMENT (CONT.)

(1) After a deduction of investment grants as of December 31, 2012 and 2011 amounting to $ 39 thousand and $ 390 thousand, respectively.

(2) Including labor costs charged in 2012 and 2011 to the cost of facilities, machinery and equipment to the amount of $ 233 thousand and $ 312 thousand, respectively.

b. As for liens, see Note 20.

c. Capitalized leasing rights of land from the Israel land administration.

	December 31,	
	2012	2011
	In thousands	
Under finance lease	$ 1,076	$ 1,114

The Group has capitalized leasing rights from the Israel Land Administration for an area of 16,880 m² in Beit Kama containing the Group's structures. The sum attributed to capitalized rights is presented under property, plant and equipment and is depreciated over the leasing period, which includes the option period.

During 2010, the Company signed an agreement with the Israel Land Administration to consolidate its leasing rights and extend the lease period to 2058, including an extension option for additional 49 years.

NOTE 11: - LONG TERM ASSETS

	December 31,	
	2012	2011
	In thousands	
Long term leasing deposits	$ 22	$ 21
Intangibles assets, net	197	45
	$ 219	$ 66

Amortization expenses of intangible assets are classified under general and administrative expenses.

NOTE 12: – SHORT-TERM CREDIT AND CURRENT MATURITIES OF CONVERTIBLE DEBENTURE

	In USD	Linked to NIS	Total
		In thousands	
December 31, 2012			
Credit from others and current maturities of convertible debenture	$ 12	$ 5,358	$ 5,370
December 31, 2011			
Current maturities of long-term loans	$ 12	$ -	$ 12

NOTE 13: - TRADE PAYABLES

	December 31,	
	2012	2011
	In thousands	
Open debts mainly in USD	$ 9,551	$ 9,797
Open debts in NIS	2,443	2,436
	11,994	12,233
Notes payable	226	295
	$ 12,220	$ 12,528

Supplier debts do not bear interest. The average number of supplier credit days is 68 days.

NOTE 14: – OTHER ACCOUNTS PAYABLES

	December 31,	
	2012	2011
	In thousands	
Employees and payroll accruals	$ 2,679	$ 2,448
Accrued Expenses	727	617
Financial derivatives, net	-	40
Others	7	7
	$ 3,413	$ 3,112

NOTE 15: - NON-CURRENT LIABILITIES

a. Warrants

During 2009 and 2008, the Company granted 531,495 non-marketable warrants, which can be exercised into 531,495 ordinary shares of NIS 1 par value each (subject to adjustments) in consideration for an exercise price of NIS 10.83-32.13.

During 2012, 265,891 warrants were exercised into 164,686 ordinary shares of NIS 1 par value each for a total consideration of $ 42 thousand by cashless.

As of December 31, 2012, 22,576 warrants were outstanding and were exercised in January, 2013.

b. Convertible debentures

As of December 31, 2012, the company had debentures convertible to shares (Series C) with nominal value of NIS 100,000 thousand and payable in 3 yearly principal payments starting December 1, 2013.

The debentures are unlinked and bear variable yearly interest plus a yearly margin of 6.1% over the yearly interest rate borne by "Israeli Government Bonds 817" throughout the interest period. The debentures are convertible on each business day, each NIS 37.12 par value of debentures (Series C) shall be convertible to an ordinary share of NIS 1 par value.

NOTE 16: - LIABILITIES DUE TO RESEARCH AND DEVELOPMENT GRANTS

Research and development grants

	2011
	In thousands
Balance as of January 1	$ 877
Royalties paid	(1,095)
Exchange differences on translation of financial reports statements from functional currency to presentation currency	198
Amounts carried to profit or loss	20
Balance as of December 31,	$ -

NOTE 17: - FINANCIAL INSTRUMENTS

a. Classification of financial assets and liabilities

The financial assets and financial liabilities in the balance sheet are classified by groups of financial instruments in pursuant to IAS 39:

	December 31, 2012	December 31, 2011
	In thousands	
Financial assets		
Financial assets at fair value:		
Marketable securities – through profit or loss	$ 5,994	$ 16,800
Derivatives instruments	365	-
	$ 6,359	$ 16,800
Financial assets measured at amortized cost:	$ 42,045	$ 33,810
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Derivatives instruments	$ 134	$ 40
Warrants	23	681
	$ 157	$ 721
Financial liabilities measured at amortized cost:		
Loans, short-term credit from others and convertible debentures	$ 24,117	$ 22,443

b. Financial risk factors

The Company's activities expose it to various financial risks, such as market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Company's financial performance. The Company utilized derivatives to hedge certain exposures to risk.

Risk management is the responsibility of the Company CEO and CFO, in accordance with the policy approved by the Board of Directors. The Board of Directors provides principles for the overall risk management.

1. Market risks

a) Foreign exchange risk

The Company operates in an international environment and is exposed to foreign exchange risk resulting from the exposure to different currencies, mainly the NIS. Foreign exchange risks arise from

NOTE 17: - FINANCIAL INSTRUMENTS (CONT.)

recognized assets and liabilities denominated in a foreign currency other than the functional currency, such as customers, suppliers and credit.

As of December 31, 2012, the Company has a position in derivatives intended to hedge decreases in the exchange rate of the USD vs. the NIS, over excess receipts in the NIS expected for 2013 (see also f. below).

b) Interest rate risk

The Company is exposed to risks of changes in the market interest rates on loans and convertible debentures with floating interest rates. The Company's interest rate risk mainly derives from convertible debentures.

c) Price risk

As of December 31, 2012, the Company has marketable securities classified as financial assets measured at fair value through profit or loss, for which the Company is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price.

2. Credit risk

a) Average credit days for customers are between 48-81 days. The Company regularly monitors the credit extended to its customers and their general financial condition, and, when necessary, requires collateral as security for these debts such as letters of creditor down payments. In addition, the Company partially insures its overseas sales with foreign trade risk insurance.

The Company keeps constant track of customer debt and the Financial Statements include an allowance for doubtful accounts that adequately reflects, in the Company's assessment, the loss embodied in the debts the collection of which is in doubt.

b) The Company holds cash and cash equivalents and other financial instruments at banking corporations from the highest level in Israel. In accordance with Company policy, evaluations of the relative strength of credit of the various financial institutions are made on an ongoing basis.

Short-term investments include money funds and short-term deposits with low risk for a period between three months to one year.

3. Liquidity risk

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

NOTE 17: - FINANCIAL INSTRUMENTS (CONT.)

December 31, 2012

	Less than one year	1 to 2	2 to 3	3 to 4	Total
			In thousands		
Loans from banks and others (including interest)	$ 12	-	-		$ 12
Trade payables	12,220	-	-	-	12,220
Other accounts payables	3,413	-	-	-	3,413
Convertible debentures (including interest)	7,529	12,452	11,584	-	31,564
	$ 23,174	$ 12,452	$ 11,584	$ -	$ 47,209

December 31, 2011

	Less than one year	1 to 2	2 to 3	3 to 4	Total
			In thousands		
Loans from banks and others (including interest)	$ 12	$ 12	$ -	$ -	$ 24
Trade payables	12,528	-	-	-	12,528
Other accounts payables	3,112	-	-	-	3,112
Convertible debentures (including interest)	2,309	7,543	12,316	11,392	33,560
	$ 17,961	$ 7,555	$ 12,316	$ 11,392	$ 49,224

c. Fair value

The following table demonstrates the carrying amount and fair value of the financial instruments presented in the financial statements not at fair value:

	Carrying Amount		Fair Value	
	December 31,		December 31,	
	2012	2011	2012	2011
	In thousands			
Financial liabilities				
Convertible debenture	$ 24,105	$ 22,419	$ 30,860	$ 28,788

The fair value of the Convertible debenture was based on quoted prices in the Israeli Tel Aviv stock exchange.

The carrying amount of cash and cash equivalents, short-term investments, trade and other receivables, credit from banks and others, trade and other payables approximates their fair value.

d. Classification of financial instruments by fair value hierarchy

The financial instruments presented in on the balance sheet at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

NOTE 17: - FINANCIAL INSTRUMENTS (CONT.)

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

Financial assets measured at fair value:

	Level 1	Level 2
	In thousands	
December 31, 2012		
Derivatives instruments qualified for hedging	$ -	$ 365
Marketable Securities	5,994	
	$ 5,994	$ 365
December 31, 2011		
Marketable Securities	$ 16,800	$ -

Financial liabilities measured at fair value:

	Level 1	Level 2	Level 3
	In thousands		
December 31, 2012			
Derivative instruments not qualified for hedging	$ -	$ 134	$ -
Warrants	-	-	23
	$ -	$ 134	$ 23
December 31, 2011			
Derivative instruments not qualified for hedging	$ -	$ 40	$ -
Warrants	-	-	681
	$ -	$ 40	$ 681

NOTE 17: - FINANCIAL INSTRUMENTS (CONT.)

During 2012 and 2011 there were no transfers due to the fair value measurement of any financial instrument from Level 1 to Level 2, and furthermore, there were no transfers to or from Level 3 due to the fair value measurement of any financial instrument.

Changes in financial liabilities classified in level 3

	Warrants
	In thousands
Balance as of January 1, 2012	$ 681
Revaluation of warrants to fair value in profit and loss	557
Exercises of warrants into shares	(1,215)
Balance as of December 31, 2012	$ 23
Balance as of January 1, 2011	$ 1,278
Revaluation of warrants to fair value in profit and loss	(540)
Exchange differences on translation from functional currency to presentation currency	(57)
Balance as of December 31, 2011	$ 681

	December 31, 2012	December 31, 2011
	In thousands	
Sensitivity test to changes in market price of listed securities		
Gain (loss) from change:		
5% increase in market price	$ 193	$ 1,182
5% decrease in market price	$ (193)	$ (1,182)
Sensitivity test to changes in interest rates		
Gain (loss) from change:		
1% interest rate increase	$ (299)	$ (375)
1% interest rate decrease	$ 296	$ 185

Sensitivity tests and principal work assumptions

The selected changes in the relevant risk variables were determined based on management's estimate as to reasonable possible changes in these risk variables.

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity tests present the profit or loss in respect of each financial instrument for the relevant risk variable chosen for that instrument as of each reporting date. The test of risk factors was determined based on the materiality of the exposure of the operating results or financial condition of each risk

NOTE 17: - FINANCIAL INSTRUMENTS (CONT.)

with reference to the functional currency and assuming that all the other variables are constant.

e. Linkage terms of financial liabilities by groups of financial instruments pursuant to IAS 39:

	December 31,	
	In thousands	
	2012	2011
Convertible debenture measured at amortized cost- In NIS:	$ 24,105	$ 22,431

f. Derivatives and hedging:

Derivatives instruments not designated as hedging

Company has foreign currency forward contracts designed to protect it from exposure to fluctuations in exchange rates in respect of its transactions. Foreign currency forward contracts are not designated as cash flow hedges, fair value or net investment in a foreign operation, and they are signed for identity for which the Company exposure to foreign currency for transactions. These derivatives are not considered in hedge accounting.

Cash flow hedges:

As of December 31, 2012, the Company held NIS/USD hedging contracts (cylinder contracts) designated as hedges of expected future salaries expenses and for expected future purchases from Israeli suppliers.
The main terms of these positions were set to match the terms of the hedged items.

Cash flow hedges of the expected wage costs in January - August 2013 was estimated as highly effective, and December 31, 2012 other comprehensive income in the amount of about $ 195 thousands net of deferred tax liability in the amount of about $ 49 thousands, was included in equity in capital reserve from hedges.

Cash flow hedges of expected future purchases in January - June 2013 was estimated as highly effective, as of December 31, 2012 other comprehensive income of $111 thousand, net of deferred tax liability in the amount of about $ 28 thousand, was included in equity in capital reserve from hedges.

NOTE 18: - EMPLOYEE BENEFIT ASSETS, NET

Employee benefits consist of short-term benefits and post-employment benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit. The computation of the Company's employee benefit liability is made in accordance with a valid employment contract based on the employee's salary and employment term which establish the entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans, as detailed below:

1. Defined benefit deposit:

The Company’s agreements with part of its employees are in accordance with section 14 of the Israeli Severance Pay Law. Payments in accordance with Section 14 release the Company from any future severance liabilities in respect of those employees. The expenses for the defined benefit deposit in 2012 were $ 26 thousands.

2. Defined benefit plans:

The Company accounts for the payment of compensation, as a defined benefit plan for which an employee benefit liability is recognized and for which the Company deposits amounts in central severance pay funds and in qualifying insurance policies.

1. Expenses recognized in comprehensive income (loss)

	Year Ended December 31,		
	2012	2011	2010
	In thousands		
Current service cost	$ 635	$ 669	$ 552
Interest cost on benefit obligation	171	184	157
Expected return on plan assets	(147)	(155)	(138)
Current service cost due to the transfer of real yield from the compensation component to the royalties component in executive insurance policies before 2004.	9	10	13
Net actuarial gains recognized in the year	(2)	(1)	(1)
Total employee benefit expenses	$ 666	$ 707	$ 583
Actual return on plan assets	$ 176	$ (120)	$ 173

NOTE 18: - EMPLOYEE BENEFIT ASSETS, NET (CONT.)

The expenses are presented in the Statement of Comprehensive income (loss)as follows

	Year Ended December 31, 2012	2011	2010
	In thousands		
Cost of revenues	$ 421	$ 446	$ 379
Research and development	88	106	93
Selling and marketing	5	42	47
General and administrative	152	113	64
	$ 666	$ 707	$ 583

2. The plan assets (liabilities), net:

	December 31, 2012	2011
	In thousands	
Defined benefit obligation	$ (4,634)	$ (4,105)
Fair value of plan assets	3,916	3,379
	(718)	(726)
Net unrecognized actuarial gains *)	141	187
Total liabilities, net	$ (577)	$ (539)

*) Accumulated sums due to the liability value and due to the value of the rights to the plan assets.

3. Changes in the present value of defined benefit obligation

	2012	2011
	In thousands	
Balance at January 1,	$ 4,105	$ 3,609
Interest costs	171	183
Current service cost	635	669
Benefits paid	(372)	(97)
Net actuarial gain	(21)	(225)
Functional currency Exchange differences on translation of financial reports from functional currency to presentation currency	-	(34)
Currency Exchange	116	-
Balance at December 31,	$ 4,634	$ 4,105

NOTE 18: - EMPLOYEE BENEFIT ASSETS, NET (CONT.)

4. Plan assets

a) Plan assets

Plan assets comprise assets held by a long-term employee benefit funds and qualifying insurance policies.

b) Changes in the fair value of plan assets

	2012	2011
	In thousands	
Balance at January 1,	$ 3,379	$ 3,275
Expected return	147	155
Contributions by employer	594	586
Benefits paid	(320)	(95)
Net actuarial gain (loss)	30	(275)
Current service cost due to the transfer of real yield from the compensation component to the royalties component in executive insurance policies before 2004.	(9)	(10)
Currency exchange	95	
Exchange differences on translation of financial reports from functional currency to presentation currency	-	(257)
Balance at December 31,	$ 3,916	$ 3,379

5. The principal assumptions underlying the defined benefit plan

	2012	2011	2010	2009
	%			
Discount rate of the plan liability	5.1	4.99	5.5	5.69
Expected rate of return on plan assets	1.76-2.74	2.13-4.99	2.63-5.09	2.34-2.6
Future salary increases	4	4	4	4

NOTE 19: - CONTINGENT LIABILITIES AND COMMITMENTS

a. On August 23, 2010, the Company entered into a collaboration agreement with Baxter Healthcare Corporation ("Baxter"), an international biopharmaceutical company traded on the New York Stock Exchange, and specializing, among other things, in the development, manufacture, marketing and sale of pharmaceutical products, consisting of three main agreements (1) the appointment of Baxter as the sole distributer of the Company's AAT IV drug (" Glassia ®") in the United States, Canada, Australia and New Zealand ("the Territory" and "the Distribution Agreement", respectively); (2) granting licenses to Baxter for the use of the Company's knowhow and patents for the production, continued development and sale of Glassia ® and other IV products by Baxter ("the License Agreement") in the
Territory and (3) an agreement to provide raw materials, produced by Baxter, and used for the production of Glassia ® ("the Raw Materials Supply Agreement"). Pursuant to the agreements, payments were set for the Company for meeting milestones at a total sum of $ 45 million, Glassia ® purchases at a minimum sum of $ 60 million over the first five years from the signing of the distribution agreement and royalties at a sum of no less than $ 5 million per year, starting from the beginning of the sale of Glassia ® produced by Baxter in accordance with the License Agreement. Net sums received in advance were recorded as deferred revenues and are recognized as revenues
according to the actual rate of sales, according to the sales forecast, in the Distribution Agreement period, which is expected to end in late 2015, with the start of production by Baxter. Non-refundable revenues due to the achievement of milestones will be recognized upon reaching the milestone.

During the years 2010 and 2011, the Company received a total of $ 30 million for the achievement of some of the milestones and an advance in respect of the distribution agreement. The advanced payment related to the distribution right is recognized as revenue based on the actual sale of the product.
The agreements period is 30 years, subject to the possibility of earlier termination due to events mentioned in the agreement.

In the case of clinical trials required territory in connection with the Glassia ®, the cost of these experiments apply to Baxter and the Company will participate with such limited extent that may come, under certain conditions, up to $10 million over a period of several years.

According to the raw material supply agreement, which replaces a previous agreement between the parties, Baxter undertook to provide the company raw material used to produce the Glassia ® and other products of the company. Baxter will provide the company, free of charge, all the quantities of raw materials required by the Company for manufacturing the Glassia ® sold to Baxter for distribution by Baxter accordance with the Distribution Agreement. In addition, Baxter will provide raw material to the Company, for the development, production, sale and distribution of products by the Company.

NOTE 19: - CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

b. On August 2, 2012, the Company entered into a strategic agreement with CHIESI FARMACEUTICI S. P. A, a fully integrated European Pharmaceutical company focused on respiratory disease and special care products ("Chiesi "). According to the agreement, Chiesi will be an exclusive distributor of the AAT inhaled product of the company for treatment of alpha-1 antitrypsin deficiency ("Product") in Europe. Chiesi will be responsible for, among other things, product marketing, patients screening and obtaining reimbursement approvals for the product ("distribution agreement"). As part of the distribution agreement, the Company shall be entitled to receive payments of up to $ 60 million, contingent of meeting regulatory and sales milestones. In addition, Chiesi has committed to purchase products in minimum quantities during a period of 5 years commencing after receiving reimbursement approvals required. The agreement is for a period of 12 years from signature.

In August, 2012, the company received non-refundable upfront payment for the first milestones in the agreement. This amount was recorded under deferred revenue and revenue is recognized on a straight line basis over the expected period of achieving the milestones

c. In accordance with the Law for the Encouragement of Industrial Research and Development, 1984, the Company received grants from the State of Israel for its research and development expenses, carried out pursuant to plans approved by the office of the Chief Scientist (" OCS"). In accordance with the letters of approval in question, the Company has undertaken to pay royalties to the OCS, calculated on the basis of the proceeds from the sale of products the Company took part in developing. The Company completed its obligation to pay royalties for active projects. The balance of the maximum sum of royalties for inactive projects, according to the Company's estimates, amounts to $ 500 thousand as of December 31, 2012. In April 2008, the Company filed a request to close inactive files, which was partially rejected by the OCS in September 2010, on grounds that the Company was making use of the knowhow accumulated in these files and it was required to pay royalties for certain products. As of the date of this report, the Company is negotiating with the OCS to resolve the request. The Company management estimates that the Company will not be required to pay these sums and accordingly, no provision was included in the financial statements.

d. The company has a lease agreement for an office space, which was renewed on August 13, 2012 until March 31, 2014. Monthly lease payments are $20 thousands linked to the Israeli CPI.

Minimum future lease fees for the office space as of December 31, 2012 are as follows:

	In thousands
2013	298
2014	64
	$ 362

NOTE 19: - CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

e. The Company has engaged in operating lease agreements for the vehicles in its possession. These agreements will expire between 2013 and 2015.

Minimum future lease fees for the existing vehicles as of December 31, 2012 are as follows:

	In thousands
2013	255
2014	143
2015	45
	$ 443

f. In November 2006, an agreement was signed between the Company and a third party on the matter of research and development collaboration. As part of the agreement, the Company was licensed to use developments made by the third party. Furthermore, the third party will provide the Company with devices for carrying out the clinical trials, free of charge. In the event that the development is successful, the Company will pay the third party royalties based on sales of the devices. This obligation on behalf of the Company to pay royalties shall expire either when the patents expire or 15 years from the first commercial sale, whichever comes last. On the date of the expiry of the royalty period, the license will become non-exclusive and the Company shall be entitled to use the rights granted to it pursuant to the agreement without paying royalties or any other compensation. In addition, the third party would pay royalties of the total net sales exceeding a certain sum, according to a mechanism set in the agreement, until the patent expires or until 15 years pass from the first date of sale, whichever is earlier.

In February 2008, the parties signed an amendment to the agreement according to which the exclusive global license granted to the Company was expanded to two additional indications. It was also decided that sales to the additional indications would be added to the sales of the first two outlines covered by the original agreement. Royalties' payments will be according to the royalty model set in the original agreement.

In addition, the parties signed a commercialization and supply agreement, which ensures long-term regular supply of the device at the basis of the collaboration and spare parts of this device.

g. In August 2007, the Company entered into a long-term agreement with a multinational European company for the purchase of a raw material used for the development and manufacture of medicines at graded amounts and prices. In addition to the price paid by the Company for the raw material, the Company will pay the supplier an additional sum upon the sale of the product manufactured from the raw material in the territories set in the agreement, after receiving regulatory approvals. As of December 31, 2012, the regulatory approval was not yet received.

NOTE 19: - CONTINGENT LIABILITIES AND COMMITMENTS (CONT.)

h. On November 28, 2002, we entered into an employment agreement with David Tsur with respect to his employment as our chief executive officer, effective as of October 1, 1984, which has subsequently been amended from time to time. Under the employment agreement, as amended, David Tsur is entitled to the following:

- A monthly gross salary of NIS 85,000 (or $22,800) (and NIS 80,000 (or $21,500) for purposes of social benefits).
- A public offering bonus equal to 2% of the net proceeds from a public offering completed during the term of his employment or within three months following the termination of his employment, in any event not to exceed $1,000,000 for each public offering.

As of December 31, 2012 and 2011 the Company's accrued $ 150 thousand and $ 106 thousand, respectively for bonus to the CEO.
The bonus for 2012 is subject to approval by the shareholders general assembly.

i. In October 2009, the Company entered into an agreement with a company specializing in administering clinical trials, Contract Research Organization ("CRO"), which will serve as CRO for the clinical trial (Stage II/III) in Europe for the inhaled AAT drug used for the treatment of hereditary emphysema. The total scope of payments to the CRO may reach $ 11.3 million, payable over the trial period, which is expected to last over four years, and in accordance with its actual scope and progress rate. The payments includes payments made through the CRO to the trial sites and to the various service providers regarding the trial at sums and payment conditions set following negotiations between the CRO and those sites and suppliers, and which will be approved in advance by the Company. As of December 31, 2012, the contingent liability is $ 2.2 million.

j. On July 19, 2011, the Company signed a strategic collaboration agreement with an international pharmaceutical company in the area of clinical development, marketing and sales in the United States of a passive inoculation for the prevention of rabies in human beings, KamRAB, which was developed, manufactured and marketed by the Company. According to the agreement, the partner shall bear all of the costs required to carry out the third stage clinical trial. It was agreed that the costs involved in registering the drug at the U.S. Food and Drug Administration (FDA) will be divided equally between the parties.

NOTE 20: - LIENS AND GUARANTEES

The following liens and mortgages are listed on the Company's assets as of December 31, 2012:

a. Within the framework of the receipt of grants from the State of Israel according to the Law for the Encouragement of Capital Investments, 1959, in 1991, the Company signed a debenture pursuant to which the Company placed a current lien on all of its Property, Plant and equipment in favor of the State of Israel. Within the framework of the debenture in question, the Company undertook, among other things, not to sell or transfer the pledged assets or any portion thereof in any way, without the advance written permission of the State of Israel.

b. In order to guarantee the rental payments for an office in Ness Ziona and other obligations, the Company provided bank guarantees as of December 31, 2012, totaling $ 174 thousand.

NOTE 21: - EQUITY

a. share capital

	December 31, 2012		December 31, 2011	
	Authorized	Outstanding	Authorized	Outstanding
ordinary shares of NIS 1 par value	60,000,000	28,665,121	60,000,000	27,577,113

b. Rights attached to Shares

Voting rights at the shareholders general meeting, rights to dividend, rights in case of liquidation of the Company and rights to nominate directors.

c. Convertible debentures and warrants

As of December 31, 2012, the Company has 22,576 non-marketable registered warrants classified as a liability.

During 2012 and 2011, 831,290 and 139,707 warrants, respectively, were exercised into 665,695 and 139,707 ordinary shares of NIS 1 par value each in return for a total of $ 1,889 thousand and $ 504 thousand, respectively.

As of December 31 2012, the Company has 100,000,000 debentures (Series C) of NIS 1 par value convertible to 2,693,965 ordinary shares of NIS 1 par value each.

Regarding options granted to employees, see Note 22 below.

d. Capital management in the Company

The Company's goals in the management of its capital are to preserve capital ratios that will ensure stability and liquidity to support business activity and create maximum value for shareholders.

NOTE 22: - SHARE-BASED PAYMENT

a. Expense recognized in the financial statements

The expense that was recognized for services received from employees is presented in the following table:

	For the Year Ended December 31		
	2012	2011	2010
	In thousands		
Cost of sales	$ 705	$ 477	$ 904
Research and development	213	171	333
Selling and marketing	51	26	47
General and administrative	298	204	336
Total share-based payment	$ 1,267	$ 878	$ 1,620

On July 6, 2005, the Company's Board of Directors approved an unlisted options plan for employees and consultants ("2005 Option Plan ") and on July 24, 2011, the Company's Board of Directors approved a new unlisted Options Plan ("2011 Option Plan " and with 2005 option plan -" Option Plans"). Most of the options granted generally vest during a four-year period following the date of the grant in 13 installments: 25% of the options vest on the first anniversary of the grant date and 6.25% of the remaining options vest at the end of each quarter thereafter.
On December 11, 2012 the Company Board of Directors approved an increase of the pool of shares allocated for grant under the 2011option plan to a total of 1,200,000 shares.

b. Option granted to the Company's Chief Executive Officer ("CEO")

1. On August 28, 2011, the Company's Board of Directors approved the grant, for no consideration, of 71,875 options to the CEO, exercisable into 71,875 ordinary shares. The options have an exercise price of NIS 23.70 and will expire on February 27, 2018. The options shall vest as follows: (1) 25% - at the end of the first year from the date of grant; (2) 75% - over a period of 3 years, on a quarterly basis.

   As of the grant date, the fair value was estimated at $ 238 thousand.

2. On December 11, 2012, the Company's board of directors approved a grant of 120,000 non-marketable options to the Company CEO to purchase 120,000 ordinary Company shares of NIS 1 par value each. The options are subject to the approval of the shareholders general meeting. The options have an exercise price that is subject to the following; (1) 90% of the Company initial public offering price in the NASDAQ or (2) if the Company initial public offering in the NASDAQ will not occur, the exercise price will be 90% of the average price in the 30 days period prior to a change of control transaction in the Company.
   If the Company initial offering in the NASDAQ occur or in a change of control transaction ("the Event"), the CEO options, shall vest as follows: (1) 25% - at the end of the first year from the Event date; (2) 75% - over a period of 3 years, on a quarterly basis, after the vesting of the first 25% options.

NOTE 22: - SHARE-BASED PAYMENT (CONT.)

According to a calculation formula based on the Binomial Model, the fair value of the options was estimated at $ 551 thousand.

c. Employees options

1. On March 3, 2010, the Company's Board of Directorsapproved the grantto the Company's Employees for no consideration, of 81,600 options, as follows: (1) 30,000 options exercisable into 30,000 ordinary shares, which will vest subject to and immediately upon receiving FDA approval to start marketing the AAT IV drug in the U.S.; (2) 45,600 options exercisable into 45,600 ordinary shares, which will vest during a period of 4 years, on a quarterly basis; (3) 6,000 options exercisable into 6,000 ordinary shares, a quarter of which will vest by the end of the first year from the grant date and the rest will vest over a period of 3 years on a quarterly basis. The options are exercisable by July 5, 2015 at an exercise price of NIS 11.. The fair value of the options was estimated at $ 395 thousand.

2. During 2011, the Company's Board of Directors approved the grant, for no consideration, of 570,786 options to employees, exercisable into 570,786 ordinary shares. The fair value of the options was estimated at $ 1.4 million.

3. During 2012, the Company's Board of Directors approved the grant,, for no consideration of 216,313 options, to employees. The fair value of the options was estimated at $580 thousands.

4. On December 11, 2012, the board of directors approved a grant of 100,000 non-marketable options to the Company Chief Financial Officer to purchase 100,000 ordinary Company shares of NIS 1 par value each. 20,000 options are exercisable after the end of the first year from the date of grant, at an exercise price of NIS 31.90. The remaining 80,000 options have the have an exercise price that is subject to the following; (1) 90% of the Company initial public offering price in the NASDAQ or (2) if the Company initial public offering in the NASDAQ will not occur, the exercise price will be 90% of the average price in the 30 days period prior to a change of control transaction in the Company.

   If the Company initial offering in the NASDAQ occur or in a change of control transaction ("the Event"), 80,000 options of the Chief Financial Officer, shall vest as follows: (1) 25% - at the end of the first year from the Event date; (2) 75% - over a period of 3 years, on a quarterly basis, after the vesting of the first 25% options.

   According to a calculation formula based on the Binomial Model, the fair value of the options was estimated at $ 450 thousand.

d. During 2012, 361,717 options were exercised by employees to 357,922 ordinary shares of NIS 1 par value, in consideration of $1,089 thousand (see also Note 21d).

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NOTE 22: - SHARE-BASED PAYMENT (CONT.)

Movement during the Year

The following table lists the number of share options, the weighted average exercise prices of share options and modification in employee and service provider option plans during the year:

	2012		2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		In NIS		In NIS		In NIS
Outstanding at beginning of year	1,674,092	26.42	1,159,219	11.93	1,215,733	11.7
Granted	*)436,313	27.03	642,661	26.09	101,600	13.6
Exercised	(361,717)	12.05	(64,882)	12.11	(99,227)	11.6
Expired	(73,907)	22.55	(62,906)	13.9	(58,887)	11.9
Outstanding at end of year	1,674,781	20.55	1,674,092	26.42	1,159,219	11.93
Exercisable at end of year	719,408	15.15	908,623	11.71	580,792	11.62
The weighted average remaining contractual life for the share options		4.26		4.53		4.52

The range of exercise prices for share options outstanding as of December 31, 2011 and 2012 were NIS 11- NIS 31.9.

*) Includes 120,000 options which were approved to the CEO in December 2012, and are subject to the approval of the Company's general shareholders meeting.

Measurement of the fair value of equity-settled share options

The Company uses the binomial model when estimating the grant date fair value of equity-settled share options. The measurement was made at the grant date of equity-settled share options since the options were granted to employees.

The following table lists the inputs to the binomial model used for the fair value measurement of equity-settled share options for the above plan:

	2012	2011
Dividend yield (%)	-	-
Expected volatility of the share prices (%)	29-54	37-54
Risk-free interest rate (%)	1.86 – 4.13	2.77-4.63
Expected life of share options (years)	4.26	4.53
Weighted average share prices (NIS)	18.75	17.12
Expected average forfeiture rate (%)	0-5	3

The expected life of the share options is based on historical data, and is not necessarily indicative of the exercise patterns of share options that may occur in the future. The expected volatility of the share prices reflects the assumption that the historical volatility of the share prices is reasonable indicative of expected future trends.

NOTE 23: - TAXES ON INCOME

a. Tax laws applicable to the Company

Income tax (inflationary adjustments) law, 1985

According to the law, until 2007, the results for tax purposes were adjusted for the changes in the Israeli CPI.

In February 2008, the "Knesset" (Israeli parliament) passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting 2008 and thereafter. Since 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the Israeli CPI carried out in the period up to December 31, 2007.

Law for the Encouragement of Industry (Taxes), 1969

The Law for the Encouragement of Industry (Taxes), 1969 (the “Encouragement of Industry Law”), provides several tax benefits for “Industrial Companies.” Pursuant to the Encouragement of Industry Law, a company qualifies as an Industrial

Company if it is a resident of Israel and at least 90% of its income in any tax year (exclusive of income from certain defense loans) is generated from an “Industrial Enterprise” that it owns. An Industrial Enterprise is defined as an enterprise whose principal activity, in a given tax year, is industrial activity.

An Industrial Company is entitled to certain tax benefits, including: (i) a deduction of the cost of purchases of patents, know-how and certain other intangible property rights (other than goodwill) used for the development or promotion of the Industrial Enterprise in equal amounts over a period of eight years, beginning from the year in which such rights were first used, (ii) the right to elect to file consolidated tax returns, under certain conditions, with additional Israeli Industrial Companies controlled by it, and (iii) the right to deduct expenses related to public offerings in equal amounts over a period of three years beginning from the year of the offering.
Eligibility for benefits under the Encouragement of Industry Law is not contingent upon the approval of any governmental authority (iv) accelerated depreciation on equipment used in industrial activities.

Law for the Encouragement of Capital Investments, 1959

Tax benefits prior to Amendment 60

The Company's facilities in Israel have been granted Approved Enterprise status under the Law for the Encouragement of Capital Investments, 1959, commonly referred to as the “Investment Law”. The Investment Law provides that capital investments in a production facility (or other eligible assets) may be designated as an Approved Enterprise. Until 2005, the designation required advance approval from the Investment Center of the Israel Ministry of Industry, Trade and Labor. Each certificate of approval for an Approved Enterprise ("certificate of approval") relates to a specific investment program, delineated both by the financial scope of the investment and by the physical characteristics of the facility or the asset.

NOTE 23: - TAXES ON INCOME (CONT.)

Under the Approved Enterprise programs, a company is eligible for governmental grants (“Grants Track”). Under the Grants Track the Company is eligible for investments grants awarded at various rates according to the development area in which the plant is located: in Development Zone A the rate is 24% and in Development Zone B the rate is 10%. In addition to the above grants, the Company is eligible to tax exemption at the first two years of the benefit period (as define below) and is subject to reduced corporate tax of 10% to 25% during the remaining five to eight years (depending on the extent of foreign investment in the company) of the benefit period. The benefits period is limited to 12 years from completion of the investment or commencement of production ("Year of Operation"), or 14 years from the year in which the certificate of approval was obtained, whichever is earlier. The benefit period for part of the Company plants has ended, or will be end between 2013 to 2017.

Under the Investment Law a company may elect to receive an alternative package comprised of tax benefits (“Alternative Track”) instead of the above mentioned Grants Track. Under the Alternative Track, a company’s undistributed income derived from an Approved Enterprise is exempt from corporate tax for an initial period of two to ten years (depending on the geographic location of the Approved

Enterprise within Israel which begins in the first year that the company realizes taxable income from the Approved Enterprise following the year of operation (as define below). After expiration of the initial tax exemption period, the company is eligible for a reduced corporate tax rate of 10% to 25% for the following five to eight years, depending on the extent of foreign investment in the company (as shown in the table below). The benefits period is limited to 12 years from the Year of Operation, or 14 years from the year in which the certificate of approval was obtained, whichever is earlier.

Tax benefits under Amendment 60

On April 1, 2005, an amendment to the Investment Law came into effect (“Amendment 60”). The amendment revised the criteria for investments qualified to receive tax benefits. An eligible investment program under the amendment will qualify for benefits as a Privileged Enterprise (rather than the previous terminology of Approved Enterprise). Among other things, the amendment simplifies the approval process.

In order to receive the tax benefits, the Amendment states that the company must make an investment in the Privileged Enterprise exceeding a certain percentage or a minimum amount specified in the Investments Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to the Privileged Enterprise (the “Year of Election”).

The Company was approved as Privileged enterprise under the alternative track. The Year of Election was determined to be 2009.

The duration of tax benefits is subject to a limitation of the earlier of 7 to 10 years (depending on the extent of foreign investment in the company) from the first year in which the company generated taxable income (at, or after, the Year of Election) , or

NOTE 23: -TAXES ON INCOME (CONT.)

12 years from the first day of the Year of Election. The amendment does not apply to investment programs approved prior to December 31, 2004. The new tax regime applies to new investment programs only.

The tax benefits available under Approved Enterprise or Privileged Enterprise relate only to taxable income attributable to the specific Approved Enterprise or Privileged Enterprise, and the Company's effective tax rate will be the result of a weighted combination of the applicable rates.

Tax Exemption Period	Reduced Tax Period	Rate of Reduced Tax	Percent of Foreign Ownership
2 years	5 years	25%	0-25%
2 years	8 years	25%	25-49%
2 years	8 years	20%	49-74%
2 years	8 years	15%	74-90%
2 years	8 years	10%	90-100%

The benefits available to an Approved Enterprise and a Privileged Enterprise are conditioned upon terms stipulated in the Investment Law and the related regulations and the criteria set forth in the applicable certificate of approval (for an Approved Enterprise). If the Company does not fulfill these conditions, in whole or in part, the benefits can be cancelled and we may be required to refund the amount of the benefits, linked to the Israeli consumer price index plus interest. The Company believes that its Approved Enterprise and Privileged Enterprise programs currently operate in compliance with
all applicable conditions and criteria.

If a company distributes dividends from tax-exempt income, the company will be taxed on the otherwise exempt income at the same reduced corporate tax rate that would have applied to that income. Distribution of dividends derived from income that was taxed at reduced rates, but not tax-exempt, does not result in additional tax consequences to the company. Shareholders who receive dividends derived from Approved Enterprise or Privileged Enterprise income are generally taxed at a rate of 15%, which is withheld and paid by the company paying the dividend, if the dividend is distributed during the benefits period or within the following 12 years (the limitation does not apply to a Foreign Investors Company, which is a company that more than 25% of its shares owned by non-Israeli residents).

Preferred Enterprise

Amendment No. 68 to the Investment Law, which became effective as of January 1, 2012, changed the benefit alternatives available to "Preferred Enterprises" under the Investment Law. The tax benefits granted to a Preferred Enterprise are determined depending on the location of the Preferred Enterprise within Israel. Amendment No. 68 imposes a reduced flat corporate tax rate which is not program-dependent and applies to the Industrial Enterprise’s entire preferred income. The reduced flat corporate tax rates for qualified Industrial Enterprises will be gradually reduced over a period of five years, as follows:

NOTE 23: -TAXES ON INCOME (CONT.)

Tax Year	Development Area A	Other Development Area
2012	10%	15%
2013-2014	7%	12.5%
2015 onwards	6%	12%

The tax benefits under Amendment No. 68 also include accelerated depreciation and amortization for tax purposes. Preferred Enterprises located in specific locations within Israel (zone A) are eligible for grants and/or loans approved by the Israeli Investment Center, as well as tax benefits. Our facility in Bet- Kama is located in zone A.
Distribution of dividends out of income generated from a Preferred Enterprise is subject to 15% withholding tax (or a reduced rate under an applicable double tax treaty). Upon a distribution of a dividend to an Israeli company, no withholding tax is remitted.
The provisions of Amendment No. 68 do not apply to existing Privileged Enterprises or Approved Enterprises, which will continue to be entitled to the tax benefits under the Investment Law as in effect prior to Amendment No. 68. Nevertheless a company owning such enterprises may choose to apply Amendment No. 68 to its existing enterprises. Under the transition provisions of Amendment No. 68, a Company may decide to irrevocably implement the provisions of Amendment 68 while waiving benefits provided under the current Law or to remain subject to the current Law. Opting for Amendment No 68 will be done no later than the record date for filing the annual income tax return every year (generally, May 31) and will apply to the enterprise's entire income starting from the tax year in which the return has been filed and onwards. A company owning a Privileged Enterprise or an Approved Enterprise that made such election by June 30, 2015, will be entitled to distribute income generated by the Approved/Privileged Enterprise to its Israeli corporate shareholders tax free. Once a company elects to be classified as a Preferred Enterprise under the provisions of Amendment No. 68, the election cannot be rescinded and such company will no longer enjoy the benefits of its Privileged Enterprises.

To date, the Company has not elected to be classified as a Preferred Enterprise according to Amendment No. 68.

b. Tax rates applicable to the Company

The Israeli corporate tax rate was, 25% in 2011 and 24% in 2012.
A company is taxable on its real (non-inflationary) capital gains at the corporate tax rate in the year of sale. A temporary provision for 2006-2009 stipulates that the sale of an asset other than a quoted security (excluding goodwill that was not acquired) that had been purchased prior to January 1, 2003, and sold by December 31, 2009, is subject to corporate tax as follows: the part of the real capital gain that is linearly attributed to the period prior to December 31, 2002 is subject to the corporate tax rate in the year of sale as set forth in the Israeli Income Tax Ordinance, and the part of the real capital gain that is linearly attributed to the period from January 1, 2003, is subject to tax at a rate of 25%.

On December 5, 2011, the Israeli Parliament (the Knesset) passed the Law for Tax Burden Reform (Legislative Amendments), 2011 ("the Law") which, among others, cancels effective from 2012, the scheduled progressive reduction in the corporate tax rate.

NOTE 23: -TAXES ON INCOME (CONT.)

The Law also increases the corporate tax rate to 25% in 2012. In view of this increase in the corporate tax rate to 25% in 2012, the real capital gains tax rate and the real betterment tax rate were also increased accordingly.

The abovementioned changes have no effect on the Company's financial statements.

c. Tax assessments

1. Final tax assessments

The Company received final tax assessments through 2003.

2. Tax assessments in dispute

During 2010, the Company has received assessments made according to the best possible judgment for tax years 2004-2006 to the amount of approximately $ 5 million (including accumulated interest and linkage differentials), for which the Company has filed a reservation. In January 2012, the Company was issued a tax payment order for these years in accordance with section 152b of the Ordinance to the amount of approximately $ 4 million (including accumulated interest and linkage differentials). The Company has appealed the assessment in question in court. In the opinion of Company management, according to its legal advisors, an additional provision was not needed beyond that included in the Financial Statements.

d. Carryforward losses for tax purposes and other temporary differences

As of December 31, 2012, the Company has carryforward losses and other temporary differences amounting to $ 73 million.

e. Deferred taxes:

The Company did not recognize deferred tax assets for carryforward losses and other temporary differences, except as mentioned below, because their utilization in the foreseeable future is not probable.

As of December, 31, 2012, the Company recorded deferred tax liabilities due net gains from cash flow hedge, in the amount of $ 77 thousands, in other comprehensive income. Accordingly, the Company recorded deferred tax assets of $77 thousands related to carryforward losses, under income tax expenses.

f. Current taxes on income

Taxes on income included in profit or loss comprise of foreign withholding taxes in the amount of $600 thousands.

g. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income and expenses, gains and losses in the statement of income were taxed at the statutory tax rate and the taxes on income recorded in profit or loss, does not provide significant information and therefore was not presented.

NOTE 24: - SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended December 31, 2012	2011	2010
	In thousands		
a. Additional information about revenues			
Revenues from major customers each of whom amount to 10% or more, of total revenues			
Customer A – Proprietary products	$ 30,599	$ 24,438	$ 10,394
Customer B – Proprietary products and Distribution Segment	15,296	6,099	(*-
Customer C – Proprietary products and Distribution Segment	(*-	(*-	5,145
Customer D – Proprietary products and Distribution Segment	(*-	8,380	4,836
	$ 45,895	$ 38,917	$ 20,375

*) Represents revenues that are lower than 10% of total revenues

Revenues based on the location of the customers, are as follows:

	Year Ended December 31, 2012	2011	2010
	In thousands		
Israel	$ 30,336	$ 27,983	$ 16,674
U.S.A.	30,974	24,400	10,969
Europe	3,370	640	609
Latin America	4,367	3,225	3,390
Asia	3,391	3,074	2,835
Others	237	161	-
	$ 72,675	$ 59,483	$ 34,477

NOTE 24: - SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (CONT.)

b. Cost of revenues

Cost of materials	$ 43,751	$ 36,844	$ 17,970
Salary and related expenses	10,438	10,054	8,313
Depreciation and amortization	2,581	2,565	2,189
Other manufacturing expenses	656	480	1,238
	57,426	49,943	29,710
Increase in inventories of finished products and work in progress	(7,444)	(7,181)	(1,005)
	$ 49,982	$ 42,762	$ 28,705

c. Research and development

Salary and related expenses	$ 3,360	$ 3,635	$ 3,264
Subcontractors	5,981	5,115	3,770
Materials	1,738	2,475	1,710
Others	742	504	535
	$ 11,821	$ 11,729	$ 9,279

d. Selling and marketing

Salary and related expenses	$ 404	$ 508	$ 531
Commissions	142	125	137
Packing, shipping and delivery	169	142	145
Marketing and advertising	231	615	616
Registration and marketing fees	608	619	529
Others	299	322	194
	$ 1,853	$ 2,331	$ 2,152

NOTE 24: - SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF COMPREHENSIVE LOSS (CONT.)

	Year Ended December 31,		
	2012	2011	2010
	In thousands		
e. General and administrative			
Salary and related expenses	$ 1,798	$ 1,958	$ 1,980
Professional fees	705	780	728
Depreciation and amortization	373	329	316
Others	1,905	2,059	1,519
	$ 4,781	$ 5,126	$ 4,543
f. Financial incomes and expenses			
Financial incomes			
Interest income and gains from marketable securities	$ 578	$ 870	$ 560
Financial expenses			
Interest from convertible debentures	$ 3,321	$ 3,542	$ 3,007
Fees paid to financial institutions	34	29	50
Others	2	26	30
	$ 3,357	$ 3,597	$ 3,087

NOTE 25: - INCOME (LOSS) PER SHARE

a. Details of the number of shares and income (loss) used in the computation of income (loss) per share

	Year Ended December 31,					
	2012		2011		2010	
	Weighted Number of Shares	Income Attributed to equity holders of the Company	Weighted Number of Shares	Loss Attributed to equity holders of the Company	Weighted Number of Shares	Loss Attributed to equity holders of the Company
		In thousands		In thousands		In thousands
For the computation of basic income (loss)	28,078,996	$ 260	27,550,643	$ (3,715)	26,674,717	$ 14,421
Effect of potential dilutive ordinary shares	607,640	-	152,688	(540)	-	-
For the computation of diluted income (loss)	$28,686,636	$ 260	27,703,331	$ (4,255)	26,674,717	$ 14,421

b. To compute the diluted income (loss) per share, convertible securities, detailed below, have not been taken into account due to its anti dilutive effect: non-marketable warrants, options to employees and service providers under share-based payment plans and convertible debentures.

NOTE 26: - OPERATING SEGMENTS

a. General

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of the business units and has two operating segments as follows:

Proprietary Products	Development, manufacture and sale of plasma-derived therapeutics products.
Distribution	Distribution of drugs in Israel manufacture by other companies for clinical uses, most of which are produced from plasma or its derivatives products.

Segment performance (segment loss) is evaluated based on operating income (loss) in the financial statements.

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly the Group's headquarter assets, general and administrative costs and financial costs (consisting of finance expenses and finance income and including fair value adjustments of financial instruments), are managed on a group basis.

NOTE 26: - OPERATING SEGMENTS (CONT.)

The segment liabilities do not include loans and financial liabilities as these liabilities are managed on a group basis.

Capital expenditures consist of additions to Property, plant and equipment and intangible assets.

d. Reporting on operating segments

	Proprietary Products	Distribution	Total
		In thousands	
Year Ended December 31, 2012			
Revenues	$ 46,445	$ 26,230	$ 72,675
Gross profit	$ 19,534	$ 3,159	$ 22,693
Unallocated corporate expenses			(18,455)
Finance expenses, net			(3,455)
Income before taxes on income			$ 783

	Proprietary Products	Distribution	Total
		In thousands	
Year Ended December 31, 2011			
Revenues	$ 35,308	$ 24,175	$ 59,483
Gross profit	$ 13,120	$ 3,601	$ 16,721
Unallocated corporate expenses			(19,186)
Finance expenses, net			(1,250)
Loss before taxes on income			$ (3,715)

NOTE 26: - OPERATING SEGMENTS (CONT.)

	Proprietary Products	Distribution	Total
	In thousands		
Year Ended December 31, 2010			
Revenues	$ 22,980	$ 11,497	$ 34,477
Gross profit	$ 4,102	$ 1,670	$ 5,772
Unallocated corporate expenses			(15,973)
Finance expenses, net			(4,219)
Loss before taxes on income			$ (14,421)

e. Revenues reported in the financial statements for a group of similar products in the Proprietary Product segment:

	Year ended December 31,		
	2012	2011	2010
	In thousands		
Plasma derived products	$ 44,070	$ 33,330	$ 19,683
Others	2,375	1,978	3,297
	$ 46,445	$ 35,308	$ 22,980

NOTE 27: - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. Balances with related parties

	Controlling Shareholder	Related Parties
	In thousands	
December 31, 2012		
Other accounts payables	$ 14	$ 360
Employee benefit liabilities, net	-	182
The highest balance of trade receivable	160	-
December 31, 2011		
Trade payables	$ 1	$ -
Other accounts payables	9	269
Employee benefit liabilities, net	-	183
The highest balance of trade receivable	131	-

b. Benefits to related parties

	Year Ended December 31, 2012	Year Ended December 31, 2011
	In thousands	
Salary and related expenses to those employed by the Company or on its behalf	$ 1,006	$ 664
Salary of directors not employed by the Company or on its behalf	$ 151	$ 131
Number of People to whom the Salary and Benefits Refer		
Related and related parties employed by the Company or on its behalf	3	2
Directors not employed by the Company	7	7
	10	9

NOTE 27: - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONT.)

c. Benefits to key executive personnel

	Year Ended December 31, 2012	2011	2010
	In thousands		
Short-term benefits	$ 1,221	$ 1,168	$ 1320
Other long-term benefits	3	5	42
Share-based payment	179	349	387
	$ 1,403	$ 1,522	$ 1749

d. Transactions with related parties

Year Ended December 31, 2012

	Controlling Shareholder	Related Parties
	In thousands	
Sales	$ 272	$ -
Purchases	$ 3	$ -
Selling and marketing expenses	$ -	$ 107
General and administrative expenses	$ 45	$ 1,397
Financial expenses	$ 541	$ -

Year Ended December 31, 2011

Sales	$ 261	$ -
Purchases	$ 7	$ -
Selling and marketing expenses	$ -	$ 101
General and administrative expenses	$ 38	$ 693
Financial expenses	$ 366	$ -

Year Ended December 31, 2010

Sales	$ 206	$ -
Purchases	$ 8	$ -
Selling and marketing expenses	$ -	$ 68
General and administrative expenses	$ 33	$ 856
Financial expenses	$ 440	$ -

NOTE 27: - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONT.)

f. Revenues and Expenses from Related and Interested Parties

Terms of Transactions with Related Parties

Sales to related parties are conducted at market prices. Balances that have yet to be repaid by the end of the year are not guaranteed, bear no interest and their settlement will be in cash. No guarantees were received or given for sums receivable or payable. For the years ended December 31, 2010, 2011 and 2012, the Company recorded no allowance for doubtful accounts for sums receivable from related parties.

On May 26, 2011, the Company announced its engagement in a corrective agreement that revises and replaces the distribution agreement signed in 2001 between the Company and Tuteur SACIFIA, a company registered in Argentina, under the control of the estate of Mr. Ralph Hahn, and considered one of the Company's controlling shareholders.

Revision of the agreement is necessary in preparation for the expected completion of the product's registration in Argentina and the beginning of its marketing and constitutes an improvement to the terms of the 2001 agreement as far as the Company is concerned.

According to the revised agreement, the distributor will continue to serve as the sole distributor of the Company's AAT IV product in Argentina, Paraguay and Uruguay, subject to upholding the product's minimal sales obligations.

NOTE 28: - INVESTMENTS IN INVESTEES

a. Further Information on Subsidiaries Held Directly by the Company

	Country of Incorporation	Company's Interests in Equity and Voting Rights	Loans	Investment in Subsidiary
		%	In thousands	
2011				
Kamada Properties Ltd.	Israel	74	-	$ 1,312
Bio-Kam Ltd. *)	Israel	100	-	-
Kamada Inc. *)	Delaware	100	-	-

NOTE 29: - SEPARATE FINANCIAL INFORMATION

The Company did not include separate financial information in its Periodic Report for 2011 in accordance with Regulation 9c. of the Regulations, due to the negligibility of the added information given to investors as a result of the attachment of such information, due to the following reasons:

a. The subsidiaries are fully controlled by the Company;

b. The scope of assets, liabilities, revenues and comprehensive losses of the subsidiaries amounts to a negligible rate of 2%, 0%, 0%, and 0% relative to the scope of the assets, liabilities, revenues and comprehensive loss in the Consolidated Financial Statements;

c. Over 99% of the cash flow derives from the Company.

NOTE 30: - SUBSEQUENT EVENTS

On January 24, 2013 the Company filed a confidently prospectus draft to the U.S. Securities and Exchange Commission.

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