KAMADA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2013

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CONSOLIDATED BALANCE SHEETS

	As of March 31, 2013	As of March 31, *) 2012	As of December 31, *) 2012
	Unaudited	Unaudited	Audited
	In thousands		
Current Assets			
Cash and cash equivalents	$ 22,641	$ 13,789	$ 16,866
Short-term investments	10,395	21,610	16,929
Trade receivables	9,177	11,715	13,861
Other accounts receivables	2,860	2,010	1,661
Inventories	23,743	16,018	20,513
	68,816	65,142	69,830
Non-Current Assets			
Long-term inventories	238	307	238
Property, plant and equipment, net	19,289	17,215	18,827
Other long-term assets	208	60	219
	19,735	17,582	19,284
	88,551	82,724	89,114
Current Liabilities			
Short term credit and Current maturities of convertible debentures	5,494	12	5,370
Trade payables	12,693	11,385	12,220
Other accounts payables	3,301	3,132	3,413
Deferred revenues	9,603	5,776	8,176
	31,091	20,305	29,179
Non-Current Liabilities			
Loans from banks and others	-	9	-
Warrants	-	756	23
Convertible debentures	19,503	23,337	18,747
Employee benefit liabilities, net	738	*) 864	*) 718
Deferred revenues	10,493	15,073	12,054
	30,734	40,039	31,542
Equity			
Share capital	7,220	6,937	7,204
Share premium	97,185	91,504	96,874
Warrants	-	325	-
Conversion option in convertible debentures	3,794	3,794	3,794
Capital reserve due to translation to presentation currency	(3,490)	(3,490)	(3,490)
Capital reserve from hedges	188	-	229
Other capital reserves	4,555	4,733	*) 4,473
Accumulated deficit	(82,726)	*) (81,423)	(80,691)
	26,726	22,380	28,393
	$ 88,551	$ 82,724	$ 89,114

*) Retroactive adjustment, see note 2b'.

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

Consolidated Statements of Comprehensive Income (loss)

	For the Year Ended March 31		Year ended December 31
	2013	*)2012	2012
	In thousands		
Revenues from proprietary products	$ 8,060	$ 12,478	$ 46,445
Revenues from distribution	4,536	7,124	26,230
Total revenues	12,596	19,602	72,675
Cost of revenues from proprietary products	4,562	*) 7,595	26,911
Cost of revenues from distribution	3,839	6,384	23,071
Total cost of revenues	8,401	13,979	49,982
Gross profit	4,195	5,623	22,693
Research and development expenses	3,730	3,466	11,821
Selling and marketing expenses	513	472	1,853
General and administrative expenses	1,256	1,348	4,781
Operating income (loss)	(1,304)	337	4,238
Financial income	86	183	578
Income (expense) in respect of currency exchange and translation differences and derivatives instruments, net	62	(64)	(100)
Expense in respect of revaluation of warrants to fair value	-	(55)	(576)
Financial expense	(855)	(873)	(3,357)
Income (loss) before taxes on income	(2,011)	(472)	783
Taxes on income	24	-	523
Net Income (loss)	(2,035)	(472)	260
Other Comprehensive Income (loss):			
Actuarial net gain of defined benefit plans	-	-	*) 46
Net gain (loss) on cash flow hedge	(41)	-	229
Total comprehensive income (loss)	$ (2,076)	$ (472)	$ 535
Income (loss) per share attributable to equity holders of the Company:			
Basic income (loss) per share	$ (0.07)	$ (0.02)	$ 0.01
Diluted income (loss) per share	$ (0.07)	$ (0.02)	$ 0.01

*) Retroactive adjustment, see note 2b'.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Share Premium	Proceeds from Conversion Option	Other Capital reserves	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Accumulated Deficit	Total Equity
	Unaudited							
	In thousands							
Balance as of January 1, 2013	$ 7,204	$ 96,874	$ 3,794	$ 4,473	$ (3,490)	$ 229	$ (80,691)	$ 28,393
Net loss	-	-	-	-	-	-	(2,035)	(2,035)
Other comprehensive loss	-	-	-	-	-	(41)	-	(41)
Total comprehensive loss						(41)	(2,035)	(2,076)
Exercise of warrants into shares, net	16	311	-	(131)	-	-	-	196
Cost of share-based payment	-	-	-	213	-	-	-	213
Balance as of March 31, 2013	$ 7,220	$ 97,185	$ 3,794	$ 4,555	$ (3,490)	$ 188	$ (82,726)	$ 26,726

	Share Capital	Share Premium	Warrants	Proceeds from Conversion Option	Other Capital reserves	Capital reserve due to translation to presentation currency	Accumulated Deficit	Total Equity
	Unaudited							
	In thousands							
Balance as of January 1, 2012	$ 6,928	$ 91,225	$ 325	$ 3,794	$ *) 4,567	$ (3,490)	$ (80,951)	$ 22,398
Net loss	-	-	-	-	-	-	(472)	(472)
Total comprehensive loss					-		(472)	(472)
Exercise of warrants into shares, net	9	279	-	-	(182)	-	-	106
Cost of share-based payment	-	-	-	-	348	-	-	348
Balance as of March 31, 2012	$ 6,937	$ 91,504	$ 325	$ 3,794	$ 4,733	$ (3,490)	(81,423)*) $	$ 22,380

*) Retroactive adjustment, see note 2b'.

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
	Audited								
	In thousands								
Balance as of December 31, 2011	$ 6,928	$ 91,225	$ 325	$ 3,794	$ (3,490)	$ -	$ *) 4,567	$ (80,951)	$ 22,398
Net income	-	-	-	-	-	-	-	260	260
Other comprehensive income	-	-	-	-	-	229	46	-	275
Total comprehensive income	-	-	-	-	-	229	46	260	535
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	$ *) 4,473	$ (80,691)	$ 28,393

*) Retroactive adjustment, see note 2b'.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months period Ended March, 31		Year Ended December 31,
	2013	2012	2012
	Unaudited		Audited
	In thousands		
Cash Flows from Operating Activities			
Net income (loss)	$ (2,035)	$ (472)	$ 260
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	823	752	3,044
Finance expenses, net	707	809	3,455
Cost of share-based payment	213	348	1,267
Taxes on income	24	-	523
Change in employee benefit liabilities, net	20	123	38
	1,787	2,032	8,327
Changes in asset and liability items:			
Decrease (increase) in trade receivables	4,840	(4,540)	(6,662)
Decrease (increase) in other accounts receivables	(442)	(102)	451
Increase in inventories and long-term inventories	(3,230)	(436)	(4,861)
Decrease (increase) in deferred expenses	(111)	43	89
Increase (decrease) in trade payables	538	(1,214)	(157)
Increase (decrease) in other accounts payables	(230)	363	322
Decrease in deferred revenues	(134)	(2,377)	(3,438)
	1,231	(8,263)	(14,256)
Cash paid and received during the period for:			
Interest paid	(535)	(585)	(2,200)
Interest received	83	158	249
Taxes paid	(31)	(3)	(642)
	(483)	(430)	(2,593)
Net cash provided by (used in) operating activities	500	(7,133)	(8,262)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months period Ended March, 31		Year Ended December 31,
	2013	2012	2012
	Unaudited		Audited
	In thousands		
Cash Flows from Investing Activities			
Short-term investments	$ 6,569	$ (4,335)	$ 665
Purchase of property and equipment	(1,274)	(560)	(4,609)
Restricted cash	-	1,512	1,512
Net cash provided by (used in) investing activities	5,295	(3,383)	(2,432)
Cash Flows from Financing Activities			
Exercise of warrants and options into shares	173	106	2,978
Issuance expenses	(521)	-	-
Short term credit from bank and others, net	-	-	(12)
Repayment of loans and other, net	-	(3)	-
Net cash provided by (used in) financing activities	(348)	103	2,966
Exchange differences on balances of cash and cash equivalent	328	(172)	220
Increase (decrease) in cash and cash equivalents	5,775	(10,585)	(7,508)
Cash and cash equivalents at the beginning of the year	16,866	24,374	24,374
Cash and cash equivalents at the end of the period	$ 22,641	$ 13,789	$ 16,866
Significant non-cash transactions			
Purchase of property and equipment and intangible assets on credit	$ -	$ 400	$ -
Exercise of options presented as liability	$ 23	$ -	$ 1,215
Issuance expenses accrued in other accounts payables	$ 100	$ -	$ -

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

Note 1:- General

These Financial Statements have been prepared in a condensed format as of March 31, 2013 and for the three months then ended ("interim consolidated financial statements").

These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2012 and for the year then ended and the accompanying notes ("annual consolidated financial statements").

Note 2:- Significant Accounting Policies

a. Basis of preparation of the interim consolidated financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting".

b. New standards, interpretations and corrections first applied by the Company

The accounting policies applied in preparing the interim consolidated financial statements consistent to those applied in the preparation of the annual consolidated financial statements, except for the following:

1. IAS 19 (revised) - Employee Benefits

In June 2011, the IASB issued IAS 19 (Revised) to be applied from January 1, 2013. The main changes in the standard that are applicable to the Company are as follows:

- 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.

From January 1, 2013, the Company changed its accounting policy and began to apply IAS 19 (revised). Changes have been made retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and therefore restated financial information of prior periods.

The effects of change in accounting policy resulting from the initial implementation of the revised IAS 19 on the financial statements are as follows: decrease in the other capital reserves as of January 1, 2012 and December 31, 2012 in the amount of $187and $141 thousands, respectively. The Employee benefit liabilities, net for the same dates increased in the same amount. Net Income for the year ended December 31, 2012 increased in the amount of $46 thousands.

Note 2: - Significant Accounting Policies (cont.)

IFRS 13, Fair value measurement

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also specifies the characteristics of market participants and determines that fair value is based on the assumptions that would have been used by market participants. According to IFRS 13, fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The new disclosures are to be applied prospectively beginning on January 1, 2013, and they do not apply to comparative figures.

The adoption of IFRS 13 did not have a material effect on the Company's financial statements. should be noted that the new disclosures required for financial instruments was not included in this interim financial statements since the differences from the information presented in the annual financial statements as of December 31, 2012 are immaterial.

NOTE 3:- Operating Segments

a. General:

The company has two operating segments, as follows:

Proprietary Products - Medicine 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.

b. Reporting on operating segments:

	Proprietary Products	**Distribution**	**Total**
		Unaudited	
Three months period Ended March 31,2013			
Revenues	$ 8,060	$ 4,536	$ 12,596
Gross profit	$ 3,498	$ 697	4,195
Unallocated corporate expenses			(5,499)
Finance expenses, net			(707)
Loss before taxes on income			$ (2,011)

NOTE 3:- Operating Segments (Cont.)

	Proprietary Products	Distribution	Total
		Unaudited	
Three months period Ended March 31,2012			
Revenues	$ 12,478	$ 7,124	$ 19,602
Gross profit	$ 4,883	$ 740	5,623
Unallocated corporate expenses			(5,286)
Finance expenses, net			(809)
Loss before taxes on income			$ (472)

	Proprietary Products	Distribution	Total
		Audited	
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

Note 4:- Significant events during the period

a. During the period employees and investors exercised 84,511 options into 58,877 ordinary shares of NIS 1 par value each for a total consideration of $173 thousand.

b. In the recent past, the Company has undertaken certain activities to increase the production capacity of its manufacturing facility in Beit Kama. A request for approval of these adjustments from the FDA was filed. In March 2013 the FDA responded to this request by requesting additional data prior to its approval of the new manufacturing process. The Company intends to respond to the FDA’s additional data request during the second quarter of 2013 and the Company will continue to use its existing production process in the interim and not distribute any inventory produced by the new process until a FDA approval for the new processes is received.

The Company believes that it is probable that approval by the FDA of the new manufacturing process will be obtained during the second half of 2013. The Company is periodically reassessing the probability to obtain the FDA approval and shelf life of such inventory, to determine whether the net realizable value is lower than cost. As of March 31, 2013, the Company had inventories produces under the new process in the amount of $9.2 million.

Note 5: - Subsequent Events

a. On April 9, 2013, the Company's board of directors modified certain terms of the non-marketable options granted to the Company CEO on December 11, 2012, by increasing the number of options granted from 120,000 to 150,000 and by changing the exercise price to NIS 41.47. All the other option terms remain the same. The options are subject to the approval of the shareholders general meeting.

The following table lists the data used in measuring fair value as of April 9, 2013 for the above options:

Dividend yield (%)	-
Expected volatility of the share prices (%)	29-51
Risk-free interest rate (%)	1.7 – 3.34
Contractual life of share options (years)	6.5
Share price (NIS)	38.79
Expected average forfeiture rate (%)	0

According to a calculation formula based on the Binominal Model, the fair value of the options was estimated at $ 551 thousands. The modification to the option terms on April 9, 2013 did not create incremental fair value to the options.

b. On April, 14 2013 the general shareholders meeting approved the increase of authorized ordinary shares to 70,000,000 ordinary Shares.

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