

**KAMADA LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2014**

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**CONSOLIDATED BALANCE SHEETS**

	As of June 30,		As of December
	2014	2013	31,
	Unaudited		2013
	In thousands		Audited
<u>Current Assets</u>			
Cash and cash equivalents	\$ 25,083	\$ 73,403	\$ 59,110
Short-term investments	42,603	9,152	15,067
Trade receivables, net	15,215	12,340	17,882
Other accounts receivables	2,299	1,400	3,694
Inventories	23,871	23,901	21,933
	<u>109,071</u>	<u>120,196</u>	<u>117,686</u>
<u>Non-Current Assets</u>			
Long-term inventories	-	165	-
Property, plant and equipment, net	21,668	19,993	21,443
Other long-term assets	160	193	250
	<u>21,828</u>	<u>20,351</u>	<u>21,693</u>
	<u>130,899</u>	<u>140,547</u>	<u>139,379</u>
<u>Current Liabilities</u>			
Short term credit and Current maturities of convertible debentures	8,798	5,534	8,718
Trade payables	15,942	9,098	14,093
Other accounts payables	4,510	5,481	4,313
Deferred revenues	5,264	8,596	5,454
	<u>34,514</u>	<u>28,709</u>	<u>32,578</u>
<u>Non-Current Liabilities</u>			
Convertible debentures	8,039	19,930	7,498
Employee benefit liabilities, net	834	770	827
Deferred revenues	6,867	10,149	8,506
	<u>15,740</u>	<u>30,849</u>	<u>16,831</u>
<u>Equity</u>			
Share capital	9,203	8,983	9,201
Share premium	157,212	148,655	157,100
Conversion option in convertible debentures	2,217	3,794	2,218
Capital reserve due to translation to presentation currency	(3,490)	(3,490)	(3,490)
Capital reserve from hedges	54	121	156
Capital reserve from available for sale financial assets	93	-	(27)
Capital reserve from share-based payments	7,217	4,903	5,189
Capital reserve from employee benefits	(129)	(141)	(129)
Accumulated deficit	(91,732)	(81,836)	(80,248)
	<u>80,645</u>	<u>80,989</u>	<u>89,970</u>
	<u>\$ 130,899</u>	<u>\$ 140,547</u>	<u>\$ 139,379</u>

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

**Consolidated Statements of Comprehensive Income (loss)**

	Six months period ended June 30,		Three months period ended June 30,		Year ended December 31
	2014	2013	2014	2013	2013
	Unaudited				Audited
	Thousands of US dollar (Except for per-share income (loss) data)				
Revenues from proprietary products	\$ 16,142	\$ 19,957	\$ 8,721	\$ 11,897	\$ 50,658
Revenues from distribution	12,842	8,754	7,076	4,218	19,965
Total revenues	28,984	28,711	15,797	16,115	70,623
Cost of revenues from proprietary products	14,706	9,682	9,703	5,121	27,104
Cost of revenues from distribution	11,082	7,412	6,160	3,573	17,112
Total cost of revenues	25,788	17,094	15,863	8,694	44,216
Gross profit (loss)	3,196	11,617	(66)	7,421	26,407
Research and development expenses	8,433	6,334	5,068	2,604	12,745
Selling and marketing expenses	1,366	963	719	450	2,100
General and administrative expenses	3,994	3,975	2,037	2,719	7,862
Operating income (loss)	(10,597)	345	(7,890)	1,648	3,700
Financial income	421	165	179	79	289
Income (expense) in respect of currency exchange and translation differences and derivatives instruments, net	136	(70)	97	(132)	(369)
Financial expense	(1,410)	(1,549)	(737)	(693)	(3,153)
Income (loss) before taxes on income	(11,450)	(1,109)	(8,351)	902	467
Taxes on income	34	36	11	12	24
Net Income (loss)	(11,484)	(1,145)	(8,362)	890	443
Other Comprehensive Income (loss):					
Items that may be reclassified to profit or loss in subsequent periods:					
Net gain (loss) on available for sale financial assets	120	-	81	-	(27)
Net loss on cash flow hedge	(102)	(108)	(33)	(67)	(73)
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial net gain of defined benefit plans	-	-	-	-	12
Total comprehensive income (loss)	<u>\$ (11,466)</u>	<u>\$ (1,253)</u>	<u>\$ (8,314)</u>	<u>\$ 823</u>	<u>\$ 355</u>
<u>Income (loss) per share attributable to equity holders of the Company:</u>					
Basic income (loss) per share	<u>\$ (0.32)</u>	<u>\$ (0.04)</u>	<u>\$ (0.23)</u>	<u>\$ (0.03)</u>	<u>\$ 0.01</u>
Diluted income (loss) per share	<u>\$ (0.32)</u>	<u>\$ (0.04)</u>	<u>\$ (0.23)</u>	<u>\$ (0.03)</u>	<u>\$ 0.01</u>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Share premium	Conversion option in convertible debentures	Capital reserve from available for sale financial assets	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Capital reserve from share-based payments	Capital reserve from employee benefits	Accumulated deficit	Total equity
	Unaudited									
	In thousands									
Balance as of January 1, 2014	\$ 9,201	\$ 157,100	\$ 2,218	\$ (27)	\$ (3,490)	\$ 156	\$ 5,189	\$ (129)	\$ (80,248)	\$ 89,970
Net loss	-	-	-	-	-	-	-	-	(11,484)	(11,484)
Other comprehensive income (loss)	-	-	-	120	-	(102)	-	-	-	18
Total comprehensive income (loss)	-	-	-	120	-	(102)	-	-	(11,484)	(11,466)
Exercise of options into shares, net	2	104	-	-	-	-	(67)	-	-	39
Conversion of convertible debentures into shares	*)	8	(1)	-	-	-	-	-	-	7
Cost of share-based payment	-	-	-	-	-	-	2,095	-	-	2,095
Balance as of June 30, 2014	\$ 9,203	\$ 157,212	\$ 2,217	\$ 93	\$ (3,490)	\$ 54	\$ 7,217	\$ (129)	\$ (91,732)	\$ 80,645

  

	Share Capital	Share premium	Conversion option in convertible debentures	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Capital reserve from share-based payments	Capital reserve from employee benefits	Accumulated deficit	Total equity
	Unaudited								
	In thousands								
Balance as of January 1, 2013	\$ 7,204	\$ 96,874	\$ 3,794	\$ (3,490)	\$ 229	\$ 4,614	\$ (141)	\$ (80,691)	\$ 28,393
Net loss	-	-	-	-	-	-	-	(1,145)	(1,145)
Other comprehensive loss	-	-	-	-	(108)	-	-	-	(108)
Total comprehensive loss	-	-	-	-	(108)	-	-	(1,145)	(1,253)
Issuance of ordinary shares, net of issuance costs	1,749	51,115	-	-	-	-	-	-	52,864
Exercise of options into shares, net	30	662	-	-	-	(360)	-	-	332
Conversion of convertible debentures into shares	4	*)	-	-	-	-	-	-	4
Cost of share-based payment	-	-	-	-	-	649	-	-	649
Balance as of June 30, 2013	\$ 8,983	\$ 148,655	\$ 3,794	\$ (3,490)	\$ 121	\$ 4,903	\$ (141)	\$ (81,836)	\$ 80,989

\*) Represents an amount lower than \$ 1

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Share premium	Conversion option in convertible debentures	Capital reserve from available for sale financial assets	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Capital reserve from share-based payments	Capital reserve from employee benefits	Accumulated deficit	Total equity
	Unaudited									
	In thousands									
Balance as of April 1, 2014	\$ 9,201	\$ 157,117	\$ 2,217	\$ 12	\$ (3,490)	\$ 87	\$ 6,266	\$ (129)	\$ (83,370)	\$ 87,911
Net loss	-	-	-	-	-	-	-	-	(8,362)	(8,362)
Other comprehensive income (loss)	-	-	-	81	-	(33)	-	-	-	48
Total comprehensive income (loss)	-	-	-	81	-	(33)	-	-	(8,362)	(8,314)
Exercise of options into shares, net	2	95	-	-	-	-	(58)	-	-	39
Cost of share-based payment	-	-	-	-	-	-	1,009	-	-	1,009
Balance as of June 30, 2014	\$ 9,203	\$ 157,212	\$ 2,217	\$ 93	\$ (3,490)	\$ 54	\$ 7,217	\$ (129)	\$ (91,732)	\$ 80,645

	Share Capital	Share premium	Conversion option in convertible debentures	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Capital reserve from share-based payments	Capital reserve from employee benefits	Accumulated deficit	Total equity
	Unaudited								
	In thousands								
Balance as of April 1, 2013	\$ 7,220	\$ 97,185	\$ 3,794	\$ (3,490)	\$ 188	\$ 4,696	\$ (141)	\$ (82,726)	\$ 26,726
Net income	-	-	-	-	-	-	-	890	890
Other comprehensive income (loss)	-	-	-	-	(67)	-	-	-	(67)
Total comprehensive income (loss)	-	-	-	-	(67)	-	-	890	823
Issuance of ordinary shares, net of issuance costs	1,749	51,115	-	-	-	-	-	-	52,864
Exercise of options into shares, net	14	351	-	-	-	(229)	-	-	136
Conversion of convertible debentures into shares	*)	4	*)	-	-	-	-	-	4
Cost of share-based payment	-	-	-	-	-	436	-	-	436
Balance as of June 30, 2013	\$ 8,983	\$ 148,655	\$ 3,794	\$ (3,490)	\$ 121	\$ 4,903	\$ (141)	\$ (81,836)	\$ 80,989

\*) Represents an amount lower than \$ 1

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Share premium	Conversion option in convertible debentures	Capital reserve from available for sale financial assets	Capital reserve due to translation to presentation currency	Capital reserve from hedges	Capital reserve from share-based payments	Capital reserve from employee benefits	Accumulated deficit	Total equity
	Audited									
	In thousands									
Balance as of January 1, 2013	\$ 7,204	\$ 96,874	\$ 3,794	\$ -	\$ (3,490)	\$ 229	\$ 4,614	\$ (141)	\$ (80,691)	\$ 28,393
Net income	-	-	-	-	-	-	-	-	443	443
Other comprehensive income (loss)	-	-	-	(27)	-	(73)	-	12	-	(88)
Total comprehensive income (loss)	-	-	-	(27)	-	(73)	-	12	443	355
Exercise of warrants and options into shares	62	1,275	-	-	-	-	(752)	-	-	585
Issuance of ordinary shares, net of issuance costs	1,749	51,053	-	-	-	-	-	-	-	52,802
Conversion of convertible debentures into shares	186	7,898	(1,576)	-	-	-	-	-	-	6,508
Cost of share-based payment	-	-	-	-	-	-	1,327	-	-	1,327
Balance as of December 31, 2013	<u>\$ 9,201</u>	<u>\$ 157,100</u>	<u>\$ 2,218</u>	<u>\$ (27)</u>	<u>\$ (3,490)</u>	<u>\$ 156</u>	<u>\$ 5,189</u>	<u>\$ (129)</u>	<u>\$ (80,248)</u>	<u>\$ 89,970</u>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months period Ended June 30,		Three months period Ended June 30,		Year Ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	Thousands of US dollar				
<u>Cash Flows from Operating Activities</u>					
Net income (loss)	\$ (11,484)	\$ (1,145)	\$ (8,362)	\$ 890	\$ 443
Adjustments to reconcile loss to net cash provided by (used in) operating activities:					
Adjustments to the profit or loss items:					
Depreciation and amortization	1,315	1,515	652	692	3,001
Finance expenses, net	853	1,454	461	747	3,233
Cost of share-based payment	2,095	649	1,009	436	1,327
Loss from sale of fixed assets	-	67	-	67	24
Taxes on income	34	36	11	12	73
Change in employee benefit liabilities, net	<u>7</u>	<u>52</u>	<u>33</u>	<u>32</u>	<u>121</u>
	<u>4,304</u>	<u>3,773</u>	<u>2,166</u>	<u>1,986</u>	<u>7,779</u>
Changes in asset and liability items:					
Decrease (increase) in trade receivables	2,764	1,743	(2,472)	(3,097)	(3,445)
Decrease (increase) in other accounts receivables	530	207	770	649	(444)
Decrease (increase) in inventories and long-term inventories	(1,938)	(3,315)	4,743	(85)	(1,182)
Decrease (increase) in deferred expenses	814	28	255	139	(1,231)
Increase (decrease) in trade payables	1,898	(3,178)	(342)	(3,716)	1,579
Increase (decrease) in other accounts payables	196	960	759	1,190	264
Decrease in deferred revenues	<u>(1,829)</u>	<u>(1,485)</u>	<u>(983)</u>	<u>(1,351)</u>	<u>(6,270)</u>
	<u>2,435</u>	<u>(5,040)</u>	<u>2,730</u>	<u>(6,271)</u>	<u>(10,729)</u>
Cash paid and received during the period for:					
Interest paid	(602)	(1,062)	(301)	(527)	(1,968)
Interest received	132	195	38	112	663
Taxes paid	<u>(64)</u>	<u>(54)</u>	<u>(4)</u>	<u>(23)</u>	<u>(42)</u>
	<u>(534)</u>	<u>(921)</u>	<u>(267)</u>	<u>(438)</u>	<u>(1,347)</u>
Net cash used in operating activities	\$ (5,279)	\$ (3,333)	\$ (3,733)	\$ (3,833)	\$ (3,854)

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months period Ended June 30,		Three months period Ended June 30,		Year Ended December 31,
	2014	2013	2014	2013	2013
	Unaudited				Audited
	Thousands of US dollar				
<u>Cash Flows from Investing Activities</u>					
Short-term investments	\$ (26,784)	\$ 7,848	\$ (3,352)	\$ 1,279	\$ 1,732
Purchase of property and equipment	(1,535)	(2,747)	(919)	(1,473)	(5,643)
Proceeds from sale of equipment	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>8</u>
Net cash provided by (used in) investing activities	<u>(28,319)</u>	<u>5,104</u>	<u>(4,271)</u>	<u>(191)</u>	<u>(3,903)</u>
<u>Cash Flows from Financing Activities</u>					
Exercise of options into shares	39	309	39	136	562
Proceeds from issuance of ordinary shares, net	-	53,958	-	54,479	52,953
Short term credit from bank and others, net	-	(6)	-	(6)	(12)
Repayment of convertible debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,295)</u>
Net cash provided by financing activities	<u>39</u>	<u>54,261</u>	<u>39</u>	<u>54,609</u>	<u>49,208</u>
<u>Exchange differences on balances of cash and cash equivalents</u>					
	<u>(468)</u>	<u>505</u>	<u>(266)</u>	<u>177</u>	<u>793</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>(34,024)</u>	<u>56,537</u>	<u>(8,231)</u>	<u>50,762</u>	<u>42,244</u>
<u>Cash and cash equivalents at the beginning of the period</u>					
	<u>59,110</u>	<u>16,866</u>	<u>33,314</u>	<u>22,641</u>	<u>16,866</u>
<u>Cash and cash equivalents at the end of the period</u>	<u>\$ 25,083</u>	<u>\$ 73,403</u>	<u>\$ 25,083</u>	<u>\$ 73,403</u>	<u>\$ 59,110</u>
<u>Significant non-cash transactions</u>					
Purchase of property, equipment and intangible assets on credit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151</u>
Exercise of options presented as liability	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23</u>
Exercise of convertible debentures into shares	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,508</u>
Issuance expenses accrued in other accounts payables	<u>\$ -</u>	<u>\$ 1,094</u>	<u>\$ -</u>	<u>\$ 994</u>	<u>\$ -</u>

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 1:- General

These Financial Statements have been prepared in a condensed format as of June 30, 2014 and for the six 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, 2013 and for the year then ended and the accompanying notes ("annual consolidated financial statements").

### Note 2:- Significant Accounting Policies

#### 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".

### Note 3:- Disclosure of new standards in the period prior to their adoption

#### a. IFRS 15 – Revenues from contracts with customers

IFRS 15 ("the Standard") was issued by the IASB in May 2014.

The Standard replaces IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The Standard establishes a five-step model that will apply to revenues earned from contracts with customers:

Step 1 - **Identifying the contract(s) with a customer**, including treatment for combining contracts and contract modifications.

Step 2 - **Identifying the separate performance obligations in the contract.**

Step 3 - **Determining the transaction price**, including treatment for variable consideration, significant finance component, non-cash consideration and consideration payable to the customer.

Step 4 - **Allocating the transaction price to the separate performance obligations**, on a relative stand-alone selling price basis by using observable information if available or estimates.

Step 5 - **Recognizing revenue when the entity satisfies a performance obligation**, distinguishing between satisfying a performance obligation at a point in time or over time.

In addition the Standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Standard will apply to annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Standard permits a modified retrospective approach according to which the Standard will be applied to existing contracts beginning with the current period and no restatement of the comparative periods will be required, as long as comparative disclosures under the Standard are included.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 3:- Disclosure of new standards in the period prior to their adoption (Cont.)**

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

b. Amendments to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortisation

On May 2014 the IASB issued amendments to IAS 16 and IAS 38 ("the Amendments") that relate to revenue-based depreciation and amortization.

The Amendments determine that revenue-based depreciation of an asset is inappropriate, because such revenues usually represent more factors than just the economic benefits that are consumed through use of the asset.

Revenue-based amortization of intangible assets can be implemented when the rights embodied in that intangible asset are expressed as a measure of revenue or when it can be demonstrated that revenue and the consumption of economic benefits are highly correlated.

The amendments will apply prospectively from January 1, 2016. Early adoption is permitted.

**Note 4:- 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:

	<b>Proprietary Products</b>	<b>Distribution</b>	<b>Total</b>
	<b>Unaudited</b>		
<u>Six months period ended June 30, 2014</u>			
Revenues	\$ 16,142	\$ 12,842	\$ 28,984
Gross profit	\$ 1,436	\$ 1,760	3,196
Unallocated corporate expenses			(13,793)
Finance expenses, net			(853)
Loss before taxes on income			\$ (11,450)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 4:- Operating Segments (Cont.)

	<b>Proprietary Products</b>	<b>Distribution</b>	<b>Total</b>
	<b>Unaudited</b>		
<u>Six months period ended June 30,2013</u>			
Revenues	\$ 19,957	\$ 8,754	\$ 28,711
Gross profit	\$ 10,275	\$ 1,342	11,617
Unallocated corporate expenses			(11,272)
Finance expenses, net			(1,454)
Loss before taxes on income			\$ (1,109)
	<b>Proprietary Products</b>	<b>Distribution</b>	<b>Total</b>
	<b>Unaudited</b>		
<u>Three months period ended June 30,2014</u>			
Revenues	\$ 8,721	\$ 7,076	\$ 15,797
Gross profit (loss)	\$ (982)	\$ 916	(66)
Unallocated corporate expenses			(7,824)
Finance expenses, net			(461)
Loss before taxes on income			\$ (8,351)
	<b>Proprietary Products</b>	<b>Distribution</b>	<b>Total</b>
	<b>Unaudited</b>		
<u>Three months period ended June 30,2013</u>			
Revenues	\$ 11,897	\$ 4,218	\$ 16,115
Gross profit	\$ 6,776	\$ 645	7,421
Unallocated corporate expenses			(5,773)
Finance expenses, net			(746)
Profit before taxes on income			\$ 902
	<b>Proprietary Products</b>	<b>Distribution</b>	<b>Total</b>
	<b>In thousands</b>		
	<b>Audited</b>		
<u>Year Ended December 31, 2013</u>			
Revenues	\$ 50,658	\$ 19,965	\$ 70,623
Gross profit	\$ 23,554	\$ 2,853	\$ 26,407
Unallocated corporate expenses			(22,707)
Finance expenses, net			(3,233)
Income before taxes on income			\$ 467

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Note 5:- Financial Instruments

a. Classification of financial instruments by fair value hierarchyFinancial assets measured at fair value

	Level 1	Level 2
	In thousands	
<u>June 30, 2014</u>		
Derivatives instruments qualified for hedging	\$ -	\$ 72
Marketable securities at fair value through profit or loss:		
Equity shares	833	-
Mutual funds	2,379	-
Exchange traded notes	78	-
Debt securities (corporate and government)	10,972	-
	<u>14,262</u>	<u>72</u>
Available for sale debt securities (corporate and government)	\$ -	\$ 28,341
	<u>\$ 14,262</u>	<u>\$ 28,413</u>
	Level 1	Level 2
	In thousands	
<u>June 30, 2013</u>		
Derivatives instruments qualified for hedging	\$ -	\$ 183
Marketable Securities (Mutual funds) at fair value through profit or loss	4,294	-
	<u>\$ 4,294</u>	<u>\$ 183</u>
<u>December 31, 2013</u>		
Derivatives instruments qualified for hedging	\$ -	\$ 208
Marketable securities at fair value through profit or loss:		
Equity shares	237	-
Mutual funds	469	-
Exchange traded notes	308	-
Debt securities (corporate and government)	4,678	-
	<u>5,692</u>	<u>208</u>
Available for sale debt securities (corporate and government)	\$ -	\$ 9,375
	<u>\$ 5,692</u>	<u>\$ 9,583</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 5:- Financial Instruments (Cont.)**Liabilities for which fair values are disclosed

	Level 1
	In thousands
<u>June 30, 2014</u>	
Convertible debentures	\$ 18,528
<u>June 30, 2013</u>	
Convertible debentures	\$ 35,235
<u>December 31, 2013</u>	
Convertible debentures	\$ 24,637

- b. During the six months ended on June 30, 2014 there was no transfer 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.

**Note 6:- Significant events during the period**

- a. 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 received the approval by the FDA on July 23, 2014. During the second quarter of 2014 an inventory in the amount of \$3.0 million, produced using the improved manufacturing process, was written off due to a short shelf life of the inventory and reevaluation by the Company of the fair value of such inventory.
- b. On January 28, 2014, General Meeting of Shareholders of the Company approved the grant of 180,000 options to the Company's directors and the grant of 150,000 options for the Company's chief executive officer exercisable into 330,000 ordinary shares at an exercise price of NIS 56.94. The fair value of the options was estimated at \$1.8 million. The Shareholders also approved an increase in CEO monthly fixed salary to NIS 93,000 or \$26,793.
- c. On January 29, 2014 the company incorporated a subsidiary registered under the laws of England and Wales named "Kamada Biopharma Limited".