

KAMADA LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Consolidated Balance Sheets	2
Consolidated Statements of Comprehensive Income	3
Consolidated Statements of Changes in Equity	4-5
Consolidated Statements of Cash Flows	6-7
Notes to the Consolidated Financial Statements	8-12

CONSOLIDATED BALANCE SHEETS

	As of March 31,		As of
	2015	2014	December 31,
	Unaudited		Audited
	In thousands		
<u>Current Assets</u>			
Cash and cash equivalents	\$ 13,011	\$ 33,314	\$ 14,546
Short-term investments	36,693	38,811	37,350
Trade receivables	8,863	12,592	17,514
Other accounts receivables	2,954	3,284	2,359
Inventories	27,435	28,614	25,423
	<u>88,956</u>	<u>116,615</u>	<u>97,192</u>
Property, plant and equipment, net	21,523	21,384	21,769
Other long-term assets	110	262	179
	<u>21,633</u>	<u>21,646</u>	<u>21,948</u>
	<u>110,589</u>	<u>138,261</u>	<u>119,140</u>
<u>Current Liabilities</u>			
Short term credit and Current maturities of convertible debentures	7,411	8,678	7,492
Trade payables	13,376	16,321	16,530
Other accounts payables	3,493	3,750	4,045
Deferred revenues	2,799	5,431	2,919
	<u>27,079</u>	<u>34,180</u>	<u>30,986</u>
<u>Non-Current Liabilities</u>			
Convertible debentures	-	7,686	-
Employee benefit liabilities, net	739	801	722
Deferred revenues	6,958	7,683	7,015
	<u>7,697</u>	<u>16,170</u>	<u>7,737</u>
<u>Equity</u>			
Share capital	9,227	9,201	9,208
Share premium	158,893	157,117	158,417
Conversion option in convertible debentures	1,147	2,217	1,147
Capital reserve due to translation to presentation currency	(3,490)	(3,490)	(3,490)
Capital reserve from hedges	(265)	87	(116)
Capital reserve from available for sale financial assets	128	12	10
Capital reserve from share-based payments	9,009	6,266	8,783
Capital reserve from employee benefits	(81)	(129)	(81)
Accumulated deficit	(98,755)	(83,370)	(93,461)
	<u>75,813</u>	<u>87,911</u>	<u>80,417</u>
	<u>\$ 110,589</u>	<u>\$ 138,261</u>	<u>\$ 119,140</u>

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

Consolidated Statements of Comprehensive Income

	As of March 31,		Year ended
	2015	2014	December 31
	Unaudited		Audited
	In thousands		
Revenues from proprietary products	\$ 3,173	\$ 7,421	\$ 44,389
Revenues from distribution	5,757	5,766	26,676
Total revenues	8,930	13,187	71,065
Cost of revenues from proprietary products	3,295	5,003	32,617
Cost of revenues from distribution	5,243	4,922	23,406
Total cost of revenues	8,538	9,925	56,023
Gross profit	392	3,262	15,042
Research and development expenses	3,643	3,365	16,030
Selling and marketing expenses	799	647	2,898
General and administrative expenses	1,700	1,957	7,593
Operating loss	(5,750)	(2,707)	(11,479)
Financial income	182	243	1,611
Income in respect of currency exchange and translation differences and derivatives instruments, net	513	39	-
Financial expense	(239)	(674)	(3,293)
Loss before taxes on income	(5,294)	(3,099)	(13,161)
Taxes on income	-	23	52
Net loss	(5,294)	(3,122)	(13,213)
Other Comprehensive loss:			
Items that may be reclassified to profit or loss in subsequent periods:			
Gain on available for sale financial assets	118	39	37
Profit (loss) on cash flow hedges	(221)	29	(162)
Net amounts transferred to the statement of profit or loss for cash flow hedges	72	(98)	(110)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain from defined benefit plans	-	-	48
Total comprehensive loss	\$ (5,325)	\$ (3,152)	\$ (13,400)
<u>Loss per share attributable to equity holders of the Company:</u>			
Basic loss per share	\$ (0.15)	\$ (0.09)	\$ (0.37)
Diluted loss per share	\$ (0.15)	\$ (0.09)	\$ (0.37)

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, 2015	\$ 9,208	\$ 158,417	\$ 1,147	\$ 10	\$ (3,490)	\$ (116)	\$ 8,783	\$ (81)	\$ (93,461)	\$ 80,417
Net loss	-	-	-	-	-	-	-	-	(5,294)	(5,294)
Other comprehensive income (loss)	-	-	-	118	-	(149)	-	-	-	(31)
Total comprehensive income (loss)	-	-	-	118	-	(149)	-	-	(5,294)	(5,325)
Exercise of options into shares	19	476	-	-	-	-	(279)	-	-	216
Cost of share-based payment	-	-	-	-	-	-	505	-	-	505
Balance as of March 31, 2015	\$ 9,227	\$ 158,893	\$ 1,147	\$ 128	\$ (3,490)	\$ (265)	\$ 9,009	\$ (81)	\$ (98,755)	\$ 75,813

	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	-	-	-	-	-	-	-	-	(3,122)	(3,122)
Other comprehensive income (loss)	-	-	-	39	-	(69)	-	-	-	(30)
Total comprehensive income (loss)	-	-	-	39	-	(69)	-	-	(3,122)	(3,152)
Conversion of convertible debentures into shares	(*)	8	(1)	-	-	-	-	-	-	7
Forfeiture of options	-	9	-	-	-	-	(9)	-	-	-
Cost of share-based payment	-	-	-	-	-	-	1,086	-	-	1,086
Balance as of March 31, 2014	\$ 9,201	\$ 157,117	\$ 2,217	\$ 12	\$ (3,490)	\$ 87	\$ 6,266	\$ (129)	\$ (83,370)	\$ 87,911

(*) Represents an amount lower than \$1

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	re capital	Share premium	Warrants	Conversion option in convertible debentures	Available for sale reserve	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
	In thousands										
Balance as of December 31, 2013	\$ 9,201	\$ 157,100	\$ -	\$ 2,218	\$ (27)	\$ (3,490)	156	\$ 5,189	\$ (129)	\$ (80,248)	\$ 89,970
Net loss	-	-	-	-	-	-	-	-	-	(13,213)	(13,213)
Other comprehensive income (loss)	-	-	-	-	37	-	(272)	-	48	-	(187)
Total comprehensive income (loss)	-	-	-	-	37	-	(272)	-	48	(13,213)	(13,400)
Exercise of options into shares	7	238	-	-	-	-	-	(157)	-	-	88
Conversion of convertible debentures into shares	(*)	9	-	(1)	-	-	-	-	-	-	8
Expiration of conversion option on convertible debentures	-	1,070	-	(1,070)	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	-	-	-	-	3,751	-	-	3,751
Balance as of December 31, 2014	<u>\$ 9,208</u>	<u>\$ 158,417</u>	<u>\$ -</u>	<u>\$ 1,147</u>	<u>\$ 10</u>	<u>\$ (3,490)</u>	<u>\$ (116)</u>	<u>\$ 8,783</u>	<u>\$ (81)</u>	<u>\$ (93,461)</u>	<u>\$ 80,417</u>

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,
	2015	2014	2014
	Unaudited		Audited
	In thousands		
<u>Cash Flows from Operating Activities</u>			
Net loss	\$ (5,294)	\$ (3,122)	\$ (13,213)
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and amortization	771	663	2,788
Finance expenses, net	(447)	392	1,682
Cost of share-based payment	505	1,086	3,751
Taxes on income	-	23	52
Loss from sale of property and equipment	-	-	(2)
Change in employee benefit liabilities, net	17	(26)	(57)
	846	2,138	8,214
Changes in asset and liability items:			
Decrease (increase) in trade receivables	8,418	5,236	(869)
Increase in other accounts receivables	(829)	(240)	(50)
Increase in inventories	(2,012)	(6,681)	(3,490)
Decrease in deferred expenses	71	559	1,209
Decrease (increase) in trade payables	(2,572)	2,241	3,261
Decrease in other accounts payables	(659)	(563)	(344)
Decrease in deferred revenues	(177)	(846)	(4,026)
	2,240	(294)	(4,309)
Cash paid and received during the period for:			
Interest paid	(121)	(301)	(1,210)
Interest received	350	94	758
Taxes paid	(29)	(60)	(158)
	200	(267)	(610)
Net cash used in operating activities	\$ (2,008)	\$ (1,545)	\$ (9,918)

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,
	2015	2014	2014
	Unaudited		Audited
	In thousands		
<u>Cash Flows from Investing Activities</u>			
Short-term investments	\$ 425	\$ (23,432)	\$ (23,746)
Purchase of property and equipment	(509)	(616)	(3,076)
Proceeds from sale of property and equipment	-	-	3
Net cash used in investing activities	(84)	(24,048)	(26,819)
<u>Cash Flows from Financing Activities</u>			
Exercise of warrants and options into shares	-	-	-
Short term credit from bank and others, net	-	-	88
Repayment of convertible debentures	-	-	(7,728)
Net cash provided by (used in) financing activities	-	-	(7,640)
<u>Exchange differences on balances of cash and cash equivalent</u>	557	(203)	(187)
<u>Decrease in cash and cash equivalents</u>	(1,535)	(25,796)	(44,564)
<u>Cash and cash equivalents at the beginning of the year</u>	14,546	59,110	59,110
<u>Cash and cash equivalents at the end of the period</u>	<u>\$ 13,011</u>	<u>\$ 33,314</u>	<u>\$ 14,546</u>
<u>Significant non-cash transactions</u>			
Exercise of convertible debentures into shares	\$ -	\$ 7	\$ 7
Exercise of options into shares	\$ 216	\$ -	\$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1:- General

These Financial Statements have been prepared in a condensed format as of March 31, 2015 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, 2014 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".

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
	In thousands		
	Unaudited		
<u>Three months period ended March 31,2015</u>			
Revenues	\$ 3,173	\$ 5,757	\$ 8,930
Gross profit (loss)	\$ (122)	\$ 514	392
Unallocated corporate expenses			(6,142)
Finance expenses, net			456
Loss before taxes on income			\$ (5,294)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3:- Operating Segments (Cont.)

	Proprietary Products	Distributio n	Total
	In thousands		
	Unaudited		
<u>Three months period Ended March 31,2014</u>			
Revenues	<u>\$ 7,421</u>	<u>\$ 5,766</u>	<u>\$ 13,187</u>
Gross profit	<u>\$ 2,418</u>	<u>\$ 844</u>	3,262
Unallocated corporate expenses			(5,969)
Finance expenses, net			<u>(392)</u>
Loss before taxes on income			\$ (3,099)

	Proprietary Products	Distributio n	Total
	In thousands		
<u>Year Ended December 31, 2014</u>			
Revenues	<u>\$ 44,389</u>	<u>\$ 26,676</u>	<u>\$ 71,065</u>
Gross profit	<u>\$ 11,772</u>	<u>\$ 3,270</u>	\$ 15,042
Unallocated corporate expenses			(26,521)
Finance expenses, net			<u>(1,682)</u>
Loss before taxes on income			\$ (13,161)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4:- Financial Instruments

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

	Level 1	Level 2
	In thousands	
<u>March 31, 2015</u>		
Marketable securities at fair value through profit or loss:		
Equity shares	\$ 583	\$ -
Mutual funds	1,314	-
Exchange traded notes	35	-
Debt securities (corporate and government)	6,685	-
	<u>8,617</u>	
Available for sale debt securities (corporate and government)	\$ -	\$ 28,076
	<u>\$ 8,617</u>	<u>\$ 28,076</u>
<u>March 31, 2014</u>		
Derivatives instruments qualified for hedging	\$ -	\$ 117
Marketable securities at fair value through profit or loss:		
Equity shares	1,051	-
Mutual funds	2,290	-
Exchange traded notes	79	-
Debt securities (corporate and government)	8,786	-
	<u>12,206</u>	<u>117</u>
Available for sale debt securities (corporate and government)	\$ -	\$ 26,605
	<u>\$ 12,206</u>	<u>\$ 26,722</u>
<u>December 31, 2014</u>		
Marketable securities at fair value through profit or loss:		
Equity shares	\$ 587	\$ -
Mutual funds	577	-
Exchange traded notes	46	-
Debt securities (corporate and government)	7,610	-
	<u>-</u>	<u>28,530</u>
Available for sale debt securities (corporate and government)	-	28,530
	<u>\$ 8,820</u>	<u>\$ 28,530</u>

Financial liabilities measured at fair value:

	Level 1	Level 2
	In thousands	
<u>March 31, 2015</u>		
Derivatives instruments qualified for hedging	\$ -	\$ 183
<u>December 31, 2014</u>		
Derivatives instruments qualified for hedging	\$ -	\$ 76

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4:- Financial Instruments (Cont.)

Liabilities for which fair values are disclosed

	Level 1 In thousands
<u>March 31, 2015</u>	
Convertible debentures	<u>\$ 7,411</u>
<u>March 31, 2014</u>	
Convertible debentures	<u>\$ 25,763</u>
<u>December 31, 2014</u>	
Convertible debentures	<u>\$ 8,275</u>

During the three months ended on March 31, 2015 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 5:- Subsequent Events

1. On April 26, 2015 the Company's Compensation Committee approved an increase of the pool of shares allocated for grant under the 2011 option plan by 500,000 shares.
2. On April 27, 2015 the Company's Board of Directors approved the grant, for no consideration, of 519,400 options to employees, management and directors of the Company exercisable into ordinary shares at an exercise price of NIS 17.84 for employees and 18.73 for management and directors. The fair value of the options was estimated at \$1.2 million.

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