UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2017**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number **001-31392**

PLURISTEM THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Nevada	**98-0351734**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

MATAM Advanced Technology Park, Building No. 5, Haifa, Israel 31905

(Address of principal executive offices)

011-972-74-7108607

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒
Non-accelerated filer ☐(do not check if a smaller reporting company) Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 96,331,182 shares of common stock issued and outstanding as of May 3, 2017.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2017

(Unaudited)

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2017

U.S. DOLLARS IN THOUSANDS

(Unaudited)

INDEX

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands (except share and per share data)

	Note	March 31, 2017 Unaudited	June 30, 2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 5,319	$ 6,223
Short-term bank deposits		12,329	8,570
Restricted cash and short-term bank deposits		574	542
Marketable securities	3	14,842	17,415
Accounts receivable from the Israeli Innovation Authority ("IIA")		318	2,228
Other current assets		1,221	618
Total current assets		34,603	35,596
LONG-TERM ASSETS:			
Long-term deposits and restricted bank deposits		385	363
Severance pay fund		725	766
Property and equipment, net		7,825	9,216
Total long-term assets		8,935	10,345
Total assets		$ 43,538	$ 45,941

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands (except share and per share data)

	Note	March 31, 2017 Unaudited	June 30, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables		$ 1,679	$ 2,705
Accrued expenses		1,433	1,369
Other accounts payable		2,273	1,701
Other current liabilities	2g	744	-
Total current liabilities		6,129	5,775
LONG-TERM LIABILITIES			
Accrued severance pay		866	910
Other long-term liabilities		920	1,100
Total long-term liabilities		1,786	2,010
COMMITMENTS AND CONTINGENCIES	5		
STOCKHOLDERS' EQUITY			
Share capital:	6		
Common stock $0.00001 par value per share: Authorized: 200,000,000 shares Issued and outstanding: 96,171,868 shares as of March 31, 2017, 80,268,999 shares as of June 30, 2016		1	1
Additional paid-in capital		216,742	198,432
Accumulated deficit		(182,555)	(161,757)
Other comprehensive income		1,435	1,480
Total stockholders' equity		35,623	38,156
Total liabilities and stockholders' equity		$ 43,538	$ 45,941

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

U.S. Dollars in thousands (except share and per share data)

	Note	Nine months ended March 31,		Three months ended March 31,	
		2017	2016	2017	2016
Revenues	1c	-	$ 2,847	-	-
Cost of revenues		-	(100)	-	-
Gross profit		-	2,747	-	-
Operating Expenses:					
Research and development expenses		(18,091)	(16,427)	(6,579)	(5,797)
Less R&D participation grants		1,554	1,206	242	41
Research and development expenses, net		(16,537)	(15,221)	(6,337)	(5,756)
General and administrative expenses		(4,896)	(4,672)	(1,886)	(1,639)
Operating loss		(21,433)	(17,146)	(8,223)	(7,395)
Financial income, net		635	105	359	192
Net loss for the period		$ (20,798)	$ (17,041)	$ (7,864)	$ (7,203)
Loss per share:					
Basic and diluted net loss per share		$ (0.25)	$ (0.21)	$ (0.09)	$ (0.09)
Weighted average number of shares used in computing basic and diluted net loss per share		84,573,038	79,350,504	91,753,808	79,935,477

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

U.S. Dollars in thousands

	Nine months ended March 31,		Three months ended March 31,	
	2017	**2016**	**2017**	**2016**
Net loss	$ (20,798)	$ (17,041)	$ (7,864)	$ (7,203)
Other comprehensive income (loss), net:				
Unrealized gain (loss) on available-for-sale marketable securities, net	(9)	(1,466)	990	(120)
Reclassification adjustment of derivative instruments losses realized in net loss, net	-	(46)	-	-
Reclassification adjustment of available-for-sale marketable securities gains (losses) realized in net loss, net	(36)	303	(16)	283
Other comprehensive income (loss)	(45)	(1,209)	974	163
Total comprehensive loss	$ (20,843)	$ (18,250)	$ (6,890)	$ (7,040)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Receivables on account of shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance as of July 1, 2015	78,771,905	$ 1	$ 195,303	$ (790)	$ 2,140	$ (138,511)	$ 58,143
Exercise of options by employees and non-employee consultants	28,000	(*)	17	-	-	-	17
Stock-based compensation to employees, directors and non-employee consultants	1,189,926	(*)	2,367	-	-	-	2,367
Proceeds related to issuance of common stock in a private placement (Note 6a)	-	-	-	790	-	-	790
Stock-based compensation to contractor (Note 6b)	90,000	-	39	-	-	-	39
Other comprehensive loss, net	-	-	-	-	(1,209)	-	(1,209)
Net loss	-	-	-	-	-	(17,041)	(17,041)
Balance as of March 31, 2016 (unaudited)	80,079,831	$ 1	$ 197,726	$ -	$ 931	$ (155,552)	$ 43,106

(*) Less than $1

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. Dollars in thousands (except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of July 1, 2016	80,268,999	$ 1	$ 198,432	$ 1,480	$ (161,757)	$ 38,156
Exercise of options by employees and non-employee consultants	17,900	(*)	10	-	-	10
Stock-based compensation to employees, directors and non employee consultants	1,803,336	(*)	2,582	-	-	2,582
Issuance of common stock and warrants related to January 2017 offering, net of issuance costs of $1,532 (Note 6c)	14,081,633	(*)	15,718	-	-	15,718
Other comprehensive loss, net	-	-	-	(45)	-	(45)
Net loss	-	-	-	-	(20,798)	(20,798)
Balance as of March 31, 2017 (unaudited)	96,171,868	$ 1	$ 216,742	$ 1,435	$ (182,555)	$ 35,623

(*) Less than $1

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Nine months ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (20,798)	$ (17,041)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,646	1,590
Gain from sale of property and equipment, net	(5)	(3)
Accretion of discount, amortization of premium and changes in accrued interest of marketable securities	(168)	41
Loss (gain) from sale of investments of available-for-sale marketable securities	(36)	303
Stock-based compensation to employees, directors and non-employees consultants	2,582	2,367
Decrease in accounts receivable from the IIA	1,910	1,511
Decrease (increase) in other current assets	(603)	1,038
Decrease in trade payables	(924)	(888)
Increase in other accounts payable, accrued expenses, other long-term liabilities and other current liabilities	1,200	1,054
Decrease in deferred revenues	-	(2,847)
Decrease in advance payment from United	-	(93)
Increase in interest receivable on short-term deposits	-	(33)
Linkage differences and interest on short and long-term deposits and restricted bank deposits	(22)	(13)
Accrued severance pay, net	(3)	36
Net cash used by operating activities	$ (15,221)	$ (12,978)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	$ (360)	$ (1,535)
Proceeds from sale of property and equipment	8	29
Investment in short-term deposits	(3,791)	(3,524)
Repayment of long-term deposits and restricted bank deposits	-	4
Proceeds from sale of available-for-sale marketable securities	4,622	2,863
Proceeds from redemption of available-for-sale marketable securities	402	1,066
Investment in available-for-sale marketable securities	(2,292)	(3,954)
Net cash used in investing activities	$ (1,411)	$ (5,051)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Nine months ended March 31,	
	2017	**2016**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds related to issuance of common stock and warrants, net of issuance costs	$ 15,718	$ 790
Exercise of options	10	17
Net cash provided by financing activities	$ 15,728	$ 807
Decrease in cash and cash equivalents	(904)	(17,222)
Cash and cash equivalents at the beginning of the period	6,223	22,626
Cash and cash equivalents at the end of the period	$ 5,319	$ 5,404
(a) Supplemental disclosure of cash flow activities:		
Cash paid during the period for:		
Taxes paid due to non-deductible expenses	$ 20	$ 50
(b) Supplemental disclosure of non-cash activities:		
Purchase of property and equipment on credit	$ 24	$ 200
Share consideration to contractor	$ -	$ 39

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

NOTE 1:-GENERAL

a. Pluristem Therapeutics Inc., a Nevada corporation, was incorporated on May 11, 2001. Pluristem Therapeutics Inc. has a wholly owned subsidiary, Pluristem Ltd. (the "Subsidiary"), which is incorporated under the laws of the State of Israel. Pluristem Therapeutics Inc. and the Subsidiary are referred to as the "Company" or "Pluristem".

The Company's shares of common stock are traded on the NASDAQ Capital Market under the symbol "PSTI", and on the Tel-Aviv Stock Exchange under the symbol "PLTR".

b. The Company is a bio-therapeutics company developing placenta-based cell therapy product candidates for the treatment of multiple ischemic and inflammatory conditions. The Company has sustained operating losses and expects such losses to continue in the foreseeable future. The Company's accumulated losses aggregated to $182,555 through March 31, 2017, and the Company incurred a net loss of $20,798 for the nine months ended March 31, 2017.

As of March 31, 2017, the Company's cash position (cash and cash equivalents, short-term bank deposits and marketable securities) totaled approximately $32,490. The Company plans to continue to finance its operations with sales of equity securities, entering into licensing agreements (see Note 1c) and from grants to support its research and development activity. Management believes that these funds, together with its existing operating plan, are sufficient for the Company to meet its obligations as they come due at least for a period of twelve months from the date of the interim condensed consolidated financial statements. In the longer term, the Company plans to finance its operations from revenues from sales of products.

c. License Agreements:

United Therapeutics Corporation ("United") Agreement

On June 19, 2011, the Company entered into an exclusive license agreement (the "United Agreement") with United for the use of the Company's PLX cells to develop and commercialize a cell-based product for the treatment of Pulmonary Hypertension ("PAH"). The United Agreement provided that United would receive exclusive worldwide license rights for the development and commercialization of the Company's PLX cell-based product to treat PAH.

Under the United Agreement, the Company received an upfront payment of $7,000 paid in August 2011, which included a $5,000 non-refundable upfront payment and a $2,000 advance payment on development.

On December 8, 2015, the Company received a notice from United terminating the United Agreement, effective immediately. Pursuant to the United Agreement termination clause, Pluristem regained full rights to PLX in the field of PAH, as well as all clinical data and regulatory submissions. As the Company had no further obligations towards United, the Company recognized the remaining upfront payment received in August 2011 as revenues during the year ended June 30, 2016.

CHA Biotech Co. Ltd. ("CHA") Agreement

On June 26, 2013, Pluristem entered into an exclusive license and commercialization agreement (the "CHA Agreement") with CHA, for conducting clinical trials and commercialization of Pluristem's PLX-PAD product in South Korea in connection with two indications: the treatment of Critical Limb Ischemia and Intermittent Claudication (the "Indications").

NOTE 1:-GENERAL (CONT.)

Under the terms of the CHA Agreement, CHA will receive exclusive rights in South Korea for conducting clinical trials with respect to the Indications, and the Company will continue to retain rights to its proprietary manufacturing technology and cell-related intellectual property.

The first clinical study as part of the CHA Agreement is a Phase II trial in Intermittent Claudication. South Korea's Ministry of Food and Drug Safety approved this study in November 2013.

Upon the first regulatory approval for a PLX product in South Korea for the Indications, Pluristem and CHA will establish an equally owned joint venture. The purpose of the joint venture will be to commercialize PLX cell products in South Korea.

Pluristem will be able to use the data generated by CHA to pursue the development of PLX product candidates outside of South Korea.

The CHA Agreement contains customary termination provisions, including in the event the parties do not reach an agreement upon a development plan for conducting the clinical trials. Upon termination of the CHA Agreement, the license granted thereunder will terminate and all rights included therein will revert to the Company, and the Company will be free to enter into agreements with any other third parties for the granting of a license in or outside South Korea, or to deal in any other manner with such rights as it will see fit at its sole discretion.

In addition, and as contemplated by the CHA Agreement, in December 2013, Pluristem and CHA executed the mutual investment pursuant to which Pluristem issued 2,500,000 shares of its common stock in consideration for 1,011,504 shares of CHA, which reflects total consideration to each of Pluristem and CHA of approximately $10,414. The parties also agreed to give an irrevocable proxy to the other party's management with respect to the voting power of the shares issued.

During March 2015, the Company sold a portion of the CHA shares received in December 2013.

The remaining investment in CHA shares is presented as "Marketable Securities" and classified as available-for-sale in accordance with Accounting Standards Codification (the "ASC") 320, "Investments - Debt and Equity Securities". The fair value of the remaining investment as of March 31, 2017 is $4,746.

NOTE 2:- BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. ***Unaudited Interim Financial Information***

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included (consisting only of normal recurring adjustments except as otherwise discussed).

For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2016.

Operating results for the three and nine month periods ended March 31, 2017, are not necessarily indicative of the results that may be expected for the year ending June 30, 2017.

b. ***Significant Accounting Policies***

The significant accounting policies followed in the preparation of these unaudited interim condensed consolidated financial statements are identical to those applied in the preparation of the latest annual financial statements.

c. ***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates, judgments and assumptions that are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

d. ***Fair value of financial instruments***

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, short-term and restricted bank deposits, accounts receivable and other current assets, trade payable and other accounts payable and accrued liabilities, approximate fair value because of their generally short term maturities.

The Company measures its investments in marketable securities and derivative instruments at fair value under ASC 820, "Fair Value Measurements and Disclosures". Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Unobservable inputs for the asset or liability.

NOTE 2:- BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy (see Note 4).

e. ***Derivative financial instruments***

The Company uses forward and options strategies ("derivative instruments") primarily to minimize the risk associated with the foreign exchange effects of monetary assets and liabilities denominated in NIS. The Company accounts for derivatives based on ASC 815, "Derivatives and Hedging". ASC 815 requires the Company to recognize all derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of derivative instruments depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. Since the derivative instruments that the Company holds are not designated and qualify as hedging instruments under ASC 815, the Company measured the fair value of the derivative instruments in accordance with ASC 820 (classified as level 2) and recognizes changes in the fair values in its statement of operations each reporting period in "Financial income, net".

As of March 31, 2017, the fair value of the forward and options contracts was approximately$ 267 and presented in "other current assets" (see Note 4). The net gains (losses) recognized in "Financial income, net" during the three and nine month periods ended March 31, 2017 and 2016, were $268, $202 and $221, ($26), respectively.

f. ***Non-royalty grants***

The Company's CLI program participates in a European Union research and development consortium under the European Union's Horizon 2020 program ("Horizon 2020"). In August 2016, the CLI program consortium was awarded a Euro 7,600 (approximately $8,400) non-royalty bearing grant. An amount of Euro 1,900 (approximately $2,100) is a direct grant allocated to the Company. As of March 31, 2017, an amount of approximately $965 was received from the Horizon 2020 program.

Non-royalty bearing grants for funding research and development projects are recognized at the time the Company is entitled to such grants on the basis of the related costs incurred and recorded as a deduction from research and development expenses.

g. ***Recent Accounting Pronouncement***

Accounting Standards Update ("ASU") 2014-09 - Revenue from Contracts with Customers (Topic 606):
In May 2014, the Financial Accounting Standards Board (the "FASB") issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue upon the transfer of control of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

NOTE 2:- BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The guidance is effective for the interim and annual periods beginning after December 15, 2017, or July 1, 2018 for the Company (early adoption is permitted for the interim and annual periods beginning after December 15, 2016). The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company preliminarily anticipates adopting the standard using the modified retrospective method. The Company anticipates adopting the new standard effective as of July 1, 2018. The Company is currently evaluating the impact of the guidance on its consolidated financial statements, but does not currently expect it to have a material impact on its consolidated financial position or results of operations.

ASU 2016-13 - Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments:
In June 2016, the FASB issued ASU 2016-13. This update requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" on a financial asset and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. The update also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. The update is effective for the interim and annual periods beginning on or after December 15, 2019, or July 1, 2020 for the Company. Early adoption is permitted. The Company is currently evaluating the impact of the update on its consolidated financial statements.

ASU 2016-18 - Restricted Cash (Topic 230):
In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows. This standard requires the presentation of the statement of cash flows to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. The standard is effective for the interim and annual periods beginning on or after December 15, 2017, or July 1, 2018 for the Company. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dollars in thousands (except share and per share amounts)

NOTE 3:- MARKETABLE SECURITIES

As of March 31, 2017, all of the Company's marketable securities were classified as available-for-sale.

	March 31, 2017 (Unaudited)				June 30, 2016				
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair Value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Other-than-temporary impairment	Fair value
Available-for-sale - matures within one year:									
Stock and index linked notes	$ 11,474	$ 1,842	$ (439)	$ 12,877	$ 11,599	$ 1,594	$ (208)	$ (38)	$ 12,947
Government debentures – fixed interest rate	149	3	-	152	786	12	-	-	798
Corporate debentures – fixed interest rate	-	-	-	-	439	7	-	-	446
	$ 11,623	$ 1,845	$ (439)	$ 13,029	$ 12,824	$ 1,613	$ (208)	$ (38)	$ 14,191
Available-for-sale - matures after one year through five years:									
Government debentures – fixed interest rate	467	25	-	492	717	27	-	-	744
Corporate debentures – fixed interest rate	1,301	7	(3)	1,305	2,403	47	-	-	2,450
	$ 1,768	$ 32	$ (3)	$ 1,797	$ 3,120	$ 74	$ -	$ -	$ 3,194
Available-for-sale - matures after five years through ten years:									
Corporate debentures – fixed interest rate	16	-	-	16	29	1	-	-	30
	$ 16	$ -	$ -	$ 16	$ 29	$ 1	$ -	$ -	$ 30
	$ 13,407	$ 1,877	$ (442)	$ 14,842	$ 15,973	$ 1,688	$ (208)	$ (38)	$ 17,415

The following table presents gross unrealized losses and fair values for those investments that were in an unrealized loss position as of March 31, 2017 and June 30, 2016, and the length of time that those investments have been in a continuous loss position:

	Less than 12 months		12 months or greater	
	Fair Value	Gross unrealized loss	Fair Value	Gross unrealized loss
As of March 31, 2017 (Unaudited)	$ 6,083	$ (434)	$ 188	$ (8)
As of June 30, 2016	$ 1,258	$ (143)	$ 563	$ (65)

The Company typically invests in highly-rated securities. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis.

U.S. Dollars in thousands (except share and per share amounts)

NOTE 3:- MARKETABLE SECURITIES (CONT.)

Based on the above factors, the Company concluded that unrealized losses on all available-for-sale securities were not other-than-temporary and no credit loss was present for any of its investments. As such, the Company did not recognize any impairment charges on outstanding securities during the three and nine month periods ended March 31, 2017.

NOTE 4:- FAIR VALUE OF FINANCIAL INSTRUMENTS

	March 31, 2017 (Unaudited)		June 30, 2016	
	Level 1	Level 2	Level 1	Level 2
Marketable securities	$ 10,278	$ 4,564	$ 11,228	$ 6,187
Foreign currency derivative instruments	-	267	-	65
Total financial assets	$ 10,278	$ 4,831	$ 11,228	$ 6,252

	March 31, 2017 (Unaudited)		June 30, 2016	
	Balance Sheet presentation	Fair Value	Balance Sheet presentation	Fair Value
Derivatives not designated as hedge instruments	Other current assets	$ 267	Other current assets	$ 65
Total		$ 267		$ 65

NOTE 5: - COMMITMENTS AND CONTINGENCIES

a. An amount of $959 of cash and deposits was pledged by the Subsidiary to secure the derivatives and hedging transactions, credit line and bank guarantees as of March 31, 2017.

b. Under the Law for the Encouragement of Industrial Research and Development, 1984, (the "Research Law"), research and development programs that meet specified criteria and are approved by the IIA are eligible for grants of up to 50% of the project's expenditures, as determined by the research committee, in exchange for the payment of royalties from the sale of products developed under the program. Regulations under the Research Law generally provide for the payment of royalties to the IIA of 3% to 4% on sales of products and services derived from a technology developed using these grants until 100% of the dollar-linked grant is repaid. The Company's obligation to pay these royalties is contingent on its actual sale of such products and services. In the absence of such sales, no payment is required. Outstanding balance of the grants will be subject to interest at a rate equal to the 12 month LIBOR applicable to dollar deposits that is published on the first business day of each calendar year. Following the full repayment of the grant, there is no further liability for royalties.

   Through March 31, 2017, total grants obtained aggregated to approximately $24,461 and total royalties paid and accrued amounted to $166. As of March 31, 2017, the Company's contingent liability in respect to royalties to the IIA amounted $24,295, not including LIBOR interest as described above.

NOTE 6: - STOCKHOLDERS' EQUITY

a. From October 2014 through May 2015, the Company issued shares of common stock in private placements to an investor. In October 2014, the Company issued 200,000 shares of common stock to an investor for aggregate cash consideration of $528. In February 2015, the Company issued an additional 200,000 shares of common stock to an investor for aggregate cash consideration of $586. In May 2015, the Company issued an additional 300,000 shares of common stock to an investor, for which the consideration in the amount of $790 was received from the investor in September 2015.

b. In February 2015, the Subsidiary entered into an agreement with a contractor for the construction of its new laboratories facility for a consideration of approximately NIS 3.3 million (approximately $841). Under the terms of the agreement, the Subsidiary agreed to pay part of the NIS 3.3 million consideration using 100,004 restricted shares of common stock of the Company, linked to performance milestones with respect to the new laboratories construction and which serve as a guarantee. These restricted shares were released to the contractor in December 2014 upon the successful completion of the construction.

In May 2015, the Subsidiary entered into an addendum to the agreement with the contractor for the design and construction of additional office space renovations in the Subsidiary leased facility for additional consideration of approximately NIS 4 million (approximately $1,032) which is comprised of NIS 3 million (approximately $774) in cash and 90,000 restricted shares which were issued to the contractor in February 2016.

The Company accounted for the abovementioned stock-based payment awards to the contractor in accordance with ASC 505-50, "Equity based payments to non-employees". As performance by the contractor was not deemed complete while the awards were forfeitable (or not issued), the Company measured the fair value of the awards at each reporting period through the performance completion date (until completion of the construction work).

The construction work was initiated in June 2015. On October 30, 2015, the contractor completed the agreed construction milestones. As a result, the Company recognized the fair value of the stock-based payments awards, using the fair value of the Company's shares on October 30, 2015, totaling approximately $302 as stock-based payment to the contractor in "Additional paid-in capital" with a corresponding amount included in "Property and equipment, net".

c. On January 25, 2017, the Company issued, pursuant to an underwriting agreement relating to a firm commitment public offering, an aggregate of 14,081,633 shares of common stock and warrants to purchase 8,448,980 shares of common stock, inclusive of the underwriter's over-allotment option, which was exercised in full, for aggregate gross proceeds of $17,250. The net proceeds, after deducting underwriting commissions, discounts and other expenses related to the offering were $15,718.

The warrants issued in the offering are exercisable for a period of five years commencing six months following issuance and have an exercise price of $1.40 per share. As of March 31, 2017, all of the warrants are outstanding.

U.S. Dollars in thousands (except share and per share amounts)

NOTE 6: - STOCKHOLDERS' EQUITY (CONT.)

d. **Options, warrants, restricted stocks and restricted stock units to employees, directors and consultants:**

1. Options to employees and directors:

The Company accounts for its options to employees and directors under the fair value method in accordance with ASC 718, "Compensation—Stock Compensation". A summary of the Company's activity for options granted to employees and directors under its 2005 incentive option plan is as follows:

	Nine months ended March 31, 2017 (Unaudited)			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at beginning of period	1,771,700	$ 3.759		
Options forfeited	(885,050)	$ 3.53		
Options exercised	(16,000)	$ 0.62		
Options outstanding at end of the period	870,650	$ 4.048	1.012	$ 212
Options exercisable at the end of the period	870,650	$ 4.048	1.012	$ 212
Options vested	870,650	$ 4.048	1.012	$ 212

Intrinsic value of exercisable options (the difference between the Company's closing stock price on the last trading day in the period and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the employees and directors option holders had all option holders exercised their options on March 31, 2017. This amount changes based on the fair market value of the Company's common stock.

U.S. Dollars in thousands (except share and per share amounts)

NOTE 6: - STOCKHOLDERS' EQUITY (CONT.)

d. **Options, warrants, restricted stocks and restricted stock units to employees, directors and consultants (cont.):**

2. Options to non-employees:

A summary of the options to non-employee consultants is as follows:

	Nine months ended March 31, 2017 (Unaudited)			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at beginning of period	237,300	$ 5.40		
Options granted	46,800	$ 0.00		
Options exercised	(1,900)	$ 0.00		
Options forfeited	(57,500)	$ 3.53		
Options outstanding at end of the period	224,700	$ 4.80	3.61	$ 172
Options exercisable at the end of the period	200,400	$ 5.38	2.90	$ 142
Options vested and expected to vest	224,700	$ 4.80	3.61	$ 172

Compensation expenses related to options granted to consultants were recorded as follows:

	Nine months ended March 31,		Three months ended March 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Research and development expenses	$ 5	$ -	$ 2	$ -
General and administrative expenses	$ 25	$ 2	$ 11	$ 1
	$ 30	$ 2	$ 13	$ 1

U.S. Dollars in thousands (except share and per share amounts)

NOTE 6: - STOCKHOLDERS' EQUITY (CONT.)

d. **Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):**

3. Restricted stock and restricted stock units to employees and directors:

The following table summarizes the activity related to unvested restricted stock and restricted stock units granted to employees and directors under its 2005 and 2016 incentive option plan for the nine month period ended March 31, 2017(Unaudited) is as follows:

	Number
Unvested at the beginning of period	1,906,619
Granted	2,404,435
Forfeited	(82,967)
Vested	(1,639,114)
Unvested at the end of the period	2,588,973
Expected to vest after March 31, 2017	2,488,250

Compensation expenses related to restricted stock units granted to employees and directors were recorded as follows:

	Nine months ended March 31,		Three months ended March 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Research and development expenses	$ 1,182	$ 743	$ 972	$ 260
General and administrative expenses	1,055	1,496	616	476
	$ 2,237	$ 2,239	$ 1,588	$ 736

Unamortized compensation expenses related to restricted stock units granted to employees and directors to be recognized over an average time of approximately 2 years are approximately $2,181.

U.S. Dollars in thousands (except share and per share amounts)

NOTE 6: - STOCKHOLDERS' EQUITY (CONT.)

d. **Options, warrants, restricted stock and restricted stock units to employees, directors and consultants (cont.):**

4. Restricted stock and restricted stock units to consultants:

The following table summarizes the activity related to unvested restricted stock and restricted stock units granted to consultants for the nine months ended March 31, 2017 (Unaudited):

	Number
Unvested at the beginning of period	26,000
Granted	210,721
Vested	(164,222)
Unvested at the end of the period	72,499

Compensation expenses related to restricted stock and restricted stock units granted to consultants were recorded as follows:

	Nine months ended March 31,		Three months ended March 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Research and development expenses	$ 7	$ 26	$ -	$ 6
General and administrative expenses	308	100	74	52
	$ 315	$ 126	$ 74	$ 58

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward - Looking Statements

This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws, and is subject to the safe-harbor created by such Act and laws. Forward-looking statements may include statements regarding our goals, beliefs, strategies, objectives, plans, including product and technology developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other variations thereon or comparable terminology. These statements are merely predictions and therefore inherently subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance levels of activity, or our achievements, or industry results to be materially different from those contemplated by the forward-looking statements. Such forward-looking statements appear in this Item 2 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," and may appear elsewhere in this quarterly report on Form 10-Q and include, but are not limited to, statements regarding the following:

- the expected development and potential benefits from our products in treating various medical conditions;
- the clinical trials to be conducted according to our license agreement with CHA Biotech Co. Ltd.;
- our plan to execute our strategy independently, using our own personnel, and through relationships with research and clinical institutions or in collaboration with other companies;
- the prospects of entering into additional license agreements, or other forms of cooperation with other companies and medical institutions;
- our pre-clinical and clinical trials plans, including timing of initiation, enrollment and conclusion of trials;
- achieving regulatory approvals, including under accelerated paths;
- receipt of future funding from the Israel Innovation Authority, or IIA;
- our marketing plans, including timing of marketing our first product, PLX-PAD;
- developing capabilities for new clinical indications of placenta expanded (PLX) cells and new products;
- our estimations regarding the size of the global market for our product candidates;
- our expectations regarding our production capacity;
- our expectation to demonstrate a real-world impact and value from our pipeline, technology platform and commercial-scale manufacturing capacity;
- our expectations regarding our short- and long-term capital requirements;
- the proposed private placement of our common stock and warrants pursuant to the term sheet with Innovative Medical Management Co., Ltd., or Innovative Medical, described below, the terms of such offering, the plan to enter into definitive agreements and the timing of entering into such agreements;
- the proposed joint venture, described in the overview below, to be established with Sosei Corporate Venture Capital Ltd. for the clinical development and commercialization of Pluristem's PLX-PAD cell therapy product in Japan, the plan to enter into definitive agreements and the timing of entering into such agreements;
- our outlook for the coming months and future periods, including but not limited to our expectations regarding future revenue and expenses; and
- information with respect to any other plans and strategies for our business.

Our business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report. In addition, historic results of scientific research, clinical and preclinical trials do not guarantee that the conclusions of future research or trials would not suggest different conclusions. Also, historic results referred to in this periodic report would be interpreted differently in light of additional research, clinical and preclinical trials results. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business is described under the heading "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, or the 2016 Annual Report. Readers are also urged to carefully review and consider the various disclosures we have made in that report.

As used in this quarterly report, the terms "we", "us", "our", the "Company" and "Pluristem" mean Pluristem Therapeutics Inc. and our wholly owned subsidiary, Pluristem Ltd., unless otherwise indicated or as otherwise required by the context.

Overview

Pluristem Therapeutics Inc. is a leading developer of placenta-based cell therapy product candidates for the treatment of multiple ischemic, inflammatory and hematologic conditions. Our lead indications are critical limb ischemia, or CLI, recovery after surgery for femoral neck fracture, and acute radiation syndrome, or ARS. Pivotal, multinational clinical trials are planned for our PLX-PAD product candidate in CLI and femoral neck fracture, and the National Institutes of Health's National Institute of Allergy and Infectious Diseases, or NIAID, is currently conducting a dose selection trial with PLX-R18 in the hematologic component of ARS. Each of these indications is a severe unmet medical need.

PLX cells are derived from a class of placental cells that are harvested from donated placentas at the time of full term delivery of a live baby. PLX cell products require no tissue matching prior to administration. They are produced using our proprietary three-dimensional expansion technology. Our manufacturing facility complies with the U.S. Food and Drug Administration's, or FDA's current Good Manufacturing Practice requirements and has been approved by the European, Japanese and Israeli regulatory authorities for production of PLX-PAD for late stage trials and marketing. We expect to have in-house production capacity to grow clinical-grade PLX cells in commercial quantities.

Our goal is to make significant progress with our robust clinical pipeline and our anticipated pivotal trials in order to ultimately bring innovative, potent therapies to patients who need new treatment options. We intend to shorten the time to commercialization of our first product candidate, PLX-PAD, by leveraging the unique accelerated regulatory pathways that exist in Europe and Japan to bring innovative products that address life-threatening diseases to the market efficiently. We believe that these accelerated pathways create substantial opportunities for us and for the cell therapy industry as a whole. We are pursuing these accelerated pathways for PLX-PAD in CLI and femoral neck fracture. Our second product candidate, PLX R18, is under development in the United States for ARS via the Animal Rule regulatory pathway, which may result in approval without the prior performance of human efficacy trials. We expect to demonstrate a real-world impact and value from our pipeline, technology platform and commercial-scale manufacturing capacity.

In December 2016, we announced that we signed a binding term sheet with Sosei Corporate Venture Capital Ltd., or Sosei CVC, for the establishment of a new Japanese corporation, or NewCo, for the clinical development and commercialization of our PLX-PAD cell therapy product in Japan. The parties plan to establish NewCo in Japan, in which we will own 35% of the equity in return for our contribution of a perpetual license to commercialize PLX-PAD for CLI in Japan. All proprietary rights related to PLX-PAD will be exclusively owned by us. Sosei CVC's investment fund, Sosei RMF1, together with additional Japanese investors, will raise and invest approximately $11 million, equivalent to approximately ¥1.3 billion, in return for ownership of 65% of NewCo. The parties plan to enter into a definitive agreement in the coming months.

In November 2016, we announced that the United Kingdom's Medicines & Healthcare Products Regulatory Agency has cleared our application to begin the pivotal Phase III trial of PLX-PAD cells in the treatment of CLI for patients who are unsuitable for revascularization. This multinational Phase III trial will be conducted in the United States as well as Europe.

On January 10, 2017, we announced that the FDA had cleared our Phase III trial and on January 17, 2017, we announced that the Paul Ehrlich Institute (PEI) cleared us to begin enrollment in Germany for the trial. We anticipate commencing patient enrollment in the first half of 2017. Our intention is to file a request for marketing authorization in the United States and in Europe following a successful completion of this 250-patient (estimated) trial.

In August 2016, our CLI program in the European Union was awarded a Euro 7,600,000 (approximately $8,400,000) grant. The grant is part of the European Union's Horizon 2020 program. The Phase III study of PLX-PAD in CLI will be a collaborative project carried out by an international consortium led by the Berlin-Brandenburg Center for Regenerative Therapies together with us and with participation of additional third parties. The grant will cover a significant portion of the CLI program costs. An amount of Euro 1,900,000 (approximately $2,100,000) is a direct grant allocated to us, and we also expect to benefit from cost savings resulting from grant amounts allocated to the other consortium members.

In July 2016, we announced our intent to conduct a Phase III trial assessing our PLX-PAD cells in recovery following surgery for femoral neck fracture in the United States and Europe. In addition, the European Medicines Agency, or EMA, confirmed that this indication would also be eligible for the Adaptive Pathways project.

In February 2016, we announced that the NIAID will initiate studies in large animals to select the appropriate doses for PLX-R18 as a medical counter measure in the treatment of the hematologic component of ARS. These studies have been initiated. Once the optimal dose is determined in large animals, a pivotal trial could be conducted, the results of which may be used to support a Biologics License Application for PLX-R18 for this indication under the Animal Rule regulatory pathway. The NIAID supports and collaborates on the dosing studies, and Pluristem supplies the PLX-R18 cells. In December 2015, we also signed a Memorandum of Understanding for a collaboration with Fukushima Medical University, Fukushima Global Medical Science Center. The purpose of the collaboration is to develop our PLX-R18 cells for the treatment of ARS, and for morbidities following radiotherapy in cancer patients.

We have also made progress in our Phase II intermittent claudication (IC) trial, a randomized, double blind, placebo controlled, multinational clinical trial. On January 12, 2017, we announced that we had completed enrollment of all 172 patients in the Phase II trial. We currently have active clinical sites in the United States, Israel, Germany and South Korea.

The FDA cleared our Investigational New Drug application to begin a Phase I trial of PLX-R18 cells to treat incomplete hematopoietic recovery following hematopoietic cell transplantation, or HCT. We anticipate commencing patient enrollment in the first half of 2017.

In December 2015, the FDA granted our PLX-PAD cells Orphan Drug Designation in the treatment of severe preeclampsia. We are currently conducting additional pre-clinical studies in order to advance towards a Phase I trial.

In May 2015, we announced that the PLX-PAD cell program in CLI had been selected for the Adaptive Pathways pilot project of the EMA. In addition, we reached an agreement with Japan's Pharmaceuticals and Medical Devices Agency on the design of the final trial needed to apply for conditional approval of PLX-PAD cells in the treatment of CLI. The approval of the protocol for the 75-patient trial was part of a larger agreement on the development of PLX-PAD via Japan's new accelerated regulatory pathway for regenerative medicine.

In May 2017, we announced the promising results of our non-human primates, or NHPs, pilot study for PLX-R18 as a treatment for ARS. The study, conducted and funded by the NIAID, was designed to assess the safety and efficacy of PLX-R18 following intramuscular injection into irradiated and non-irradiated NHPs. Efficacy measures included survival as well as level of bone marrow function, which is affected by exposure to high levels of radiation as may occur in a nuclear accident or attack.

RESULTS OF OPERATIONS – NINE AND THREE MONTHS ENDED MARCH 31, 2017 COMPARED TO NINE AND THREE MONTHS ENDED MARCH 31, 2016.

Revenues

Revenues for the nine and three month periods ended March 31, 2016 were $2,847,000 and $0, versus no revenues generated in the nine and three month period ended March 31, 2017. All revenues in the nine month period ended March 31, 2016 were derived from a prior license agreement, or the United Agreement, with United Therapeutics Corporation, or United.

On December 8, 2015, we received a notice from United terminating the United Agreement effective immediately. As we have no further obligations towards United, we recognized the remaining upfront payment received in August 2011 as revenues during the year ended June 30, 2016.

Research and Development Expenses, Net

Research and development expense, net (costs less participation and grants by the IIA and other parties) for the nine months ended March 31, 2017 increased by 9% from $15,221,000 for the nine months ended March 31, 2016 to $16,537,000, mainly due to an increase in payments to consultants and subcontractors related to clinical studies such as our CLI and HCT studies, and an increase in stock-based compensation expenses due to an increased number of RSUs granted under the Company's 2016 Equity Compensation Plan. The increase was offset by a higher participation from the IIA in calendar year 2016 compared to calendar year 2015 ($2,900,000 was approved in 2015 compared to $3,300,000 that was approved in 2016), participation from the European Union with respect to the Horizon 2020 grant commencing in calendar year 2017 and a decrease in materials consumption.

Research and development expense, net (costs less participation and grants by the IIA and other parties) for the three months ended March 31, 2017 increased by 10% from $5,756,000 for the three months ended March 31, 2016 to $6,337,000. This increase is attributed to an increase in stock-based compensation expenses due to an increased number of RSUs granted under the Company's 2016 Equity Compensation Plan and to an increase in payments to consultants and subcontractors related to clinical studies such as our CLI and HCT studies. The increase was offset by a decrease in materials consumption and also offset by the participation from the European Union with respect to the Horizon 2020 grant commencing in calendar year 2017.

General and Administrative Expenses

General and administrative expenses for the nine months ended March 31, 2017 increased by 5% from $4,672,000 for the nine months ended March 31, 2016 to $4,896,000. This increase is attributed to an increase in corporate activities expenses which was partially offset by a decrease in stock-based compensation expenses due to the decrease in the market value of our common stock from the value on the date of the grant, timing of grant date and vesting schedule.

General and administrative expenses for the three months ended March 31, 2017 increased by 15% from $1,639,000 for the three months ended March 31, 2016 to $1,886,000, mainly due to an increase in stock-based compensation expenses due to an increased number of RSUs granted under the Company's 2016 Equity Compensation Plan and an increase in corporate activities expenses.

Financial Income, Net

Financial income, net, increased from a net income of $105,000 for the nine months ended March 31, 2016 to a net income of $635,000 for the nine months ended March 31, 2017. This increase is mainly attributable to increased income from exchange rates, since through the nine months ended March 31, 2017, there was a decrease of 6% of the U.S. dollar against the New Israeli Shekel, or NIS, compared to a decrease of 0.1% of the U.S. dollar against the NIS through the nine months ended March 31, 2016, higher income resulting from the changes in the fair value of our hedging instruments, which is related to the strength of the U.S. dollar against the NIS, and from a higher income related to our marketable securities (such as net gains related to sales of the marketable securities, interest and dividend income).

Financial income, net, increased from a net income of $192,000 for the three months ended March 31, 2016 to a net income of $359,000 for the three months ended March 31, 2017.

This increase is mainly attributable to a decrease in losses related to sale of our marketable securities and increased income related to the changes in the fair market value of our hedging instruments, which is related to the strength of the U.S. dollar against the NIS. This increase was partially offset by a decrease in income from exchange rates, since through the three months ended March 31, 2017 there was a decrease in the value of monetary assets compared to the three months ended March 31, 2016.

Net Loss

Net loss for the nine and three month periods ended March 31, 2017 was $20,798,000 and $7,864,000, respectively, as compared to net loss of $17,041,000 and $7,203,000 for the nine and three month periods ended March 31, 2016, respectively. The changes were mainly due to the termination of the United Agreement and an increase in research and development expenses, offset by increased financial income, as described above. Net loss per share for the nine and three month periods ended March 31, 2017 was $0.25 and $0.09, respectively, as compared to $0.21 and $0.09 for the nine and three month periods ended March 31, 2016.

For the nine and three month periods ended March 31, 2017 and March 31, 2016, we had weighted average shares of common stock outstanding of 84,573,038, 91,753,808 and 79,350,504, 79,935,477, respectively, which were used in the computations of net loss per share for the nine and three-month periods.

The increase in weighted average common shares outstanding reflects the issuance of additional shares, mainly related to the issuances of shares from a public offering we conducted on January 25, 2017, issuances of shares to employees and consultants and shares issued as a result of exercises of options.

Liquidity and Capital Resources

As of March 31, 2017, our total current assets were $34,603,000 and total current liabilities were $6,129,000. On March 31, 2017, we had a working capital surplus of $28,474,000, stockholders' equity of $35,623,000 and an accumulated deficit of $182,555,000. We finance our operations, and plan to continue doing so, from our existing cash, issuances of our securities, sales of the marketable securities we hold, licensing fees and other potential payments under licensing agreements, and funds from grants from the IIA, Israel's Ministry of Economy, European Union and other research grants.

Cash and cash equivalents as of March 31, 2017 amounted to $5,319,000 compared to $5,404,000 as of March 31, 2016, and compared to $6,223,000 as of June 30, 2016. Cash balances changed in the nine months ended March 31, 2017 and 2016 for the reasons presented below.

Operating activities used cash of $15,221,000 in the nine months ended March 31, 2017, compared to $12,978,000 in the nine months ended March 31, 2016. Cash used in operating activities in the nine months ended March 31, 2017 and 2016 consisted primarily of payments of salaries to our employees and payments of fees to our consultants, suppliers, subcontractors, and professional services providers, including the costs of clinical studies, offset by grants from the IIA, the European Union and Israel's Ministry of Economy.

Investing activities used cash of $1,411,000 in the nine months ended March 31, 2017, compared to$5,051,000 for the nine months ended March 31, 2016. The investing activities in the nine months ended March 31, 2017 consisted primarily of the investment of $3,791,000 of short term deposits and investment of $2,292,000 in marketable securities and payments of $360,000 related to investment in property and equipment, offset by $5,024,000 provided from the sale and redemption of marketable securities. The investing activities in the nine months ended March 31, 2016 consisted primarily of the investment of $3,524,000 in short term deposits, investment of $3,954,000 in marketable securities and payments of $1,535,000 related to investment in property and equipment. Our investment activities also provided cash of $3,929,000 from the sale and redemption of marketable securities.

Financing activities generated cash of $15,728,000 during the nine months ended March 31, 2017, compared to $807,000 for the nine months ended March 31, 2016. The cash generated in the nine months ended March 31, 2017 from financing activities is related to net proceeds of $15,718,000 from issuing shares of our common stock in the public offering we conducted in January 2017 and from the exercise of options by employees and non-employees consultant. The cash generated in the nine months ended March 31, 2016 from financing activities is related to proceeds received from shares issued in a private placement in May 2015 and exercises of options by shareholders.

On January 20, 2017, we entered into an amended and restated underwriting agreement with an underwriter pursuant to which the underwriter agreed to buy, on an underwritten firm commitment basis, 12,244,898 shares of our common stock, par value $0.00001 per share, or the Common Stock, and warrants to purchase 7,346,939 shares of our Common Stock. In addition, we also granted the underwriter a 30-day option to purchase from us up to an additional 1,836,735 shares of our Common Stock at a price of $1.15056 per share, and warrants to purchase an additional 1,102,041 shares of our Common Stock at a purchase price of $0.00156604 per warrant, to cover over allotments.

On January 25, 2017, we closed the public offering and sold an aggregate of 14,081,633 shares of our Common Stock and warrants to purchase 8,448,980 shares of our Common Stock, inclusive of the over-allotment option, which was exercised in full, for aggregate net proceeds of $15,718,493.

During the nine months ended March 31, 2017, we received cash of approximately $3,258,000 from the IIA towards our research and development expenses. According to the IIA grant terms, we are required to pay royalties at a rate of 3% - 4% on sales of products and services derived from technology developed using this and other IIA grants until 100% of the dollar-linked grants amount plus interest are repaid. In the absence of such sales, no payment is required. Through March 31, 2017, total grants obtained aggregated to approximately $24,461,000 and total royalties paid amounted to $166,000.

During the nine month ended March 31, 2017, we received cash of approximately $965,000 from the European Union as part of the Horizon 2020 grant towards our research and development expenses for our Phase III study of PLX-PAD in CLI.

In October 2016, we signed a binding term sheet, or the Term Sheet, for an investment of approximately $30,000,000 by China-based Innovative Medical Management Co. Ltd., or Innovative Medical, a publicly listed Chinese company. Pursuant to the Term Sheet, Innovative Medical will purchase approximately 16,890,000 shares of our common stock at a purchase price of $1.77 per share, as well as warrants to purchase approximately 4,422,500 shares of our common stock, with such warrants having an exercise price of $2.50 per share and exercisable for a period of 5 years. In accordance with the Term Sheet, Innovative Medical will have the right to designate an additional director upon the closing of the agreement and, as long as it holds at least 12.5% of our issued and outstanding stock, to designate one nominee for election at our annual meeting of shareholders thereafter. Innovative Medical will also have certain information, registration and pre-emptive rights as well as certain negotiation rights with respect to our potential transactions in China. On December 23, 2016, we announced that, due to a recently adopted Chinese policy relating to outbound investments by Chinese companies, we agreed with Innovative Medical to extend the time of execution of the definitive agreements relating to Innovative Medical's proposed investment. As a result of the recently adopted Chinese policy, we now plan to continue the discussions with respect to the definitive agreements until we and Innovative Medical received further clarification about such policies, which is expected during the first half of 2017.

The currency of our financial portfolio is mainly in U.S. dollars and we use options contracts in order to hedge our exposures to currencies other than the U.S. dollar. For more information, please see Item 7A. - "Quantitative and Qualitative Disclosures about Market Risk" in our 2016 Annual Report.

We have an effective Form S-3 registration statement, filed under the Securities Act of 1933, as amended, or the Securities Act, with the Securities and Exchange Commission, or the SEC, using a "shelf" registration process. Under this shelf registration process, we may, from time to time, sell common stock, preferred stock and warrants to purchase common stock, and units of two or more of such securities in one or more offerings up to a total dollar amount of $200,000,000. As of May 8, 2017, we have sold 20,881,633 shares of our common stock and warrants to purchase up to 12,528,980 shares of common stock in a total gross amount of $34,250,000 in offerings we closed in June 2015 and January 2017.

Outlook

We have accumulated a deficit of $182,555,000 since our inception in May 2001. We do not expect to generate any revenues from sales of products in the next twelve months. Our cash needs will increase in the foreseeable future. We expect to generate revenues, which in the short and medium terms will unlikely exceed our costs of operations, from the sale of licenses to use our technology or products. Our management believes that we may need to raise additional funds, before we have cash flow from operations that can materially decrease our dependence on our existing cash and other liquidity resources.

We are continually looking for sources of funding, including non-diluting sources such as the IIA grants, the European Union grant and other research grants, sales of our common stock, such as the sale pursuant to the Term Sheet, or sales of the marketable securities we hold.

We believe that we have sufficient cash to fund our operations for at least the next 12 months.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three and nine months ended March 31, 2017, we issued an aggregate of 9,000 and 116,806 shares of common stock to consultants for services rendered, respectively.

The above issuances were exempt under Section 4(a)(2) of the Securities Act or Regulation S promulgated under the Securities Act.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures - We maintain a system of disclosure controls and procedures that are designed for the purposes of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Co-Chief Executive Officers, or Co-CEOs, and our Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Co-CEOs and our CFO, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, our Co-CEOs and CFO concluded that our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting - There has been no change in our internal control over financial reporting during the third quarter of Fiscal 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits.

10.1*	Amendment to Binding Term Sheet by and between Pluristem Therapeutics Inc. and Sosei Corporate Venture Capital Ltd.
31.1*	Rule 13a-14(a) Certification of Co-Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Co-Chief Executive Officer.
31.3*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1**	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.3**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101 *	The following materials from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Interim Condensed Consolidated Balance Sheets, (ii) the Interim Condensed Consolidated Statements of Operations, (iii) the Interim Condensed Consolidated Statements of Comprehensive Loss, (iv) the Interim Condensed Statements of Changes in Equity, (v) the Interim Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Interim Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.

*Filed herewith.

** Furnished herewith.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLURISTEM THERAPEUTICS INC.

By: /s/ Zami Aberman

Zami Aberman, Co-Chief Executive Officer
(Principal Executive Officer)
Date: May 8, 2017

By: /s/ Yaky Yanay

Yaky Yanay, Co-Chief Executive Officer and President
(Principal Executive Officer)
Date: May 8, 2017

By: /s/ Erez Egozi

Erez Egozi, Chief Financial Officer, (Principal Financial Officer and Principal Accounting Officer)
Date: May 8, 2017

Exhibit 10.1

Pluristem Ltd.

March 22, 2017

To:
Sosei Corporate Venture Capital Ltd.
Attn: Mr. Peter Bains

Re: **Extension of Term Sheet Period**

Reference is hereby made to a certain Term Sheet dated December 19, 2016, by and between Pluristem Ltd. and Sosei Corporate Venture Capital Ltd. (the "**Term Sheet**").

Pursuant to the "Timing and Expenses" clause in the Term Sheet, the parties hereby extend the term sheet period by additional 90 days starting from March 31, 2017 and ending on June 30, 2017.

Very truly yours,

Pluristem Ltd.

By: /s/ Zami Aberman
Name: Zami Aberman
Title: Chairman and CEO

The abovementioned decision is agreed and accepted by:

Sosei Corporate Venture Capital Ltd.

By: /s/ Peter Bains
Name: Peter Bains
Title: Representative Director and President
Date: March 31, 2017

Exhibit 31.1

CERTIFICATION

I, Zami Aberman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ Zami Aberman

Zami Aberman
Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Yaky Yanay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ Yaky Yanay

Yaky Yanay
Co-Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.3

CERTIFICATION

I, Erez Egozi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2017

/s/ Erez Egozi

Erez Egozi
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Zami Aberman, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2017

By: /s/ Zami Aberman

Zami Aberman
Co-Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Yaky Yanay, Co-Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2017

By: /s/ Yaky Yanay

Yaky Yanay
Co-Chief Executive Officer and President

Exhibit 32.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Erez Egozi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2017

By: /s/ Erez Egozi

Erez Egozi
Chief Financial Officer