

**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 **September 30, 2020**

☐ 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 3508409

(Address of principal executive offices)

011-972-74-7108600

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.00001	PSTI	Nasdaq Capital Market

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 every Interactive Data File required to be submitted 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 files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a 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 ☒

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: 25,633,383 shares of common stock issued and outstanding as of November 3, 2020.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2020

(Unaudited)

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

As of September 30, 2020

U.S. DOLLARS IN THOUSANDS

(Unaudited)

INDEX

	<u>Page</u>
<u>Interim Condensed Consolidated Balance Sheets</u>	2-3
<u>Interim Condensed Consolidated Statements of Operations</u>	4
<u>Interim Condensed Statements of Changes in Stockholders' Equity</u>	5-6
<u>Interim Condensed Consolidated Statements of Cash Flows</u>	7-8
<u>Notes to Interim Condensed Consolidated Financial Statements</u>	9-17

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

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

	Note	September 30, 2020 Unaudited	June 30, 2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 6,625	\$ 8,270
Short-term bank deposits		33,813	37,514
Restricted cash		555	555
Other current assets		1,698	2,122
<u>Total</u> current assets		<u>42,691</u>	<u>48,461</u>
LONG-TERM ASSETS:			
Long-term deposits and restricted bank deposits		12,134	12,653
Severance pay fund		646	631
Property and equipment, net		2,260	2,516
Operating lease right-of-use asset		1,190	1,259
Other long-term assets		29	12
<u>Total</u> long-term assets		<u>16,259</u>	<u>17,071</u>
<u>Total</u> assets		<u>\$ 58,950</u>	<u>\$ 65,532</u>

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	September 30, 2020 Unaudited	June 30, 2020
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables		\$ 1,795	\$ 1,968
Accrued expenses		3,523	3,018
Operating lease liability, current		1,052	1,020
Other accounts payable		1,975	1,981
<u>Total</u> current liabilities		<u>8,345</u>	<u>7,987</u>
LONG-TERM LIABILITIES			
Accrued severance pay		892	879
Operating lease liability		385	565
Other long-term liabilities		380	-
<u>Total</u> long-term liabilities		<u>1,657</u>	<u>1,444</u>
COMMITMENTS AND CONTINGENCIES	3		
STOCKHOLDERS' EQUITY			
Share capital:	4		
Common stock \$0.00001 par value per share:			
Authorized: 60,000,000 shares			
Issued and outstanding: 25,612,811 shares as of September 30, 2020, 25,492,713 shares as of June 30, 2020		(*)	(*)
Additional paid-in capital		337,593	336,257
Accumulated deficit		(288,645)	(280,156)
<u>Total</u> stockholders' equity		<u>48,948</u>	<u>56,101</u>
<u>Total</u> liabilities and stockholders' equity		<u>\$ 58,950</u>	<u>\$ 65,532</u>

(*) Less than \$1

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)**

	Three months ended September 30,	
	2020	2019
Operating Expenses:		
Research and development expenses	\$ (6,203)	\$ (5,826)
Less: participation by the Israeli Innovation Authority ("IIA") and other parties	265	444
Research and development expenses, net	(5,938)	(5,382)
General and administrative expenses, net	(2,799)	(1,813)
Operating loss	(8,737)	(7,195)
Financial income, net	248	56
Net loss	<u>\$ (8,489)</u>	<u>\$ (7,139)</u>
Loss per share:		
Basic and diluted net loss per share	<u>\$ (0.33)</u>	<u>\$ (0.46)</u>
Weighted average number of shares used in computing basic and diluted net loss per share	<u>25,535,593</u>	<u>15,405,026</u>

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 1, 2019	15,082,852	\$ (*)	\$ 272,825	\$ (251,004)	\$ 21,821
Stock-based compensation to employees, directors and non-employee consultants	92,869	(*)	864	-	864
Issuance of common stock under Open Market Sales Agreement, net of issuance costs of \$198 (see Note 4a)	439,900	(*)	1,981	-	1,981
Exercise of options by non-employee consultants	3,000	(*)	-	-	-
Round up of shares due to reverse stock split effectuated on July 25, 2019 (see Note 4b)	1,292	(*)	-	-	-
Net loss	-	-	-	(7,139)	(7,139)
Balance as of September 30, 2019 (unaudited)	<u>15,619,913</u>	<u>\$ (*)</u>	<u>\$ 275,670</u>	<u>\$ (258,143)</u>	<u>\$ 17,527</u>

(*) Less than \$1

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Equity
Balance as of July 1, 2020	25,492,713	\$ (*)	\$ 336,257	\$ (280,156)	\$ 56,101
Stock-based compensation to employees, directors and non-employee consultants	73,741	(*)	1,036	-	1,036
Exercise of warrants (Note 4c)	42,857	(*)	300	-	300
Exercise of options by non-employee consultants	3,500	(*)	-	-	-
Net loss	-	-	-	(8,489)	(8,489)
Balance as of September 30, 2020 (unaudited)	<u>25,612,811</u>	<u>\$ (*)</u>	<u>\$ 337,593</u>	<u>\$ (288,645)</u>	<u>\$ 48,948</u>

(*) 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

	Three months ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (8,489)	\$ (7,139)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	347	468
Stock-based compensation to employees, directors and non-employee consultants	1,036	864
Decrease in accounts receivable from the IIA	142	108
Decrease (increase) in other current assets and other long-term assets	265	(483)
Increase (decrease) in trade payables	(187)	661
Increase (decrease) in other accounts payable, accrued expenses, other current liabilities and other long-term liabilities	880	(1,648)
Decrease in operating lease right-of-use asset and liability, net and effect of exchange rate differences	(80)	(27)
Increase in interest receivable on short-term deposits	(52)	(38)
Linkage differences and interest on short and long-term deposits and restricted bank deposits	(1)	(4)
Accrued severance pay, net	(2)	(3)
Net cash used by operating activities	<u>\$ (6,141)</u>	<u>\$ (7,241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (77)	\$ (54)
Proceeds from withdrawals of short-term deposits	3,754	4,802
Proceeds from withdrawals of long-term deposits	522	-
Net cash provided by investing activities	<u>\$ 4,199</u>	<u>\$ 4,748</u>

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

	Three months ended September 30,	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds related to issuance of common stock, net of issuance costs	\$ -	\$ 1,981
Proceeds related to exercise of warrants	300	-
Net cash provided by financing activities	<u>\$ 300</u>	<u>\$ 1,981</u>
Decrease in cash and cash equivalents and restricted cash	(1,642)	(512)
Cash and cash equivalents and restricted cash at the beginning of the period	9,229	5,186
Cash and cash equivalents and restricted cash at the end of the period	<u>\$ 7,587</u>	<u>\$ 4,674</u>
(a) Supplemental disclosure of cash flow activities:		
Cash paid during the period for:		
Taxes paid due to non-deductible expenses	<u>\$ 3</u>	<u>\$ 3</u>
(b) Supplemental disclosure of non-cash activities:		
Purchase of property and equipment on credit	<u>\$ 46</u>	<u>\$ 2</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:-GENERAL

- a. Pluristem Therapeutics Inc., a Nevada corporation (“Pluristem Therapeutics”), was incorporated on May 11, 2001. Pluristem Therapeutics has a wholly owned subsidiary, Pluristem Ltd. (the “Subsidiary”), which is incorporated under the laws of the State of Israel. In January 2020, the Subsidiary established a wholly owned subsidiary, Pluristem GmbH (the “German Subsidiary”) which is incorporated under the laws of Germany. Pluristem Therapeutics, the Subsidiary and the German Subsidiary are referred to as the “Company” or “Pluristem.”

The Company’s shares of common stock are traded on the Nasdaq Capital Market and on the Tel-Aviv Stock Exchange under the symbol “PSTI.”

- b. The Company is a bio-therapeutics company developing placenta-based cell therapy product candidates for the treatment of multiple ischemic, inflammatory and hematologic conditions. The Company is also active in the treatment of severe COVID-19 complicated by Acute Respiratory Distress Syndrome under compassionate use programs in the United States and Israel and Phase II studies in the U.S, the European Union and Israel.

The Company has incurred an accumulated deficit of approximately \$288,645 and incurred recurring operating losses and negative cash flows from operating activities since inception. As of September 30, 2020, the Company’s total stockholders’ equity amounted to \$48,948. During the three month period ended September 30, 2020, the Company incurred operating losses of \$8,737 and its negative cash flow from operating activities was \$6,141.

As of September 30, 2020, the Company’s cash position (cash and cash equivalents, short-term bank deposits and restricted cash and long-term bank deposits) totaled approximately \$53,127. The Company plans to continue to finance its operations from its current resources and the proceeds from the loan under the European Investment Bank (the “EIB”) finance contract (the “Finance Contract”) (See note 1c) once certain milestones are reached, by entering into licensing or other commercial agreements, from grants to support its research and development activities and from sales of its equity securities. 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 issuance of these unaudited condensed consolidated financial statements. There are no assurances, however, that the Company will be able to obtain an adequate level of financial resources that are required for the long-term development and commercialization of its product.

- c. EIB Finance contract

On April 30, 2020, Pluristem entered into the Finance Contract with the EIB, pursuant to which the German Subsidiary can obtain a loan, for a period of 36 months, in the amount of up to €50 million, subject to certain milestones being reached (the “Loan”), payable in three tranches (each, a “Tranche”), with the first Tranche consisting of €20 million, the second Tranche consisting of €18 million and the third Tranche consisting of €12 million.

The Tranches will be treated independently, each with its own interest rate and maturity period. The interest rate is 4% in the aggregate (consisting of a 0% fixed interest rate and a 4% deferred interest rate payable upon maturity, respectively) per year for the first Tranche, 4% in the aggregate (consisting of a 1% fixed interest rate and a 3% deferred interest rate payable upon maturity, respectively) for the second Tranche and 3% (consisting of a 1% fixed interest rate and a 2% deferred interest rate payable upon maturity, respectively) for the Third Tranche.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1: -GENERAL (CONT.)

In addition to any interest payable on the Loan, the EIB is entitled to receive royalties from future revenues, if any, of Pluristem for a period of seven years starting in 2024, in an amount equal to between 0.2% to 2.3% of the Company's consolidated revenues, pro-rated to the amount disbursed from the Loan to Pluristem beginning in the fiscal year 2024 and continuing up to and including its fiscal year 2030.

As of September 30, 2020, Pluristem has not yet received any Tranche of the Finance Contract.

CHA Agreement

On June 26, 2013, Pluristem entered into an exclusive license and commercialization agreement (the "CHA Agreement") with CHA Biotech Co. Ltd. ("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 ("CLI"), and Intermediate Claudication (collectively with CLI, the "Indications"). 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 was a Phase II trial in Intermittent Claudication.

Upon the first regulatory approval for a PLX product in South Korea, for the specified Indications, Pluristem and CHA will establish an equally owned joint venture 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 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 shall see fit at its sole discretion.

Chart Industries Agreement

In November 2018, the Company entered into a license agreement with a subsidiary of Chart Industries, Inc. ("Chart"), regarding the Company's thawing device for cell-based therapies. Pursuant to the terms of the agreement, Chart obtained the exclusive rights to manufacture and market the thawing device in all territories worldwide, excluding Greater China, and the Company is entitled to receive royalties from sales of the product and supply of an agreed upon number of thawing devices. Royalties shall commence on the date of Chart's first commercial sale of the thawing device. As of September 30, 2020, commercial sale of the thawing device by Chart has not yet begun.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**U.S. Dollars in thousands (except share and per share amounts)**

NOTE 2:-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, 2020.

Operating results for the three month period ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending June 30, 2021.

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, accrued expenses and other 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 Accounting Standards Codification (“ASC”), “Fair Value Measurements and Disclosures” (“ASC 820”). 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2: - 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.

e. Derivative financial instruments

The Company accounts for derivatives and hedging based on ASC 815, “Derivatives and hedging” (“ASC 815”), as amended and related interpretations. ASC 815 requires the Company to recognize all derivatives on the balance sheet at fair value.

If a derivative meets the definition of a hedge and is so designated, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings (for fair value hedge transactions) or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings (for cash flow hedge transactions).

If a derivative does not meet the definition of a hedge, the changes in the fair value are included in earnings. Cash flows related to such hedges are classified as operating activities.

The Company enters into forward exchange contracts and option contracts in order to limit the exposure to exchange rate fluctuation associated with expenses mainly incurred in New Israeli Shekels (“NIS”). Since the derivative instruments that the Company holds do not meet the definition of hedging instruments under ASC 815, any gain or loss derived from such instruments is recognized immediately as “financial income, net”.

The Company measured the fair value of the contracts in accordance with ASC 820. Foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

As of September 30, 2020, the fair value of the options contracts was \$31, and is presented in “other current assets.” The net income recognized in “Financial income, net” during the three month periods ended September 30, 2020 and 2019 was \$13 and \$83, respectively.

f. Recently Adopted Accounting Pronouncements

Accounting Standards Update (“ASU”) No. 2018-18 - “Collaborative Arrangements (Topic 808) - Clarifying the Interaction between Topic 808 and Topic 606” (“ASU No. 2018-18”):

In November 2018, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2018-18, which clarifies the interaction between Topic 808 and Topic 606 by (1) clarifying that certain transactions between collaborative arrangement participants should be accounted for under Topic 606, (2) adding unit-of-account guidance in Topic 808 to align with the guidance in Topic 606, and (3) clarifying presentation guidance for transactions with a collaborative arrangement participant that are not accounted for under Topic 606. ASU 2018-18 is effective for fiscal years beginning after December 15, 2019, or July 1, 2020 for the Company. The Company is currently evaluating the impact of adopting the ASU on its consolidated financial statements. The Company adopted the new standard as of July 1, 2020, and the new standard had no material impact on its consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

g. *Recently Issued Accounting Pronouncements*

ASU No. 2016-13 - "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"):

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. The amendments contained in ASU 2016-13 were originally effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years for the Company. In November 2019, the FASB issued ASU No. 2019-10, which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the U.S. Securities and Exchange Commission) and other non-U.S. Securities and Exchange Commission reporting entities to fiscal years beginning after December 15, 2022 or July 1, 2023 for the Company, including interim periods within those fiscal periods. Early adoption is permitted. The Company is currently assessing the impact the guidance will have on its consolidated financial statements.

NOTE 3: - COMMITMENTS AND CONTINGENCIES

- a. As of September 30, 2020, an amount of \$962 of cash and deposits was pledged by the Subsidiary to secure the derivatives and hedging transactions, credit line and bank guarantees.
- 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% 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 September 30, 2020, total grants obtained from the IIA aggregated to approximately \$27,743 and total royalties paid and accrued amounted to \$169. As of September 30, 2020, the Company's contingent liability in respect to royalties to the IIA amounted to \$27,574, not including LIBOR interest as described above.

- c. The Company was awarded a marketing grant under the "Smart Money" program of the Israeli Ministry of Economy and Industry. The program's aim is to assist companies to extend their activities in international markets. The goal market that was chosen was Japan. The Israeli government granted the Company budget resources that are intended to be used to advance the Company's product candidate towards marketing in Japan and for regulatory activities there. As part of the program, the Company will repay royalties of 5% from the Company's income in Japan during five years, starting the year in which the Company will not be entitled to reimbursement of expenses under the program and will be spread for a period of up to 5 years or until the amount of the grant is fully paid.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3: - COMMITMENTS AND CONTINGENCIES (CONT.)

As of September 30, 2020, total grants obtained under this Smart Money program amounted to approximately \$112. As of September 30, 2020, the Company's contingent liability with respect to royalties for this "Smart Money" program was \$112 and no royalties were paid or accrued.

- d. The Company was awarded an additional "Smart Money" grant of approximately \$229 from Israel's Ministry of Economy and Industry to facilitate certain marketing and business development activities with respect to its advanced cell therapy products in the Chinese market, including Hong Kong. The Israeli government granted the Company budget resources that are intended to be used to advance the Company's product candidate towards marketing in the China-Hong Kong markets. The Company will also receive close support from Israel's trade representatives stationed in China, including Hong Kong, along with experts appointed by the Smart Money program. As part of the program, the Company will repay royalties of 5% from the Company's revenues in the region for a five year period, beginning the year in which the Company will not be entitled to reimbursement of expenses under the program and will be spread for a period of up to 5 years or until the amount of the grant is fully paid.

As of September 30, 2020, the aggregate amount of grant obtained from this Smart Money program was approximately \$160. As of September 30, 2020, the Company's contingent liability with respect to royalties for this "Smart Money" program is \$160 and no royalties were paid or accrued.

- e. In September 2017, the Company signed an agreement with the Tel-Aviv Sourasky Medical Center (Ichilov Hospital) to conduct a Phase I/II trial of PLX-PAD cell therapy for the treatment of Steroid-Refractory Chronic Graft-Versus-Host-Disease ("cGvHD").

As part of the agreement with the Tel-Aviv Sourasky Medical Center (Ichilov Hospital), the Company will pay royalties of 1% from its net sales of the PLX-PAD product relating to GvHD, with a maximum aggregate royalty amount of approximately \$250.

- f. The Company was awarded a marketing grant of approximately \$52 under the "Shalav" program of the Israeli Ministry of Economy and Industry. The grant is intended to facilitate certain marketing and business development activities with respect to the Company's advanced cell therapy products in the U.S. market. As part of the program, the Company will repay royalties of 3%, but only with respect to the Company's revenues in the U.S. market in excess of \$250 of its revenues in fiscal year 2018, upon the earlier of the five year period beginning the year in which the Company will not be entitled to reimbursement of expenses under the program and/or until the amount of the grant, which is linked to the Consumer Price Index, is fully paid.

As of September 30, 2020, total grants obtained under the "Shalav" program amounted to approximately \$52. As of September 30, 2020, the Company's contingent liability with respect to royalties for this "Shalav" program was \$52 and no royalties were paid or accrued.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4: - STOCKHOLDERS' EQUITY

- a. Pursuant to a shelf registration on Form S-3 declared effective by the Securities and Exchange Commission on June 23, 2017, on February 6, 2019, the Company entered into an Open Market Sales Agreement (the "Sales Agreement") with Jefferies LLC ("Jefferies") which provided that, upon the terms and subject to the conditions and limitations in the sales agreement, the Company was able to elect, from time to time, to offer and sell shares of common stock having an aggregate offering price of up to \$50,000 through Jefferies acting as sales agent. During the three month period ended September 30, 2019, the Company sold 439,900 shares of common stock under the Sales Agreement at an average price of \$4.95 per share for aggregate net proceeds of approximately \$1,981, net of issuance expenses of \$198. On June 30, 2020, the Company's shelf registration on Form S-3 declared effective by the SEC on June 23, 2017 expired, and as a result thereof, the Sales Agreement was terminated.
- b. In July 2019, the Board of Directors approved a 1-for-10 reverse stock split of the Company's (a) authorized shares of common stock; (b) issued and outstanding shares of common stock and (c) authorized shares of preferred stock. The reverse stock split became effective on July 25, 2019. All shares of common stock, options, warrants and securities convertible or exercisable into shares of common stock, as well as loss per share, have been adjusted to give retroactive effect to this reverse stock split for all periods presented.

An additional 1,292 shares of common stock were included in the Company's issued and outstanding shares as a result of rounding fractional shares into whole shares as a result of the reverse stock split.

- c. In the three months ended September 30, 2020, a total of 428,570 warrants to purchase shares from our April 2019 firm commitment public offering were exercised at an exercise price of \$7.00 per share, resulting in the issuance of 42,857 shares of common stock for net proceeds of approximately \$300.
- d. Options to non-employees:

A summary of the options to non-employee consultants under its 2005 and 2016 incentive option plans is as follows:

Three months ended September 30, 2020 (Unaudited)				
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at beginning of period	54,871	\$ 0.00001	-	-
Options granted	-	-	-	-
Options exercised	(3,500)	-	-	-
Options forfeited	-	-	-	-
Options outstanding at end of the period	51,371	0.00001	7.61	\$ 541
Options exercisable at the end of the period	45,745	0.00001	7.54	\$ 482
Options vested and expected to vest	51,371	\$ 0.00001	7.61	\$ 541

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4: - STOCKHOLDERS' EQUITY (CONT.)

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

	Three months ended September 30,	
	2020	2019
	(Unaudited)	
Research and development expenses	\$ -	\$ 18
General and administrative expenses	3	29
	<u>\$ 3</u>	<u>\$ 47</u>

e. Restricted stock ("RS") and restricted stock units ("RSUs") to employees, directors and consultants:

1. RS and RSUs to employees and directors:

The following table summarizes the activity related to unvested RS and RSUs granted to employees and directors under the Company's 2005, 2016 and 2019 incentive option plans for the three month period ended September 30, 2020 (Unaudited):

	Number
Unvested at the beginning of period	415,194
Granted	2,220,000
Forfeited	(4,875)
Vested	(73,116)
Unvested at the end of the period	<u>2,557,203</u>
Expected to vest after September 30, 2020	<u>2,539,848</u>

Compensation expenses related to RS and RSUs granted to employees and directors were recorded as follows:

	Three months ended September 30,	
	2020	2019
	(Unaudited)	
Research and development expenses	\$ 92	\$ 222
General and administrative expenses	822	573
	<u>\$ 914</u>	<u>\$ 795</u>

Unamortized compensation expenses related to RSUs granted to employees and directors to be recognized over an average time of approximately 4 years are approximately \$22,782.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4: - STOCKHOLDERS' EQUITY (CONT.)

e. RS and RSUs to employees, directors and consultants (cont.):

2. RS and RSUs to consultants:

The following table summarizes the activity related to unvested RS and RSUs granted to consultants under the Company's 2005 and 2016 incentive option plans for the three month period ended September 30, 2020 (Unaudited):

	Number
Unvested at the beginning of period	6,250
Granted	85,000
Vested	(625)
Unvested at the end of the period	90,625

Compensation expenses related to RS and RSUs granted to consultants were recorded as follows:

	Three months ended September 30,	
	2020	2019
	(Unaudited)	
Research and development expenses	\$ 103	\$ 12
General and administrative expenses	16	10
	<u>\$ 119</u>	<u>\$ 22</u>

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;
- 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;
- our entering into certain contracts with third parties;
- 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;
- the expected timing of the release of data from our various studies;
- achieving regulatory approvals, including under accelerated paths;
- receipt of future funding from the Israel Innovation Authority, or IIA, the European Union's Horizon 2020 program, as well as grants from other independent third parties;
- the receipt of funds pursuant to our finance agreement, or the Finance Agreement, with the European Investment Bank, or the EIB, and whether we will achieve the milestones necessary to receive funds thereunder;
- our marketing plans, including timing of marketing our product candidates, PLX-PAD and PLX-R18, and the filing of any requests for marketing authorization;
- developing capabilities for new clinical indications of placenta expanded (PLX) cells and new products;
- the progress of our multinational regulated clinical trial program for the potential use of PLX cells in the treatment of patients suffering from complications associated with the COVID-19 pandemic;
- our estimations regarding the size of the global market for our product candidates;
- our expectations regarding our production capacity, including the use of our serum-free formulation;
- 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;

- our outlook for the coming months and future periods, including but not limited to our expectations regarding future revenue and expenses;
- information with respect to any other plans and strategies for our business; and
- our expectation regarding the impact of the COVID-19 pandemic, including on our clinical trials and operations.

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, 2020, or the 2020 Annual Report, as well as Item 1A of this Quarterly 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 subsidiaries, Pluristem Ltd. and Pluristem GmbH, unless otherwise indicated or as otherwise required by the context.

Overview

We are a leading developer of placenta-based cell therapy product candidates for the treatment of multiple ischemic, inflammatory and hematologic conditions. Our operations are focused on the research, development, manufacturing, conducting clinical trials and business development of cell therapeutics and related technologies.

We are currently enrolling patients in two Phase III studies: one for critical limb ischemia, or CLI, and another for muscle recovery following surgery for hip fracture. In addition, we are focusing on other indications such as acute radiation syndrome, or ARS, incomplete recovery following bone marrow transplantation, Steroid-Refractory Chronic Graft Versus Host Disease, or cGvHD, and intermittent claudication. We received clearance from the U.S. Food and Drug Administration, or the FDA, and the German health regulatory agency, the Paul Ehrlich Institute, or the PEI, to conduct a Phase II trial evaluating PLX cells for the treatment of severe cases of the COVID-19 coronavirus, or COVID-19, complicated by Acute Respiratory Distress Syndrome, or ARDS. We expect to complete enrollment of the U.S. Phase II study in the first quarter of calendar year 2021. We also received approval from the Israeli Ministry of Health to commence patient enrollment in Israel for our COVID-19 Phase II clinical trial, under the protocol that was approved by the PEI. We have treated several patients in Israel and in the United States suffering from severe ARDS associated with COVID-19 under a compassionate use program. In addition, the FDA has cleared our Expanded Access Program, or EAP, for the use of our PLX-PAD cells to treat up to 100 patients suffering from ARDS caused by COVID-19 outside of our ongoing Phase II COVID-19 trial in the U.S. We believe that 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 placenta at the time of full term healthy delivery of a baby. PLX cell products require no tissue or blood matching prior to administration. They are produced using our proprietary three-dimensional expansion technology. Our manufacturing facility complies with the European, Japanese, Israeli, South Korean and the FDA’s current Good Manufacturing Practice, or cGMP, requirements and has been inspected and approved by the European and Israeli regulators for production of PLX-PAD for late stage trials. We have also granted manufacturer/importer authorization and cGMP Certification by Israel’s Ministry of Health. If we obtain FDA and other regulatory approvals to market PLX cells, we expect to have in-house production capacity to grow PLX cells in commercial quantities.

Our goal is to make significant progress with our clinical pipeline and our clinical trials in order to ultimately bring innovative, potent therapies to patients who need new treatment options. We expect to demonstrate a real-world impact and value from our pipeline, technology platform and commercial-scale manufacturing capacity. Our business model for commercialization and revenue generation includes, but is not limited to, direct sale of our products, partnerships, licensing deals, and joint ventures with pharmaceutical companies.

We were incorporated in Nevada in 2001, and we have a wholly owned subsidiary in Israel called Pluristem Ltd. and a wholly owned subsidiary in Germany called Pluristem GmbH.

RESULTS OF OPERATIONS – THREE MONTHS ENDED SEPTEMBER 30, 2020 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2019.

Revenues

We had no revenues during the three month periods ended September 30, 2020 and September 30, 2019.

Research and Development Expenses, Net

Research and development expense, net (costs less participation and grants by the IIA and other parties) for the three month period ended September 30, 2020 increased by 10% from \$5,382,000 for the three month period ended September 30, 2019 to \$5,938,000. The increase consisted primarily of (1) an increase in subcontractor expenses mainly related to our Phase II trial for the treatment of severe cases of the COVID-19 complicated by ARDS, (2) an increase in materials consumption, which were in line with our production plan, (3) an increase in payroll expenses and (4) lower participation by the European Union with respect to the European Union's Horizon 2020 grants, which was primarily utilized in the first years of the projects.

General and Administrative Expenses

General and administrative expenses for the three month period ended September 30, 2020 increased by 54% from \$1,813,000 for the three month period ended September 30, 2019 to \$2,799,000. The increase consisted primarily of (1) an increase in payroll expenses related to the entitlement of Mr. Aberman, our Executive Chairman, to certain adjustment fees pursuant to his amended consulting agreement, (2) an increase in stock-based compensation expenses related to a grant award approved by our Board in September 2020 and (3) an increase in legal activities related to the formation of our German subsidiary, Pluristem GmbH, and legal activities related to the EIB Finance Agreement.

Financial Income (Expense), Net

Financial income, net, increased from a net financial income of \$56,000 for the three month period ended September 30, 2019 to a net financial income of \$248,000 for the three month period ended September 30, 2020. This increase is mainly attributable to income due to exchange rates related to the strength of the U.S. dollar against the NIS.

Net Loss

Net loss for the three month period ended September 30, 2020 was \$8,489,000 as compared to net loss of \$7,139,000 for the three month period ended September 30, 2019. The increase was mainly due to increases in research and development expenses and general and administrative expenses, as described above. Net loss per share for the three month period ended September 30, 2020 was \$0.33 as compared to \$0.46 for the three month period ended September 30, 2019.

For the three month period ended September 30, 2020 and September 30, 2019, we had weighted average shares of common stock outstanding of 25,535,593 and 15,405,026, respectively, which were used in the computations of net loss per share for the three month period.

The increase in weighted average common shares outstanding reflects the issuance of additional shares mainly related to the issuances of shares to employees and consultants, issuances of shares pursuant to our Open Market Sale AgreementSM, or the Sales Agreement, we executed with Jefferies LLC, or Jefferies, on February 6, 2019, issuances of shares pursuant to a securities purchase agreement with two institutional investors in May 2020, and shares issued as a result of exercises of warrants and options.

Liquidity and Capital Resources

As of September 30, 2020, our total current assets were \$42,691,000 and total current liabilities were \$8,345,000. On September 30, 2020, we had a working capital surplus of \$34,346,000, stockholders' equity of \$48,948,000 and an accumulated deficit of \$288,645,000. We finance our operations, and plan to continue doing so, from our existing cash, issuances of our securities, use of the funds that we may receive pursuant to the Finance Agreement with the EIB once we meet the applicable milestones, and other non-dilutive grants such as grants from the IIA, European Union's Horizon 2020 program and Israel's Ministry of Economy.

Our cash and cash equivalents as of September 30, 2020 amounted to \$6,625,000, compared to \$3,715,000 as of September 30, 2019, and compared to \$8,270,000 as of June 30, 2020. Cash balances changed in the three months ended September 30, 2020 and 2019 for the reasons presented below.

Operating activities used cash of \$6,141,000 in the three months ended September 30, 2020, compared to \$7,241,000 in the three months ended September 30, 2019. Cash used in operating activities in the three months ended September 30, 2020 and 2019 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, partially offset by grants from the IIA, the European Union's Horizon 2020 program, Israel's Ministry of Economy and other research grants.

Investing activities provided cash of \$4,199,000 in the three months ended September 30, 2020, compared to cash provided of \$4,748,000 for the three months ended September 30, 2019. The investing activities in the three month period ended September 30, 2020 consisted primarily of the withdrawal of \$3,754,000 of short term deposits, withdrawal of \$522,000 of long term deposits, partially offset by payments of \$77,000 related to investment in property and equipment. The investing activities in the three month period ended September 30, 2019 consisted primarily of the withdrawal of \$4,802,000 of short term deposits, offset by payments of \$54,000 related to investment in property and equipment.

Financing activities generated cash of \$300,000 during the three months ended September 30, 2020, compared to \$1,981,000 for the three months ended September 30, 2019. The cash generated in the three months ended September 30, 2020 from financing activities is related to net proceeds of \$300,000 from issuing shares of our common stock from the exercise of warrants. The cash generated in the three months ended September 30, 2019 from financing activities is related to net proceeds of \$1,981,000 from issuing shares of our common stock under our Sales Agreement.

In April 2020, we and our subsidiaries, Pluristem Ltd. and Pluristem GmbH, executed the Finance Agreement with the EIB for funding of up to €50 million in the aggregate, payable in three tranches. The proceeds from the Finance Agreement are intended to support our research and development in the EU to further advance our regenerative cell therapy platform, and to bring the products in our pipeline to market, with a special focus on clinical development of PLX cells as a treatment for complications associated with COVID-19. The proceeds from the Finance Agreement are expected to be deployed in three tranches, subject to the achievement of certain clinical, regulatory and scaling up milestones with the first tranche consisting of €20 million. To date, we have not yet received the first tranche of funds from the EIB.

On February 6, 2019, we entered into the Sales Agreement with Jefferies pursuant to which we were entitled to issue and sell shares of our common stock having an aggregate offering price of up to \$50,000,000 from time to time through Jefferies. We were not obligated to make any sales of common stock under the Sales Agreement. From February 6, 2019 through June 30, 2020, we sold an aggregate of 8,297,750 shares of common stock pursuant to the Sales Agreement for aggregate gross proceeds of \$49,140,965. On June 30, 2020, our shelf registration on Form S-3 declared effective by the SEC on June 23, 2017 expired, and as a result thereof, the Sales Agreement was terminated. On July 16, 2020, we entered into a new Open Market Sales AgreementSM, or the 2020 Sales Agreement, with Jefferies, pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to \$75,000,000 from time to time through Jefferies. As of September 30, 2020, we did not conduct any sales under the 2020 Sales Agreement. Upon entering into the 2020 Sales Agreement, we filed a new shelf registration statement on Form S-3, which was declared effective by the SEC on July 23, 2020.

On May 5, 2020, we entered into securities purchase agreements with two institutional investors pursuant to which we sold, in a registered direct public offering, 1,587,302 shares of common stock for net proceeds of approximately \$15,000,000.

During the three months ended September 30, 2020, warrants were exercised by investors at an exercise price of \$7.00 per share, resulting in the issuance of 42,857 shares of common stock for net proceeds of approximately \$300,000.

During the three months ended September 30, 2020, we received cash of approximately \$58,000 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% 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 September 30, 2020, total grants obtained from the IIA aggregated to approximately \$27,743,000 and total royalties paid and accrued amounted to \$169,000.

The IIA has supported our activity in the past fourteen years. Our most recent program, for the fourteenth year, was approved by the IIA in 2019 and relates to a grant of approximately \$500,000. The grant was used to cover research and development expenses for the period of January 1, 2019 to December 31, 2019.

In May 2020, we were selected as a member of the CRISPR-IL consortium, a group funded by the IIA. CRISPR-IL brings together the leading experts in life science and computer science from academia, medicine, and industry, to develop AI based end-to-end genome-editing solutions. CRISPR-IL is funded by the IIA with a total budget of approximately \$10,000,000 of which, an amount of approximately \$480,000 is a direct grant allocated to us, for a period of 18 months, with a potential for extension of an additional 18 months and additional budget from the IIA. CRISPR-IL participants include leading companies, and medical and academic institutions. As of September 30, 2020, we received total grants of approximately \$348,000 in cash from the IIA pursuant to the CRISPR-IL consortium program.

As of September 30, 2020, we received total grants of approximately \$5,973,000 in cash from the European Union research and development consortiums pursuant to the European Union's Horizon 2020 program.

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 the 2020 Annual Report on form 10-K for the fiscal year ended June 30, 2020.

We have an effective Form S-3 registration statement (file no. 333-239890), 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 \$250,000,000. As of November 5, 2020, other than the \$75 million we are eligible to sell pursuant to the 2020 Sales Agreement, no common stock, preferred stock and warrants to purchase common stock were sold.

Outlook

We have accumulated a deficit of \$288,645,000 since our inception in May 2001. We do not expect to generate any significant revenues from sales of products in the next twelve months. Our cash needs may increase in the foreseeable future. We expect to generate revenues, from the sale of licenses to use our technology or products, but in the short and medium terms will unlikely exceed our costs of operations.

We may be required to obtain additional liquidity resources in order to support the commercialization of our products and maintain our research and development and clinical trials activities.

We are continually looking for sources of funding, including non-diluting sources such as the EIB Financing, the IIA grants, the European Union grant and other research grants, collaboration with other companies and sales of our common stock.

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 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 Chief Executive Officer, or CEO, 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 CEO 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 CEO 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 first quarter of fiscal year 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 6. Exhibits.

- | | |
|--------|--|
| 10.1* | <u>Guarantee Agreement by and among the European Investment Bank, Pluristem Therapeutics, Inc. and Pluristem GmbH, dated September 30, 2020.</u> |
| 10.2* | <u>Guarantee Agreement by and among the European Investment Bank, Pluristem Ltd. and Pluristem GmbH dated, September 30, 2020.</u> |
| 31.1* | <u>Rule 13a-14(a) Certification of Chief Executive Officer.</u> |
| 31.2* | <u>Rule 13a-14(a) Certification of Chief Financial Officer.</u> |
| 32.1** | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</u> |
| 32.2** | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u> |
| 101 * | The following materials from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 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 Statements of Changes in Stockholders' Equity, (iv) 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/ Yaky Yanay
Yaky Yanay, Chief Executive Officer and President
(Principal Executive Officer)

Date: November 5, 2020

By: /s/ Chen Franco-Yehuda
Chen Franco-Yehuda, Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Date: November 5, 2020

Contract number (FI No): 92335
Contract number (FI No): 91870
Serapis No: 2019-0880

Innovative Cell Therapies (EGFF)

Guarantee Agreement

between the

European Investment Bank

and

Pluristem Therapeutics Inc.

and

Pluristem GmbH

30 September, 2020

ARTICLE 1 INTERPRETATION AND DEFINITIONS	2
1.01 INTERPRETATION	2
1.02 DEFINITIONS	3
ARTICLE 2 FINANCE DOCUMENTS	5
ARTICLE 3 GUARANTEE	5
3.01 GUARANTEE (<i>GARANTIE</i>) AND INDEMNITY (<i>AUSFALLHAFTUNG</i>)	5
3.02 DEMANDS AND PAYMENTS	5
3.03 INDEPENDENT PAYMENT OBLIGATION	6
3.04 NO DEFENCES	6
3.05 IMMEDIATE RECOURSE	7
3.06 APPROPRIATIONS	7
3.07 DEFERRAL OF GUARANTOR'S RIGHTS	8
3.08 ADDITIONAL SECURITY	8
ARTICLE 4 TERM OF THE GUARANTEE	8
4.01 TERM	8
4.02 REINSTATEMENT	9
ARTICLE 5 REPRESENTATIONS AND WARRANTIES	9
5.01 REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR	9
5.02 UNDERTAKINGS OF THE GUARANTOR	13
ARTICLE 6 INFORMATION TO THE BANK	14
6.01 FINANCIAL INFORMATION	14
6.02 INFORMATION DUTIES	14
ARTICLE 7 DEFAULT INTEREST AND TAXES	15
7.01 TAXES	15
7.02 INTEREST ON OVERDUE SUMS	15
7.03 CURRENCY CONVERSION	15
7.04 SET-OFF	15
ARTICLE 8 CONTINUING OBLIGATIONS	16

ARTICLE 9 NON WAIVER	16
ARTICLE 10 LAW AND JURISDICTION, MISCELLANEOUS	16
10.01 GOVERNING LAW	16
10.02 JURISDICTION	16
10.03 SERVICE OF PROCESS	17
10.04 PLACE OF PERFORMANCE	17
10.05 EVIDENCE OF SUMS DUE	17
10.06 ENTIRE AGREEMENT	17
10.07 INVALIDITY	17
10.08 AMENDMENTS	18
10.09 COUNTERPARTS	18
10.10 ASSIGNMENT AND TRANSFER BY THE BANK	18
ARTICLE 11 FINAL ARTICLES	19
11.01 FORM OF NOTICE	19
11.02 ADDRESSES	20
11.03 DEMAND AFTER NOTICE TO REMEDY	20
11.04 ENGLISH LANGUAGE	20
11.05 CONCLUSION OF THIS GUARANTEE AGREEMENT (<i>VERTRAGSSCHLUSS</i>)	21

**THIS GUARANTEE AGREEMENT IS MADE ON 30
SEPTEMBER, 2020 BETWEEN:**

The **European Investment Bank** having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by Donald Fitzpatrick, Head of Division, and Mariana Duarte Silva, Counsel; (the “**Bank**”)

and

Pluristem Therapeutics Inc., a Nevada corporation incorporated under the laws of Nevada, whose registered office is at MATAM Advanced Technology Park, Building No. 5, Haifa, Israel 3508409, registered with the Nevada Secretary of State Office under Entity Number - C12337-2001, and NV business ID - NV20011300167, represented by Chen Franco-Yehuda and Yaacob Yanay; (the “**Guarantor**”)

and

Pluristem GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated in Germany, having its office at Brentanoweg 9, 14469 Potsdam, Germany and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin (Charlottenburg) under HRB 213655, represented by Chen Franco-Yehuda, Yaacob Yanay and Zalman Aberman. (the “**Borrower**”)

WHEREAS:

- (A) Pursuant to a finance contract dated 29 April 2020 and entered into between the Bank as lender and the Borrower as borrower, the Bank has agreed to grant in favour of the Borrower a credit in the amount of up to EUR 50,000,000 (fifty million euro) (the “**Finance Contract**”).
- (B) As a condition precedent to any disbursement under the Finance Contract, the Borrower has undertaken that the Guarantor shall, and the Guarantor has agreed to, grant a guarantee (*Garantie*) in favour of the Bank pursuant to the terms of this guarantee agreement (the “**Guarantee Agreement**”).
- (C) The parties to this Guarantee Agreement expressly agree that any reference in this Guarantee Agreement to the Finance Contract shall under no circumstances be construed as affecting the independent, unconditional and irrevocable nature of the guarantee (*Garantie*) granted pursuant to this Guarantee Agreement.

NOW THEREFORE it is hereby agreed as follows:

ARTICLE 1
INTERPRETATION AND DEFINITIONS

1.01 Interpretation

- (a) In this Guarantee Agreement, unless a contrary indication appears:
 - (i) “Guarantor”, the “Bank” and the “Borrower” shall be construed as to include its and any subsequent successors in title, permitted assigns and permitted transferees;
 - (ii) references to Articles, Recitals, Schedules and (Sub-)Paragraphs are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and (sub-)paragraphs of schedules to, this Guarantee Agreement. All Recitals and Schedules form part of this Guarantee Agreement;
 - (iii) references to “law” or “laws” mean (i) any applicable law and any applicable treaty, constitution, statute, legislation, decree, normative act, rule, regulation, judgement, order, writ, injunction, determination, award or other legislative or administrative measure or judicial or arbitral decision in any jurisdiction which is binding or applicable case law, and (ii) EU Law;
 - (iv) references to applicable law, applicable laws or applicable jurisdiction means (i) respectively a law or jurisdiction applicable to the Guarantor, its respective rights and/or obligations (in each case arising out of or in connection with the Finance Documents), its capacity and/or assets, and/or, as applicable, (ii) a law or jurisdiction (including in each case the Bank’s statute) applicable to the Bank, its rights, obligations, capacity and/or assets;
 - (v) references to a provision of law are references to that provision as amended or re-enacted;

- (vi) references to this Guarantee Agreement and any other Finance Document or other agreement or instrument are references to this Guarantee Agreement or that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
 - (vii) words and expressions in plural shall include singular and vice versa;
 - (viii) a “person” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether having separate legal personality or not); and
 - (ix) a Default (other than an Event of Default) is “continuing” if it has not been remedied or waived and an Event of Default is “continuing” if it has not been waived.
- (b) A term used in any notice given under or in connection with this Guarantee Agreement has the same meaning as ascribed to it in this Guarantee Agreement.
- (c) This Guarantee Agreement is made in the English language. For the avoidance of doubt, the English language version of this Guarantee Agreement shall prevail over any translation of this Guarantee Agreement. However, where a German translation of a word or phrase appears in the text of this Guarantee Agreement, the German translation of such word or phrase shall prevail.

1.02 Definitions

A reference to a term defined in the Finance Contract has the same meaning in this Guarantee Agreement, unless otherwise defined herein. In this Guarantee Agreement:

“**Bank’s Account**” has the meaning ascribed to such term in Article 3.02(a)(iii) (*Demands and payments*).

“**BGB**” means the German Civil Code (*Bürgerliches Gesetzbuch*).

“**Demand**” has the meaning ascribed to such term in Article 3.02(a) (*Demands and payments*).

“**EUR**” or “**euro**” means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

“**Fee Letters**” means the Luxembourg law governed letters from the Bank to the Borrower dated 6 January 2020 and dated 29 April 2020.

“**Finance Documents**” means this Guarantee Agreement, the Finance Contract, the Fee Letters, any other guarantee agreements in relation to the Finance Contract, any side letters in relation to the Finance Contract and any other document designated a “Finance Document” by the Borrower and the Bank.

“**GAAP**” means generally accepted accounting principles in the jurisdiction of incorporation of the respective Obligor, including IFRS.

“**Guarantee**” means the guarantee and indemnity granted pursuant to Article 3.01 (*Guarantee (Garantie) and Indemnity (Ausfallhaftung)*).

“**InsO**” means the German Insolvency Code (*Insolvenzordnung*).

“**Notification**” has the meaning ascribed to such term in Article 3.02(a) (*Demands and payments*).

“**Obligor**” means the Borrower and each “Guarantor” stated in the Finance Contract.

“**Payment Period**” has the meaning ascribed to such term in Article 3.02(b) (*Demands and payments*).

“**Security**” means any mortgage, land charge (*Grundschild*), pledge, lien, charge, assignment, security transfer (*Sicherungsübereignung*), retention of title arrangements, hypothecation, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**ZPO**” means the German Code of Civil Procedure (*Zivilprozessordnung*).

ARTICLE 2
FINANCE DOCUMENTS

The Guarantor hereby confirms that it has received a copy of the Finance Documents and that it is aware of the contents of the Finance Documents and the transactions contemplated thereby. The Guarantor further confirms that, to the extent the Finance Documents are in the English language, it is in command of the English language or has obtained a translation thereof, and to the extent necessary, has made itself familiar with the contents of the Finance Documents and the transactions contemplated thereby.

ARTICLE 3
GUARANTEE

3.01 Guarantee (*Garantie*) and Indemnity (*Ausfallhaftung*)

The Guarantor irrevocably and unconditionally:

- (a) guarantees (*garantiert*) by way of an independent payment obligation (*selbständiges Zahlungsversprechen*) to the Bank to pay to the Bank any amount of principal, interest, costs, expenses or other amount under or in connection with the Finance Documents, including, without limitation, any amounts due under the Finance Contract including, for the avoidance of doubt, any Profit Participation Payments as more specifically defined therein, in each case that has not been fully and irrevocably paid by the Borrower or any other Obligor when due in accordance with the terms of any other Finance Document, in each case including, for the avoidance of doubt, any obligation arising out of damages (*Schadenersatz*), unjust enrichment (*ungerechtfertigte Bereicherung*), tort (*unerlaubte Handlung*) or any claims arising from the insolvency administrator's discretion to perform obligations in agreements according to Section 103 InsO; and
- (b) undertakes vis-à-vis the Bank to indemnify (*schadlos halten*) the Bank against any cost, loss or liability suffered by the Bank if any obligation of the Borrower under or in connection with any Finance Document or any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Bank would otherwise have been entitled to recover (*Ersatz des positiven Interesses*).

For the avoidance of doubt this Guarantee does not constitute a surety (*Bürgschaft*) or a guarantee upon first demand (*Garantie auf erstes Anfordern*) and, in particular, receipt of such written demand shall not preclude any rights and/or defences the Guarantor may have with respect to any payment requested by the Bank under this Guarantee.

3.02 Demands and payments

- (a) Any demand made by the Bank to the Guarantor under this Guarantee Agreement (each, a “**Demand**”) shall be made by way of a written notification addressed by the Bank to the Guarantor, sent in accordance with the provisions set forth in Article 11.01 (*Form of notice*) below and having the following content (each a “**Notification**”):
 - (i) specifying that the Bank is making a Demand under this Guarantee Agreement;

- (ii) specifying the amount due and payable by the Guarantor and that such amount is an amount of principal, interest, costs, expenses or other amount under or in connection with the Finance Documents that has not been fully and irrevocably paid by the Borrower or any other Obligor when due in accordance with the terms of any other Finance Document as well as the currency of payment of such sums; and
- (iii) providing details of the relevant bank account into which payment should be made (the “**Bank’s Account**”) together with relevant instructions as to how payment should be made (if any),

it being understood that:

- (iv) the Bank shall be under no obligation to provide the Guarantor with any additional document nor to support its claim with any other justification or evidence, but shall reasonably consider a request reasonably made by the Guarantor to provide documentary support in order for the Guarantor to assess the relevant claim made; and
 - (v) the payment obligation of the Guarantor under this Guarantee Agreement is not subject to the accuracy or the merit of any statement, declaration or information contained in any Notification.
- (b) The Guarantor shall make the payment requested in the Notification within five (5) Business Days as from the date of receipt (included) of the relevant Notification (the “**Payment Period**”) and in the currency as requested within the Notification.
 - (c) The Bank is entitled to request the payment of any amount in one or several instalments.

3.03 Independent payment obligation

This Guarantee:

- (a) is independent and separate from the other obligations of the Borrower and is a continuing guarantee and indemnity which will extend to the ultimate balance of sums payable by the Borrower under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part; and
- (b) shall extend to any additional obligations of the Borrower resulting from any amendment, novation, supplement, extension, restatement or replacement of any Finance Document, including without limitation any extension of or increase in any Loan or the addition of a new loan or tranche under the Finance Contract.

3.04 No defences

- (a) The obligations of the Guarantor under this Guarantee Agreement will not be affected by an act, omission, matter or thing which relates to the principal obligation (or purported obligation) of the Borrower or any other guarantor under any other Finance Document and which would reduce, release or prejudice any of its obligations under this Guarantee Agreement, including any personal defences of the Borrower (*Einreden des Hauptschuldners*) or any right of revocation (*Anfechtung*) or set-off (*Aufrechnung*) of the Borrower. In particular, the Guarantor by its execution of this Guarantee Agreement:

- (i) consents (*willigt ein*), as required pursuant or analogue to Section 418 sub-section 1 sentence 3 BGB, to any assumption of debt (*Schuldübernahme*) or assignment and transfer by assumption of contract (*Vertragsübernahme*) which relates to any such principal obligation (or purported obligation); and
 - (ii) waives (*verzichtet auf*) any defences (*Einreden*) to which the Borrower in its respective capacity as principal debtor (*Hauptschuldner*) of any such principal obligation (or purported obligation) may be entitled.
- (b) The obligations of the Guarantor under this Guarantee Agreement are independent from any other security or guarantee which may have been or will be given to the Bank. In particular, the obligations of the Guarantor under this Guarantee Agreement will not be affected by any of the following:
 - (i) the release of, or any time (*Stundung*), waiver or consent granted to, the Borrower or any other guarantor under any other Finance Document from or in respect of its obligations under or in connection with any Finance Document,
 - (ii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, the Borrower or any other guarantor under any other Finance Document or any other person or any failure to realise the full value of any Security,
 - (iii) any incapacity or lack of power, authority or legal personality of or dissolution or a deterioration of the financial condition of the Borrower or any other guarantor under any other Finance Document, or
 - (iv) any unenforceability, illegality or invalidity of any obligation of the Borrower or any other guarantor under any other Finance Document.
- (c) For the avoidance of doubt nothing in this Article 3.04 (*No defences*) shall preclude any defences that the Guarantor (in its capacity as Guarantor only) may have against the Bank that the Guarantee does not constitute its legal, valid, binding or enforceable obligations.

3.05 Immediate recourse

The Bank will not be required to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Guarantor under this Guarantee. This applies irrespective of any law or provision of a Finance Document to the contrary.

3.06 Appropriations

Until all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents have been unconditionally and irrevocably paid in full, the Bank may:

- (a) refrain from applying or enforcing any other moneys, Security or rights held or received by the Bank in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

- (b) hold in an account any moneys received from the Guarantor or on account of the Guarantor's liability under this Guarantee.

3.07 Deferral of Guarantor's rights

- (a) Until all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents have been irrevocably paid in full and unless the Bank otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Guarantee:
- (i) to be indemnified by the Borrower or any other guarantor under any other Finance Document;
 - (ii) to claim any contribution from any other guarantor of the Borrower's or the Guarantors obligations under the Finance Documents;
 - (iii) to exercise any right of set-off against the Borrower or any other guarantor under any other Finance Document; and/or
 - (iv) to take the benefit (in whole or in part and whether by way of legal subrogation or otherwise) of any rights of the Bank under the Finance Documents or of any other guarantee or Security taken pursuant to, or in connection with, the Finance Documents by the Bank.
- (b) If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Bank by the Borrower and any other guarantor under or in connection with the Finance Documents to be repaid in full on trust for the Bank and shall promptly pay or transfer the same to the Bank or as the Bank may direct.

3.08 Additional Security

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee or Security now or subsequently held by the Bank.

ARTICLE 4
TERM OF THE GUARANTEE

4.01 Term

This Guarantee shall take effect on the date of execution of this Guarantee Agreement and expires on the date on which all sums which the Bank may claim under or in connection with any Finance Document have unconditionally and irrevocably been paid to the satisfaction of the Bank. This also includes, for the avoidance of doubt, any Profit Participation Payments pursuant to the Finance Contract.

4.02 Reinstatement

- (a) If any full or partial payment by the Borrower, the Guarantor, or any other guarantor under any other Finance Document is rescinded, invalidated, declared fraudulent, set aside, determined void or voidable as a preference, fraudulent conveyance, impermissible setoff, diversion of trust funds, avoided, reduced, or otherwise required to be returned by the Bank as a result of insolvency, bankruptcy, dissolution, liquidation, reorganization or any similar event involving the Borrower, the Guarantor, or any other guarantor under any other Finance Document, or upon or as a result of the appointment of a receiver, intervenor, custodian or conservator of a trustee or similar officer for Borrower, Guarantor, or any other guarantor under any other Finance Document, or any substantial part of its property, or otherwise:
 - (i) this Guarantee Agreement and the liability of the Guarantor or any other guarantor under any other Finance Document shall continue to be effective or shall be reinstated (as the case may be) as if the payment, discharge, avoidance or reduction had not occurred; and
 - (ii) the Bank shall be entitled to recover the value or amount of that security or payment from the Guarantor or any other guarantor under any other Finance Document, as if the payment, discharge, avoidance or reduction had not occurred.
- (b) The Guarantor shall pay or reimburse the Bank for all expenses incurred by the Bank in the defence of any claim that a payment received by the Bank in respect of all or any part of the obligations under the Finance Documents must be refunded.
- (c) The provisions of this Article 4.02 shall survive the termination of this Guarantee Agreement and any satisfaction and discharge of Borrower by virtue of any payment, court order, or law.

ARTICLE 5 **REPRESENTATIONS AND WARRANTIES**

5.01 Representations and Warranties of the Guarantor

The Guarantor hereby represent and warrant to the Bank that:

- (a) **Authorisations and Binding Obligations**
 - (i) Its place of incorporation or establishment is not (a) a jurisdiction classified by any Lead Organisation as being weakly regulated and/or weakly supervised and/or non-transparent and/or uncooperative or any equivalent classification used by any Lead Organisation, in connection with activities such as money laundering, financing of terrorism, tax fraud and tax evasion or harmful tax practices, and/or (b) a jurisdiction that is blacklisted by any Lead Organisation in connection with such activities.¹

¹ Relevant jurisdictions may be identified on the basis of lists of Lead Organisations, as such lists are updated, amended or supplemented from time to time, including: jurisdictions with strategic deficiencies in the area of AML-CFT as identified by FATF (<http://www.fatf-gafi.org/countries/#high-risk>); jurisdictions listed “partially compliant”, “provisionally partially compliant” or “non-compliant” in the OECD Global Forum progress reports/Global Forum rating (<http://www.oecd.org/tax/transparency/GFRatings.pdf>; <http://www.oecd.org/tax/transparency/exchange-of-information-on-request/ratings/>); jurisdictions identified in EU delegated regulation 2016/1675 of 14.7.2016 supplementing Directive (EU) 2015/849 as high-risk third countries with strategic deficiencies (<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016R1675>); and jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes (https://ec.europa.eu/taxation_customs/tax-common-eu-list_en).

- (ii) The execution and delivery of the Guarantee Agreement and the performance and compliance with its respective duties under this Guarantee Agreement do not and will not cause any representations made pursuant to this Article 5.01 to be untrue.
- (iii) It is receiving fair consideration and reasonably equivalent value for its execution and delivery of the Guarantee Agreement and the performance and compliance with its respective duties and under this Guarantee Agreement.

(b) **No Insolvency**

- (i) It is not now insolvent, nor will the entering into of this Guarantee Agreement and the performance of its respective obligations hereunder render it insolvent.
- (ii) The execution and delivery of the Guarantee Agreement and the performance and compliance with its respective duties under this Guarantee Agreement will not leave it with unreasonably small capital or assets in order to conduct its business as currently conducted.
- (iii) The obligations incurred under this Guarantee Agreement have not been incurred with the intent to hinder, delay, or defraud present or future creditors.
- (iv) It is able to pay its debts as they fall due and the entering into of this Guarantee Agreement and the performance of its respective obligations hereunder do not and will not cause it to be or to be deemed to be unable to pay its debts as they fall due.
- (v) It has not taken any corporate action nor have any other steps been taken in relation to the suspension of payments, a moratorium of any indebtedness, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) or legal proceedings been started or, so far as the Guarantor is aware, threatened against it for its winding-up, dissolution, administration, reorganisation, or any analogous procedure or step or for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee, compulsory manager or similar officer of it or of any or all of its assets or revenues.

(c) **No Proceedings**

- (i) No litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it any unsatisfied judgement or award.

- (ii) To the best of its respective knowledge and belief (having made due and careful enquiry) no material Environmental Claim has been commenced or is threatened against it.
- (iii) As at the date of this Guarantee Agreement, it has not taken any action to commence proceedings for, nor have any other steps been taken or legal proceedings commenced or, so far as it is aware, threatened against it for its insolvency, winding up or dissolution, or for it to enter into any arrangement or compositions for the benefit of creditors, or for the appointment of an administrator, receiver, administrative receiver, examiner, trustee or similar officer.

(d) **Ranking**

- (i) Its payment obligations under this Guarantee Agreement rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its respective debt instruments except for obligations mandatorily preferred by law applying to companies generally.
- (ii) No financial covenants have been concluded with any other of its creditors.
- (iii) No Voluntary Non-EIB Prepayment has occurred.

(e) **Accounting and Tax**

- (i) The latest of its available consolidated and unconsolidated audited accounts have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all of its liabilities (actual or contingent).
- (ii) The Accounting Reference Date of the Guarantor is 30 June.
- (iii) It is not required to make any deduction for or on account of any Tax from any payment it may make under this Guarantee Agreement. (*Non-repeating*)
- (iv) All Tax returns required to have been filed by it or on its behalf under any applicable law have been filed when due and contain the information required by applicable law to be contained in them.
- (v) It has paid when due all Taxes payable by it under applicable law except to the extent that it is contesting payment in good faith and by appropriate means.
- (vi) With respect to Taxes which have not fallen due or which it is contesting, each Obligor is maintaining reserves adequate for their payment and in accordance, where applicable, with GAAP.
- (vii) Under the laws of the jurisdiction of incorporation of the Guarantor, it is not necessary that this Guarantee Agreement be filed, recorded or enrolled with any court or other authority, other than with the Securities and Exchange Commission, or that any stamp, registration or similar tax be paid on or in relation to this Guarantee Agreement, or the transactions contemplated by this Guarantee Agreement. (*Non-repeating*)

(f) **Information provided**

Any factual information provided by it for the purposes of entering into this Guarantee Agreement and any related documentation was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated and continues to be true and accurate in all material respect as at the date of this Guarantee Agreement.

(g) **Environment**

It is in compliance with Paragraph 5. (*Environment*) of Schedule H (*General Undertakings*) of the Finance Contract, as if all references to the Borrower were to the Guarantor.

(h) **Borrower Information**

The Guarantor has and will continue to have full and complete access to any and all information concerning the transactions contemplated by the Finance Documents or referred to therein, the value of the assets owned or to be acquired by Borrower, Borrower's financial status, and Borrower's ability to pay and perform any obligation under or in connection with any Finance Document. So long as any obligation of the Borrower under or in connection with any Finance Document remains unsatisfied or owing to the Bank, the Guarantor shall keep itself fully informed as to all aspects of the Borrower's financial condition and ability to pay and perform such obligations.

(i) **Other**

In respect of this Guarantee Agreement and the transaction contemplated by, referred to in, provided for or effected by this Guarantee Agreement, it has entered into this Guarantee Agreement (i) in good faith and for the purpose of carrying out its business, (ii) on arms' length commercial terms and (iii) without any intention to defraud or deprive of any legal benefit of any other parties (such as third parties and in particular creditors other than the Bank) or to circumvent any applicable mandatory laws or regulations of any jurisdiction. The granting of this Guarantee Agreement is not disproportionate to its financial means.

The representations and warranties set out in this Article 5.01 – other than those paragraphs which are identified with the words “(*Non-repeating*)” at the end of the Paragraphs - shall survive the execution of this Guarantee Agreement and shall be repeated on each Disbursement Date Acceptance and each Disbursement Date, by reference to the facts and circumstances then prevailing.

In the event that, notwithstanding the representations and warranties of Guarantor contained in this Article 5.01, the incurring of the obligations under this Guarantee Agreement is found, by a final, non-appealable judgment or order of a court of competent jurisdiction, to constitute a fraudulent conveyance under the Uniform Fraudulent Transfer Act (Nevada Revised Statutes Chapter 112), the United States Bankruptcy Code, or any similar statutes, as a result of the insolvency of the Guarantor on the date hereof, then the amount of the guaranty obligations of Guarantor pursuant to this Guaranty shall be reduced to €1.00 less than the amount that would otherwise make this Guarantee Agreement a fraudulent conveyance. The limitation on the liability of Guarantor contained in this paragraph shall not limit any right of the Bank against Guarantor available at law or in equity, including, without limitation, rights of the Bank against Guarantor based upon any inaccuracy of, or the failure of Guarantor to comply with, the provisions of Article 5.01 above.

5.02 Undertakings of the Guarantor

The Guarantor acknowledges and agrees that during the subsistence of this Guarantee Agreement:

(a) Authorisations

It shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents required in or by the laws and regulations of its jurisdiction of incorporation to enable it lawfully to enter into, exercise its rights and perform the obligations expressed to be assumed by it under this Guarantee Agreement and to ensure the legality, validity, enforceability and admissibility in evidence of this Guarantee Agreement in its jurisdiction of incorporation and in Germany.

(b) No Security

It shall not create or permit to subsist any Security over any of its assets other than:

- (i) any Permitted Security; and
- (ii) any Security created with the prior approval of the Bank.

(c) *Pari passu* with other creditors

The Guarantor shall ensure that its payment obligations under this Guarantee Agreement rank, and will rank not less than *pari passu* in right and priority of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally.

(d) No action

It shall not take any action which would cause any of the representations made in Article 5.01 above to be untrue at any time during the continuation of this Guarantee Agreement.

(e) Know your Customer

The Guarantor shall deliver to the Bank any such information or further document concerning customer due diligence matters of or for the Guarantor as the Bank may reasonably require within a reasonable timeframe.

(f) Notification duty

It shall notify the Bank of the occurrence of any event of which it becomes aware which results in or may reasonably be expected to result in any of the representations made in Article 5.01 above being untrue.

(g) **Subordination of Debt**

Any debt of the Borrower now or hereafter held by the Guarantor is hereby subordinated to any obligation of the Borrower under or in connection with any Finance Document. The Guarantor shall not seek, accept, or retain for its own account any payment from the Borrower on account of any subordinated debt until all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents have been unconditionally and irrevocably paid in full. Any payment of such subordinated indebtedness by the Borrower to the Guarantor before payment in full of all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents shall be collected, enforced and received by the Guarantor as trustee for the Bank and promptly paid to the Bank in payment of the obligations of the Borrower under or in connection with any Finance Document.

ARTICLE 6
INFORMATION TO THE BANK

6.01 Financial Information

The Guarantor shall deliver to the Bank:

- (a) as soon as they become available but in any event within 120 (one hundred and twenty) days after the end of each of its financial years, a copy of its annual reports, balance sheets, cash flow statements, profit and loss accounts and auditors reports for that financial year together with all other such information as the Bank may reasonably require as to the Guarantor's financial situation; and
- (b) from time to time, such further information on its general financial position, business and operation as the Bank may reasonably request.

6.02 Information duties

During the subsistence of this Guarantee Agreement, the Guarantor shall immediately inform the Bank of:

- (a) any material alteration to its constitutional documents and of any proposal or decision known to it which contemplates the introduction of such alteration as well as of any material change in its corporate status or powers, in each case in so far as such event could reasonably be expected to affect the validity and enforceability of this Guarantee Agreement or the ability of the Guarantor to perform the obligations expressed to be assumed by it under this Guarantee Agreement;
- (b) a Change-of-Law Event with respect to the Guarantor; and
- (c) deliver any other information on its financial position likely to have a detrimental effect on its ability to perform the obligations expressed to be assumed by it under this Guarantee Agreement, subject in each case to Paragraph 5. (*Confidential Information*) of Schedule I (*Information and Visits*) of the Finance Contract.

For the purposes of this Article 6.02, "**Change-of-Law Event**" means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Guarantee Agreement and which, in the opinion of the Bank, would materially impair the Guarantor's ability to perform its obligations under this Guarantee Agreement.

ARTICLE 7
DEFAULT INTEREST AND TAXES

7.01 Taxes

- (a) All Taxes, charges, duties, fees as well as any other expenses or impositions of whatsoever nature, arising out or in connection with this Guarantee Agreement shall be borne by the Guarantor. The Guarantor shall make all payments under this Guarantee Agreement gross without withholding or deduction of any Tax, charges, duties, fees, expenses or impositions of whatsoever nature
- (b) If any amount in respect of any applicable Taxes, charges, duties, fees as well as any other expenses or impositions must be deducted, withheld or retained from any amount due under this Guarantee Agreement, the Guarantor undertakes to pay such additional amount as may be necessary to ensure that the Bank receives a net amount equal to the full amount to which it is entitled under this Guarantee Agreement.
- (c) The Guarantor undertakes to pay and indemnify the Bank against any amount, cost or loss incurred by the Bank in relation to any stamp duty, registration or similar Tax or notarial fee payable in respect of the Guarantor.

7.02 Interest on overdue sums

If the Guarantor fails to pay any amount payable by it under this Guarantee Agreement within the relevant Payment Period in accordance with Article 3.02 (*Demands and payments*), Article 4.4 (a) (*Interest on overdue sums*) of the Finance Contract shall apply mutatis mutandis, provided that such amount is not already accruing interest pursuant to Article 4.4 (a) (*Interest on overdue sums*) of the Finance Contract as an overdue obligation of the Borrower.

7.03 Currency conversion

- (a) Any payment to be made by the Guarantor under this Guarantee Agreement shall be made in the currency as set out in the relevant Notification. The Bank shall apply the exchange rate published by the European Central Bank in Frankfurt am Main for the purpose of any currency conversion.
- (b) If the Bank has received a payment under this Guarantee Agreement in a currency other than the currency requested in the relevant Notification and must convert this payment, the Guarantor shall indemnify the Bank, upon first demand, for any loss resulting from the difference in exchange rates between the date of conversion and the date on which the payment is received in the other currency, as well as for any fees (including legal fees, Taxes and any other charges) connected with this conversion.

7.04 Set-off

All payments to be made by the Guarantor under this Guarantee Agreement shall be made without (and free and clear of any deduction for) set-off or counterclaim unless the counterclaim is undisputed or has been confirmed in a final non-appealable judgement.

ARTICLE 8
CONTINUING OBLIGATIONS

It is hereby expressly agreed that any change, whatsoever, in the legal situation of the Guarantor shall not affect its obligations under this Guarantee Agreement and that in particular, in case of merger, demerger or absorption, the absorbing new or beneficiary company shall take over, under the merger treaty or agreement, the commitments of the Guarantor under this Guarantee Agreement and in case of demerger, the demerger companies benefiting from the partial assignment of assets resulting from the split will be bound to:

- (a) take over with joint liability the commitments of the Guarantor under this Guarantee Agreement; and
- (b) if requested by the Bank, grant additional security or guarantees.

ARTICLE 9
NON WAIVER

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Guarantee Agreement shall be construed as a waiver of such right or remedy and the Bank shall not be liable for any such failure, delay or single or partial exercise of any such right and remedy.

ARTICLE 10
LAW AND JURISDICTION, MISCELLANEOUS

10.01 Governing Law

This Guarantee Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Germany.

10.02 Jurisdiction

- (a) The courts of Frankfurt am Main, Germany, have exclusive jurisdiction to settle any matter or dispute (a “**Dispute**”) arising out of or in connection with this Guarantee Agreement (including a dispute regarding the existence, validity or termination of this Guarantee Agreement or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Guarantee Agreement.
- (b) The parties agree that the courts of Frankfurt am Main, Germany, are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.
- (c) This Article 10.02 is for the benefit of the Bank only. As a result and notwithstanding Sub-Paragraph (a) above, it does not prevent the Bank from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Bank may take concurrent proceedings in any number of jurisdictions.

10.03 Service of process

- (a) Without prejudice to any other mode of service allowed under any relevant law, the Guarantor:
- (i) irrevocably appoints the Borrower (the “**Process Agent**”) as its agent for service of process in relation to any proceedings before the German courts in connection with any Finance Document;
 - (ii) agrees that failure by the Process Agent to notify the Guarantor of the process will not invalidate the proceedings concerned; and
 - (iii) undertakes to deliver to the Process Agent within five Business Days upon request of the Bank a process agent appointment letter and to send a copy of such executed letter to the Bank.
- (b) The Process Agent hereby accepts its appointment pursuant to Article 10.03(a) above. The Process Agent shall ensure that documents to be served to the Guarantor may validly be served by delivery to the Process Agent. The Process Agent shall notify the Bank of any change of address, accept any documents delivered to it on behalf of the Guarantor, fulfil any requirements of Section 171 ZPO and present the original process agent appointment letter to any person effecting the service of process as required pursuant to Section 171 sentence 2 ZPO.

10.04 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Guarantee Agreement, shall be the seat of the Bank.

10.05 Evidence of sums due

In any legal action arising out of this Guarantee Agreement the certificate of the Bank as to any amount or rate due to the Bank under this Guarantee Agreement shall, in the absence of manifest error, be *prima facie* evidence of such amount or rate.

10.06 Entire Agreement

This Guarantee Agreement constitutes the entire agreement between the Bank and the Guarantor in relation to the provision of this Guarantee Agreement hereunder, and supersedes any previous agreement, whether express or implied, on the same matter.

10.07 Invalidity

- (a) If at any time any term of this Guarantee Agreement is or becomes illegal (*nichtig*), invalid or unenforceable in any respect, or this Guarantee Agreement is or becomes ineffective (*unwirksam*) in any respect, under the laws of any jurisdiction, such illegality (*Nichtigkeit*), invalidity, unenforceability or ineffectiveness (*Unwirksamkeit*) shall indisputably (*unwiderlegbar*) not affect:
- (i) the legality, validity or enforceability in that jurisdiction of any other term of this Guarantee Agreement or the effectiveness in any other respect of this Guarantee Agreement in that jurisdiction; or

- (ii) the legality, validity or enforceability in other jurisdictions of that or any other term of this Guarantee Agreement or the effectiveness of this Guarantee Agreement under the laws of such other jurisdictions,

without any party to this Guarantee Agreement having to argue (*darlegen*) and prove (*beweisen*) such parties' intent to uphold this Guarantee Agreement even without the void, invalid or ineffective provisions.

- (b) The illegal, invalid, unenforceable or ineffective provision shall be deemed replaced by such legal, valid, enforceable and effective provision that in legal and economic terms comes closest to what the parties to this Guarantee Agreement intended or would have intended in accordance with the purpose of this Guarantee Agreement if they had considered the point at the time of conclusion of this Guarantee Agreement. The same applies in the event that this Guarantee Agreement does not contain a provision which it needs to contain in order to achieve the economic purpose as expressed herein (*Regelungslücke*).

10.08 Amendments

Any amendment to this Guarantee Agreement (including this Article 10.08) shall be made in writing (or in notarial form, if required) and shall be signed by the parties hereto.

10.09 Counterparts

This Guarantee Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

10.10 Assignment and transfer by the Bank

- (a) Subject to sub-paragraph (b) of this Article 10.10(*Assignment and transfer by the Bank*), the consent of the Guarantor is required for an assignment or transfer (by way of assumption of contract (*Vertragsübernahme*), assignment, sub-participation or otherwise) by the Bank of all or part of its rights, benefits or obligations under this Guarantee Agreement, unless the assignment or transfer:
 - (i) is to a Bank Affiliate; or
 - (ii) is made at a time when an Event of Default has occurred and is continuing; or
 - (iii) is made in respect of a sub-participation or securitisation (or similar transaction of broadly equivalent economic effect) where the Bank remains the lender of record of the Loan.
- (b) The consent of the Guarantor to an assignment or transfer must not be unreasonably withheld or delayed. The Guarantor will be deemed to have given its consent five (5) Business Days after the Bank has requested such consent in written form unless consent is expressly refused by the Guarantor within that time.

- (c) Provided such disclosure is subject to confidentiality provisions at least as restrictive as set forth in the MAR Side Letter, the Bank shall have the right to confidentially disclose all information relating to or concerning the Guarantor, the Group, the Finance Documents and the Loan in connection with or in contemplation of any such assignment or transfer.

For the purpose of this Article 10.10 (*Assignment and transfer by the Bank*):

“**Affiliate**” means any entity directly or indirectly Controlling, Controlled by or under common Control with the Bank.

“**Bank Affiliate**” means an Affiliate of the Bank and any other entity or platform initiated, managed or advised by the Bank.

ARTICLE 11

FINAL ARTICLES

11.01 Form of notice

- (a) Any notice or other communication given under this Guarantee Agreement must be in writing and, unless otherwise stated, may be made by letter and electronic mail.
- (b) Notices and other communications for which fixed periods are laid down in this Guarantee Agreement or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter or by electronic mail. Such notices and communications shall be deemed to have been received by the other party:
- (i) on the date of delivery in relation to a hand-delivered or registered letter; or
 - (ii) in the case of any electronic mail, when the electronic mail is received in readable form.
- (c) Any notice provided by the Guarantor to the Bank by electronic mail shall:
- (i) mention the Contract Number in the subject line; and
 - (ii) be in the form of a non-editable electronic image (pdf, tif or other common non-editable file format agreed between the parties) of the notice signed by one or more Authorised Signatories of the Guarantor as appropriate, attached to the electronic mail.
- (d) Notices issued by the Guarantor pursuant to any provision of this Guarantee Agreement shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Guarantor and the authenticated specimen signature of such person or persons, unless such person is listed in the then current List of Authorised Signatories.
- (e) Without affecting the validity of electronic mail or communication made in accordance with this Article 11 (*Final Articles*), the following notices, communications and documents shall also be sent by registered letter to the relevant party at the latest on the immediately following Business Day:
- (i) Disbursement Acceptance;

- (ii) any notices and communication in respect of the cancellation of a disbursement of any Tranche, Prepayment Request, Prepayment Notice, Event of Default, any demand for prepayment, and
- (iii) any other notice, communication or document required by the Bank.
- (f) The parties agree that any above communication (including via electronic mail) is an accepted form of communication, shall constitute admissible evidence in court and shall have the same evidential value as an agreement under hand.
- (g) Any communication or document made or delivered to the Guarantor in accordance with this Article 11 (*Final Articles*) will be deemed to have been made or delivered to each of the Obligors or any other member of the Group party to a Finance Document. Each Obligor incorporated in Germany, for this purpose, appoints the Borrower as its receipt agent (*Empfangsboten*).

11.02 Addresses

The address and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication to be made or document to be delivered under or in connection with this Guarantee Agreement is:

For the Bank

Attention: OPS/ENPST/3-GC&IF

98 - 100 boulevard Konrad Adenauer, L-2950 Luxembourg

Email address: [_____]

For the Guarantor

Attention: Finance Department

MATAM Advanced Technology Park, Building 5, Haifa 3508409, Israel

Email address: [_____]

11.03 Demand after notice to remedy

The Bank and the Guarantor shall promptly notify the other party in writing of any change in their respective communication details.

11.04 English language

- (a) Any notice or communication given under or in connection with this Guarantee Agreement must be in English.

- (b) All other documents provided under or in connection with this Guarantee Agreement must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Bank, accompanied by a certified English translation and, in this case, the English translation will prevail.

11.05 Conclusion of this Guarantee Agreement (*Vertragsschluss*)

- (a) The parties to this Guarantee Agreement may choose to conclude this Guarantee Agreement by an exchange of signed signature page(s), transmitted by any means of telecommunication (*telekommunikative Übermittlung*) such as by way of electronic photocopy or by way of qualified electronic signatures (*qualifizierte elektronische Signatur*) within the meaning of Section 126a BGB.
- (b) If the parties to this Guarantee Agreement choose to conclude this Guarantee Agreement pursuant to this Article 11.05 (*Conclusion of this Guarantee Agreement (Vertragsschluss)*), they will transmit the signed signature page(s) of this Guarantee Agreement to the following attorneys of Noerr LLP (Börsenstr. 1, 60313 Frankfurt am Main, Germany) via email: Andreas Naujoks, Michael Schuhmacher and Dorian Legel (each a “**Recipient**”). The Guarantee Agreement will be considered concluded once a Recipient has actually received the signed signature page(s) (*Zugang der Unterschriftsseite(n)*) from all parties (whether electronic photocopy or other means of telecommunication and at the time of the receipt of the last outstanding signature page(s) by such one Recipient).
- (c) For the purposes of this Article 11.05 (*Conclusion of this Guarantee Agreement (Vertragsschluss)*) only, the parties to this Guarantee Agreement appoint each Recipient as their attorney (*Empfangsvertreter*) and expressly allow (*gestatten*) each Recipient to collect the signed signature page(s) from all and for all parties to this Guarantee Agreement. For the avoidance of doubt, each Recipient will have no further duties connected with its position as Recipient. For the purposes of proof and confirmation, each Obligor has to provide the Bank with original signature pages(s) or signature page(s) signed by way of qualified electronic signatures (*qualifizierte elektronische Signatur*) within the meaning of Section 126a BGB after signing this Guarantee Agreement.

This Guarantee Agreement has been entered into on the date stated at the beginning of this Guarantee Agreement.

Signed for and on behalf of

EUROPEAN INVESTMENT BANK

By: /s/ Donald Fitzpatrick
Name: Donald Fitzpatrick
Title: Head of Division

By: /s/ Mariana Duarte Silva
Name: Mariana Duarte Silva
Title: Counsel

Signed for and on behalf of

Pluristem Therapeutics Inc.

By: /s/ Yaacob Yanay
Name: Yaacob Yanay
Title: CEO

By: /s/ Chen Franco-Yehuda
Name: Chen Franco-Yehuda
Title: CFO

Pluristem GmbH

By: /s/ Yaacob Yanay
Name: Yaacob Yanay
Title: Managing Director

By: /s/ Chen Franco-Yehuda
Name: Chen Franco-Yehuda
Title: Managing Director

Contract number (FI No): 92335
Contract number (FI No): 91870
Serapis No: 2019-0880

Innovative Cell Therapies (EGFF)

Guarantee Agreement

between the

European Investment Bank

and

Pluristem Ltd.

and

Pluristem GmbH

30 September, 2020

ARTICLE 1 INTERPRETATION AND DEFINITIONS	2
1.01 INTERPRETATION	2
1.02 DEFINITIONS	3
ARTICLE 2 FINANCE DOCUMENTS	5
ARTICLE 3 GUARANTEE	5
3.01 GUARANTEE (<i>GARANTIE</i>) AND INDEMNITY (<i>AUSFALLHAFTUNG</i>)	5
3.02 DEMANDS AND PAYMENTS	5
3.03 INDEPENDENT PAYMENT OBLIGATION	6
3.04 NO DEFENCES	6
3.05 IMMEDIATE RECOURSE	7
3.06 APPROPRIATIONS	8
3.07 DEFERRAL OF GUARANTOR'S RIGHTS	8
3.08 ADDITIONAL SECURITY	8
ARTICLE 4 TERM OF THE GUARANTEE	9
4.01 TERM	9
4.02 REINSTATEMENT	9
ARTICLE 5 REPRESENTATIONS AND WARRANTIES	10
5.01 REPRESENTATIONS AND WARRANTIES OF THE GUARANTOR	10
5.02 UNDERTAKINGS OF THE GUARANTOR	13
ARTICLE 6 INFORMATION TO THE BANK	14
6.01 FINANCIAL INFORMATION	14
6.02 INFORMATION DUTIES	14
ARTICLE 7 DEFAULT INTEREST AND TAXES	15
7.01 TAXES	15
7.02 INTEREST ON OVERDUE SUMS	15
7.03 CURRENCY CONVERSION	16
7.04 SET-OFF	16
ARTICLE 8 CONTINUING OBLIGATIONS	16

ARTICLE 9 NON WAIVER	16
ARTICLE 10 LAW AND JURISDICTION, MISCELLANEOUS	17
10.01 GOVERNING LAW	17
10.02 JURISDICTION	17
10.03 SERVICE OF PROCESS	17
10.04 PLACE OF PERFORMANCE	17
10.05 EVIDENCE OF SUMS DUE	18
10.06 ENTIRE AGREEMENT	18
10.07 INVALIDITY	18
10.08 AMENDMENTS	18
10.09 COUNTERPARTS	18
10.10 ASSIGNMENT AND TRANSFER BY THE BANK	19
ARTICLE 11 FINAL ARTICLES	19
11.01 FORM OF NOTICE	19
11.02 ADDRESSES	20
11.03 DEMAND AFTER NOTICE TO REMEDY	21
11.04 ENGLISH LANGUAGE	21
11.05 CONCLUSION OF THIS GUARANTEE AGREEMENT (<i>VERTRAGSSCHLUSS</i>)	21

THIS GUARANTEE AGREEMENT IS MADE ON 30 SEPTEMBER, 2020 BETWEEN:

The **European Investment Bank** having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by Donald Fitzpatrick, Head of Division, and Mariana Duarte Silva, Counsel; (the “**Bank**”)

and

Pluristem Ltd., a limited liability company incorporated under the laws of the State of Israel, whose registered office is at MATAM Advanced Technology Park Building 5, Haifa 3508409, Israel, registered with the Israeli Companies Registry under no. 51-337166-6, represented by Chen Franco-Yehuda and Yaacob Yanay; (the “**Guarantor**”)

and

Pluristem GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated in Germany, having its office at Brentanoweg 9, 14469 Potsdam, Germany and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin (Charlottenburg) under HRB 213655, represented by Chen Franco-Yehuda, Yaacob Yanay and Zalman Aberman. (the “**Borrower**”)

WHEREAS:

- (A) Pursuant to a finance contract dated 29 April 2020 and entered into between the Bank as lender and the Borrower as borrower, the Bank has agreed to grant in favour of the Borrower a credit in the amount of up to EUR 50,000,000 (fifty million euro) (the “**Finance Contract**”).
- (B) As a condition precedent to any disbursement under the Finance Contract, the Borrower has undertaken that the Guarantor shall, and the Guarantor has agreed to, grant a guarantee (*Garantie*) in favour of the Bank pursuant to the terms of this guarantee agreement (the “**Guarantee Agreement**”).
- (C) The parties to this Guarantee Agreement expressly agree that any reference in this Guarantee Agreement to the Finance Contract shall under no circumstances be construed as affecting the independent, unconditional and irrevocable nature of the guarantee (*Garantie*) granted pursuant to this Guarantee Agreement.

NOW THEREFORE it is hereby agreed as follows:

ARTICLE 1
INTERPRETATION AND DEFINITIONS

1.01 Interpretation

- (a) In this Guarantee Agreement, unless a contrary indication appears:
 - (i) “Guarantor”, the “Bank” and the “Borrower” shall be construed as to include its and any subsequent successors in title, permitted assigns and permitted transferees;
 - (ii) references to Articles, Recitals, Schedules and (Sub-)Paragraphs are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and (sub-)paragraphs of schedules to, this Guarantee Agreement. All Recitals and Schedules form part of this Guarantee Agreement;
 - (iii) references to “law” or “laws” mean (i) any applicable law and any applicable treaty, constitution, statute, legislation, decree, normative act, rule, regulation, judgement, order, writ, injunction, determination, award or other legislative or administrative measure or judicial or arbitral decision in any jurisdiction which is binding or applicable case law, and (ii) EU Law;
 - (iv) references to applicable law, applicable laws or applicable jurisdiction means (i) respectively a law or jurisdiction applicable to the Guarantor, its respective rights and/or obligations (in each case arising out of or in connection with the Finance Documents), its capacity and/or assets, and/or, as applicable, (ii) a law or jurisdiction (including in each case the Bank’s statute) applicable to the Bank, its rights, obligations, capacity and/or assets;
 - (v) references to a provision of law are references to that provision as amended or re-enacted;

- (vi) references to this Guarantee Agreement and any other Finance Document or other agreement or instrument are references to this Guarantee Agreement or that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
 - (vii) words and expressions in plural shall include singular and vice versa;
 - (viii) a “person” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether having separate legal personality or not); and
 - (ix) a Default (other than an Event of Default) is “continuing” if it has not been remedied or waived and an Event of Default is “continuing” if it has not been waived.
- (b) A term used in any notice given under or in connection with this Guarantee Agreement has the same meaning as ascribed to it in this Guarantee Agreement.
- (c) This Guarantee Agreement is made in the English language. For the avoidance of doubt, the English language version of this Guarantee Agreement shall prevail over any translation of this Guarantee Agreement. However, where a German translation of a word or phrase appears in the text of this Guarantee Agreement, the German translation of such word or phrase shall prevail.

1.02 Definitions

A reference to a term defined in the Finance Contract has the same meaning in this Guarantee Agreement, unless otherwise defined herein. In this Guarantee Agreement:

“**Bank’s Account**” has the meaning ascribed to such term in Article 3.02(a)(iii) (*Demands and payments*).

“**BGB**” means the German Civil Code (*Bürgerliches Gesetzbuch*).

“**Demand**” has the meaning ascribed to such term in Article 3.02(a) (*Demands and payments*).

“**EUR**” or “**euro**” means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

“**Fee Letters**” means the Luxembourg law governed letters from the Bank to the Borrower dated 6 January 2020 and dated 29 April 2020.

“**Finance Documents**” means this Guarantee Agreement, the Finance Contract, the Fee Letters, any other guarantee agreements in relation to the Finance Contract, any side letters in relation to the Finance Contract and any other document designated a “Finance Document” by the Borrower and the Bank.

“**GAAP**” means generally accepted accounting principles in the jurisdiction of incorporation of the respective Obligor, including IFRS.

“**Guarantee**” means the guarantee and indemnity granted pursuant to Article 3.01 (*Guarantee (Garantie) and Indemnity (Ausfallhaftung)*).

“**InsO**” means the German Insolvency Code (*Insolvenzordnung*).

“**Notification**” has the meaning ascribed to such term in Article 3.02(a) (*Demands and payments*).

“**Obligor**” means the Borrower and each “Guarantor” stated in the Finance Contract.

“**Payment Period**” has the meaning ascribed to such term in Article 3.02(b) (*Demands and payments*).

“**Security**” means any mortgage, land charge (*Grundschild*), pledge, lien, charge, assignment, security transfer (*Sicherungsübereignung*), retention of title arrangements, hypothecation, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**ZPO**” means the German Code of Civil Procedure (*Zivilprozessordnung*).

ARTICLE 2
FINANCE DOCUMENTS

The Guarantor hereby confirms that it has received a copy of the Finance Documents and that it is aware of the contents of the Finance Documents and the transactions contemplated thereby. The Guarantor further confirms that, to the extent the Finance Documents are in the English language, it is in command of the English language or has obtained a translation thereof, and to the extent necessary, has made itself familiar with the contents of the Finance Documents and the transactions contemplated thereby.

ARTICLE 3
GUARANTEE

3.01 Guarantee (*Garantie*) and Indemnity (*Ausfallhaftung*)

The Guarantor irrevocably and unconditionally:

- (a) guarantees (*garantiert*) by way of an independent payment obligation (*selbständiges Zahlungsversprechen*) to the Bank to pay to the Bank any amount of principal, interest, costs, expenses or other amount under or in connection with the Finance Documents, including, without limitation, any amounts due under the Finance Contract including, for the avoidance of doubt, any Profit Participation Payments as more specifically defined therein, in each case that has not been fully and irrevocably paid by the Borrower or any other Obligor when due in accordance with the terms of any other Finance Document, in each case including, for the avoidance of doubt, any obligation arising out of damages (*Schadenersatz*), unjust enrichment (*ungerechtfertigte Bereicherung*), tort (*unerlaubte Handlung*) or any claims arising from the insolvency administrator's discretion to perform obligations in agreements according to Section 103 InsO; and
- (b) undertakes vis-à-vis the Bank to indemnify (*schadlos halten*) the Bank against any cost, loss or liability suffered by the Bank if any obligation of the Borrower under or in connection with any Finance Document or any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Bank would otherwise have been entitled to recover (*Ersatz des positiven Interesses*).

For the avoidance of doubt this Guarantee does not constitute a surety (*Bürgschaft*) or a guarantee upon first demand (*Garantie auf erstes Anfordern*) and, in particular, receipt of such written demand shall not preclude any rights and/or defences the Guarantor may have with respect to any payment requested by the Bank under this Guarantee.

3.02 Demands and payments

- (a) Any demand made by the Bank to the Guarantor under this Guarantee Agreement (each, a “**Demand**”) shall be made by way of a written notification addressed by the Bank to the Guarantor, sent in accordance with the provisions set forth in Article 11.01 (*Form of notice*) below and having the following content (each a “**Notification**”):
 - (i) specifying that the Bank is making a Demand under this Guarantee Agreement;

- (ii) specifying the amount due and payable by the Guarantor and that such amount is an amount of principal, interest, costs, expenses or other amount under or in connection with the Finance Documents that has not been fully and irrevocably paid by the Borrower or any other Obligor when due in accordance with the terms of any other Finance Document as well as the currency of payment of such sums; and
- (iii) providing details of the relevant bank account into which payment should be made (the “**Bank’s Account**”) together with relevant instructions as to how payment should be made (if any),

it being understood that:

- (iv) the Bank shall be under no obligation to provide the Guarantor with any additional document nor to support its claim with any other justification or evidence, but shall reasonably consider a request reasonably made by the Guarantor to provide documentary support in order for the Guarantor to assess the relevant claim made; and
 - (v) the payment obligation of the Guarantor under this Guarantee Agreement is not subject to the accuracy or the merit of any statement, declaration or information contained in any Notification.
- (b) The Guarantor shall make the payment requested in the Notification within five (5) Business Days as from the date of receipt (included) of the relevant Notification (the “**Payment Period**”) and in the currency as requested within the Notification.
 - (c) The Bank is entitled to request the payment of any amount in one or several instalments.

3.03 Independent payment obligation

This Guarantee:

- (a) is independent and separate from the other obligations of the Borrower and is a continuing guarantee and indemnity which will extend to the ultimate balance of sums payable by the Borrower under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part; and
- (b) shall extend to any additional obligations of the Borrower resulting from any amendment, novation, supplement, extension, restatement or replacement of any Finance Document, including without limitation any extension of or increase in any Loan or the addition of a new loan or tranche under the Finance Contract.

3.04 No defences

- (a) The obligations of the Guarantor under this Guarantee Agreement will not be affected by an act, omission, matter or thing which relates to the principal obligation (or purported obligation) of the Borrower or any other guarantor under any other Finance Document and which would reduce, release or prejudice any of its obligations under this Guarantee Agreement, including any personal defences of the Borrower (*Einreden des Hauptschuldners*) or any right of revocation (*Anfechtung*) or set-off (*Aufrechnung*) of the Borrower. In particular, the Guarantor by its execution of this Guarantee Agreement:
 - (i) consents (*willigt ein*), as required pursuant or analogue to Section 418 sub-section 1 sentence 3 BGB, to any assumption of debt (*Schuldübernahme*) or assignment and transfer by assumption of contract (*Vertragsübernahme*) which relates to any such principal obligation (or purported obligation); and

- (ii) waives (*verzichtet auf*) any defences (*Einreden*) to which the Borrower in its respective capacity as principal debtor (*Hauptschuldner*) of any such principal obligation (or purported obligation) may be entitled.
- (b) The obligations of the Guarantor under this Guarantee Agreement are independent from any other security or guarantee which may have been or will be given to the Bank. In particular, the obligations of the Guarantor under this Guarantee Agreement will not be affected by any of the following:
 - (i) the release of, or any time (*Stundung*), waiver or consent granted to, the Borrower or any other guarantor under any other Finance Document from or in respect of its obligations under or in connection with any Finance Document,
 - (ii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, the Borrower or any other guarantor under any other Finance Document or any other person or any failure to realise the full value of any Security,
 - (iii) any incapacity or lack of power, authority or legal personality of or dissolution or a deterioration of the financial condition of the Borrower or any other guarantor under any other Finance Document, or
 - (iv) any unenforceability, illegality or invalidity of any obligation of the Borrower or any other guarantor under any other Finance Document.
- (c) For the avoidance of doubt nothing in this Article 3.04 (*No defences*) shall preclude any defences that the Guarantor (in its capacity as Guarantor only) may have against the Bank that the Guarantee does not constitute its legal, valid, binding or enforceable obligations.
- (d) Without derogating from any other provisions of this Guarantee Agreement, the Guarantor hereby expressly waives all rights and defences under sections 4(b), 4(c), 5, 6, 7(b), 8, 9, 11, 12, 15 and 17 of the Israeli Guarantee Law, 1967, and all rights and defences under sections 7 (b) and 13(b) of the Israeli Pledge Law, 1967, and confirms that the provisions of the Israeli Guarantee Law and the Israeli Pledge Law shall not affect the rights granted to the Bank under this Guarantee Agreement.

3.05 Immediate recourse

The Bank will not be required to proceed against or enforce any other rights or Security or claim payment from any person before claiming from the Guarantor under this Guarantee. This applies irrespective of any law or provision of a Finance Document to the contrary.

3.06 Appropriations

Until all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents have been unconditionally and irrevocably paid in full, the Bank may:

- (a) refrain from applying or enforcing any other moneys, Security or rights held or received by the Bank in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an account any moneys received from the Guarantor or on account of the Guarantor's liability under this Guarantee.

3.07 Deferral of Guarantor's rights

- (a) Until all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents have been irrevocably paid in full and unless the Bank otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Guarantee:
 - (i) to be indemnified by the Borrower or any other guarantor under any other Finance Document;
 - (ii) to claim any contribution from any other guarantor of the Borrower's or the Guarantors obligations under the Finance Documents;
 - (iii) to exercise any right of set-off against the Borrower or any other guarantor under any other Finance Document; and/or
 - (iv) to take the benefit (in whole or in part and whether by way of legal subrogation or otherwise) of any rights of the Bank under the Finance Documents or of any other guarantee or Security taken pursuant to, or in connection with, the Finance Documents by the Bank.
- (b) If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Bank by the Borrower and any other guarantor under or in connection with the Finance Documents to be repaid in full on trust for the Bank and shall promptly pay or transfer the same to the Bank or as the Bank may direct.

3.08 Additional Security

This Guarantee is in addition to and is not in any way prejudiced by any other guarantee or Security now or subsequently held by the Bank.

ARTICLE 4
TERM OF THE GUARANTEE

4.01 Term

This Guarantee shall take effect on the date of execution of this Guarantee Agreement and expires on the date on which all sums which the Bank may claim under or in connection with any Finance Document have unconditionally and irrevocably been paid to the satisfaction of the Bank. This also includes, for the avoidance of doubt, any Profit Participation Payments pursuant to the Finance Contract.

4.02 Reinstatement

- (a) If any full or partial payment by the Borrower, the Guarantor, or any other guarantor under any other Finance Document is rescinded, invalidated, declared fraudulent, set aside, determined void or voidable as a preference, fraudulent conveyance, impermissible setoff, diversion of trust funds, avoided, reduced, or otherwise required to be returned by the Bank as a result of insolvency, bankruptcy, dissolution, liquidation, reorganization or any similar event involving the Borrower, the Guarantor, or any other guarantor under any other Finance Document, or upon or as a result of the appointment of a receiver, intervenor, custodian or conservator of a trustee or similar officer for Borrower, Guarantor, or any other guarantor under any other Finance Document, or any substantial part of its property, or otherwise:
 - (i) this Guarantee Agreement and the liability of the Guarantor or any other guarantor under any other Finance Document shall continue to be effective or shall be reinstated (as the case may be) as if the payment, discharge, avoidance or reduction had not occurred; and
 - (ii) the Bank shall be entitled to recover the value or amount of that security or payment from the Guarantor or any other guarantor under any other Finance Document, as if the payment, discharge, avoidance or reduction had not occurred.
- (b) The Guarantor shall pay or reimburse the Bank for all expenses incurred by the Bank in the defence of any claim that a payment received by the Bank in respect of all or any part of the obligations under the Finance Documents must be refunded.
- (c) The provisions of this Article 4.02 shall survive the termination of this Guarantee Agreement and any satisfaction and discharge of Borrower by virtue of any payment, court order, or law.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.01 Representations and Warranties of the Guarantor

The Guarantor hereby represent and warrant to the Bank that:

(a) Authorisations and Binding Obligations

- (i) It is not a “company in violation” (“*hevrah meferah*”) as defined in Section 362A of the Israeli Companies Law, 1999 and it has not received any warning that it will be registered as such.
- (ii) Its place of incorporation or establishment is not (a) a jurisdiction classified by any Lead Organisation as being weakly regulated and/or weakly supervised and/or non-transparent and/or uncooperative or any equivalent classification used by any Lead Organisation, in connection with activities such as money laundering, financing of terrorism, tax fraud and tax evasion or harmful tax practices, and/or (b) a jurisdiction that is blacklisted by any Lead Organisation in connection with such activities.¹
- (iii) The execution and delivery of the Guarantee Agreement and the performance and compliance with its respective duties under this Guarantee Agreement do not and will not cause any representations made pursuant to this Article 5.01 to be untrue.

(b) No Insolvency

- (i) It is not now insolvent, nor will the entering into of this Guarantee Agreement and the performance of its respective obligations hereunder render it insolvent and, particularly, it is not ‘insolvent’ as defined under the Israeli Insolvency and Economic Rehabilitation Law, 2018 (the “**Insolvency Law**”).
- (ii) The execution and delivery of the Guarantee Agreement and the performance and compliance with its respective duties under this Guarantee Agreement will not leave it with unreasonably small capital or assets in order to conduct its business as currently conducted.
- (iii) The obligations incurred under this Guarantee Agreement have not been incurred with the intent to hinder, delay, or defraud present or future creditors.
- (iv) It is able to pay its debts as they fall due and the entering into of this Guarantee Agreement and the performance of its respective obligations hereunder do not and will not cause it to be or to be deemed to be unable to pay its debts as they fall due.

¹ Relevant jurisdictions may be identified on the basis of lists of Lead Organisations, as such lists are updated, amended or supplemented from time to time, including: jurisdictions with strategic deficiencies in the area of AML-CFT as identified by FATF (<http://www.fatf-gafi.org/countries/#high-risk>); jurisdictions listed “partially compliant”, “provisionally partially compliant” or “non-compliant” in the OECD Global Forum progress reports/ Global Forum rating (<http://www.oecd.org/tax/transparency/GFratings.pdf>; <http://www.oecd.org/tax/transparency/exchange-of-information-on-request/ratings/>); jurisdictions identified in EU delegated regulation 2016/1675 of 14.7.2016 supplementing Directive (EU) 2015/849 as high-risk third countries with strategic deficiencies (<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016R1675>); and jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes (https://ec.europa.eu/taxation_customs/tax-common-eu-list_en).

- (v) It has not taken any corporate action nor have any other steps been taken in relation to the suspension of payments, a moratorium of any indebtedness, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) or legal proceedings been started or, so far as the Guarantor is aware, threatened against it for its winding-up, dissolution, administration, reorganisation, or any analogous procedure or step or for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee, compulsory manager or similar officer of it or of any or all of its assets or revenues.
- (vi) It has not taken any corporate action nor have any other steps been taken by it or against it in relation to an application for a commencement of proceedings order (*tzav l'ptichat halichim*) under or in connection with the Insolvency Law

(c) **No Proceedings**

- (i) No litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it any unsatisfied judgement or award.
- (ii) To the best of its respective knowledge and belief (having made due and careful enquiry) no material Environmental Claim has been commenced or is threatened against it.
- (iii) As at the date of this Guarantee Agreement, it has not taken any action to commence proceedings for, nor have any other steps been taken or legal proceedings commenced or, so far as it is aware, threatened against it for its insolvency, winding up or dissolution, or for it to enter into any arrangement or compositions for the benefit of creditors, or for the appointment of an administrator, receiver, administrative receiver, examiner, trustee or similar officer (including relating to an application for a commencement of proceedings order (*tzav l'ptichat halichim*) under or in connection with the Insolvency Law).

(d) **Ranking**

- (i) Its payment obligations under this Guarantee Agreement rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its respective debt instruments except for obligations mandatorily preferred by law applying to companies generally.
- (ii) No financial covenants have been concluded with any other of its creditors.
- (iii) No Voluntary Non-EIB Prepayment has occurred.

(e) **Accounting and Tax**

- (i) The latest of its available consolidated and unconsolidated audited accounts have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all of its liabilities (actual or contingent).

- (ii) The Accounting Reference Date of the Guarantor is 30 June.
- (iii) It is not required to make any deduction for or on account of any Tax from any payment it may make under this Guarantee Agreement. *(Non-repeating)*
- (iv) All Tax returns required to have been filed by it or on its behalf under any applicable law have been filed when due and contain the information required by applicable law to be contained in them.
- (v) It has paid when due all Taxes payable by it under applicable law except to the extent that it is contesting payment in good faith and by appropriate means.
- (vi) With respect to Taxes which have not fallen due or which it is contesting, each Obligor is maintaining reserves adequate for their payment and in accordance, where applicable, with GAAP.
- (vii) Under the laws of the jurisdiction of incorporation of the Guarantor, it is not necessary that this Guarantee Agreement be filed, recorded or enrolled with any court or other authority, other than with the Securities and Exchange Commission, or that any stamp, registration or similar tax be paid on or in relation to this Guarantee Agreement, or the transactions contemplated by this Guarantee Agreement. *(Non-repeating)*

(f) **Information provided**

Any factual information provided by it for the purposes of entering into this Guarantee Agreement and any related documentation was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated and continues to be true and accurate in all material respect as at the date of this Guarantee Agreement.

(g) **Environment**

It is in compliance with Paragraph 5. *(Environment)* of Schedule H *(General Undertakings)* of the Finance Contract, as if all references to the Borrower were to the Guarantor.

(h) **Borrower Information**

The Guarantor has and will continue to have full and complete access to any and all information concerning the transactions contemplated by the Finance Documents or referred to therein, the value of the assets owned or to be acquired by Borrower, Borrower's financial status, and Borrower's ability to pay and perform any obligation under or in connection with any Finance Document. So long as any obligation of the Borrower under or in connection with any Finance Document remains unsatisfied or owing to the Bank, the Guarantor shall keep itself fully informed as to all aspects of the Borrower's financial condition and ability to pay and perform such obligations.

(i) **Other**

In respect of this Guarantee Agreement and the transaction contemplated by, referred to in, provided for or effected by this Guarantee Agreement, it has entered into this Guarantee Agreement (i) in good faith and for the purpose of carrying out its business, (ii) on arms' length commercial terms and (iii) without any intention to defraud or deprive of any legal benefit of any other parties (such as third parties and in particular creditors other than the Bank) or to circumvent any applicable mandatory laws or regulations of any jurisdiction. The granting of this Guarantee Agreement is not disproportionate to its financial means.

The representations and warranties set out in this Article 5.01 – other than those paragraphs which are identified with the words “(Non-repeating)” at the end of the Paragraphs - shall survive the execution of this Guarantee Agreement and shall be repeated on each Disbursement Date Acceptance and each Disbursement Date, by reference to the facts and circumstances then prevailing.

5.02 Undertakings of the Guarantor

The Guarantor acknowledges and agrees that during the subsistence of this Guarantee Agreement:

(a) **Authorisations**

It shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents required in or by the laws and regulations of its jurisdiction of incorporation to enable it lawfully to enter into, exercise its rights and perform the obligations expressed to be assumed by it under this Guarantee Agreement and to ensure the legality, validity, enforceability and admissibility in evidence of this Guarantee Agreement in its jurisdiction of incorporation and in Germany.

(b) **No Security**

It shall not create or permit to subsist any Security over any of its assets other than:

- (i) any Permitted Security; and
- (ii) any Security created with the prior approval of the Bank.

(c) ***Pari passu* with other creditors**

The Guarantor shall ensure that its payment obligations under this Guarantee Agreement rank, and will rank not less than *pari passu* in right and priority of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally.

(d) **No action**

It shall not take any action which would cause any of the representations made in Article 5.01 above to be untrue at any time during the continuation of this Guarantee Agreement.

(e) **Know your Customer**

The Guarantor shall deliver to the Bank any such information or further document concerning customer due diligence matters of or for the Guarantor as the Bank may reasonably require within a reasonable timeframe.

(f) **Notification duty**

It shall notify the Bank of the occurrence of any event of which it becomes aware which results in or may reasonably be expected to result in any of the representations made in Article 5.01 above being untrue.

(g) **Subordination of Debt**

Any debt of the Borrower now or hereafter held by the Guarantor is hereby subordinated to any obligation of the Borrower under or in connection with any Finance Document. The Guarantor shall not seek, accept, or retain for its own account any payment from the Borrower on account of any subordinated debt until all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents have been unconditionally and irrevocably paid in full. Any payment of such subordinated indebtedness by the Borrower to the Guarantor before payment in full of all amounts which may be or become payable by the Borrower and the Guarantor under or in connection with the Finance Documents shall be collected, enforced and received by the Guarantor as trustee for the Bank and promptly paid to the Bank in payment of the obligations of the Borrower under or in connection with any Finance Document.

ARTICLE 6
INFORMATION TO THE BANK

6.01 Financial Information

The Guarantor shall deliver to the Bank:

- (a) as soon as they become available but in any event within 120 (one hundred and twenty) days after the end of each of its financial years, a copy of its annual reports, balance sheets, cash flow statements, profit and loss accounts and auditors reports for that financial year together with all other such information as the Bank may reasonably require as to the Guarantor's financial situation; and
- (b) from time to time, such further information on its general financial position, business and operation as the Bank may reasonably request.

6.02 Information duties

During the subsistence of this Guarantee Agreement, the Guarantor shall immediately inform the Bank of:

- (a) any material alteration to its constitutional documents and of any proposal or decision known to it which contemplates the introduction of such alteration as well as of any material change in its corporate status or powers, in each case in so far as such event could reasonably be expected to affect the validity and enforceability of this Guarantee Agreement or the ability of the Guarantor to perform the obligations expressed to be assumed by it under this Guarantee Agreement;

- (b) a Change-of-Law Event with respect to the Guarantor; and
- (c) deliver any other information on its financial position likely to have a detrimental effect on its ability to perform the obligations expressed to be assumed by it under this Guarantee Agreement, subject in each case to Paragraph 5. (*Confidential Information*) of Schedule I (*Information and Visits*) of the Finance Contract.

For the purposes of this Article 6.02, “**Change-of-Law Event**” means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Guarantee Agreement and which, in the opinion of the Bank, would materially impair the Guarantor’s ability to perform its obligations under this Guarantee Agreement.

ARTICLE 7

DEFAULT INTEREST AND TAXES

7.01 Taxes

- (a) All Taxes, charges, duties, fees as well as any other expenses or impositions of whatsoever nature, arising out or in connection with this Guarantee Agreement shall be borne by the Guarantor. The Guarantor shall make all payments under this Guarantee Agreement gross without withholding or deduction of any Tax, charges, duties, fees, expenses or impositions of whatsoever nature
- (b) If any amount in respect of any applicable Taxes, charges, duties, fees as well as any other expenses or impositions must be deducted, withheld or retained from any amount due under this Guarantee Agreement, the Guarantor undertakes to pay such additional amount as may be necessary to ensure that the Bank receives a net amount equal to the full amount to which it is entitled under this Guarantee Agreement.
- (c) The Guarantor undertakes to pay and indemnify the Bank against any amount, cost or loss incurred by the Bank in relation to any stamp duty, registration or similar Tax or notarial fee payable in respect of the Guarantor.

7.02 Interest on overdue sums

If the Guarantor fails to pay any amount payable by it under this Guarantee Agreement within the relevant Payment Period in accordance with Article 3.02 (*Demands and payments*), interest shall accrue on any overdue amount (other than any interest amount) payable under the terms of this Guarantee Agreement, as from the expiration of the relevant Payment Period up to the date of payment by the Guarantor, at the rate and on the terms specified in Article 4.4 (a) (*Interest on overdue sums*) of the Finance Contract shall apply mutatis mutandis, provided that such amount is not already accruing interest pursuant to Article 4.4 (a) (*Interest on overdue sums*) of the Finance Contract as an overdue obligation of the Borrower.

7.03 Currency conversion

- (a) Any payment to be made by the Guarantor under this Guarantee Agreement shall be made in the currency as set out in the relevant Notification. The Bank shall apply the exchange rate published by the European Central Bank in Frankfurt am Main for the purpose of any currency conversion.
- (b) If the Bank has received a payment under this Guarantee Agreement in a currency other than the currency requested in the relevant Notification and must convert this payment, the Guarantor shall indemnify the Bank, upon first demand, for any loss resulting from the difference in exchange rates between the date of conversion and the date on which the payment is received in the other currency, as well as for any fees (including legal fees, Taxes and any other charges) connected with this conversion.

7.04 Set-off

All payments to be made by the Guarantor under this Guarantee Agreement shall be made without (and free and clear of any deduction for) set-off or counterclaim unless the counterclaim is undisputed or has been confirmed in a final non-appealable judgement.

ARTICLE 8
CONTINUING OBLIGATIONS

It is hereby expressly agreed that any change, whatsoever, in the legal situation of the Guarantor shall not affect its obligations under this Guarantee Agreement and that in particular, in case of merger, demerger or absorption, the absorbing new or beneficiary company shall take over, under the merger treaty or agreement, the commitments of the Guarantor under this Guarantee Agreement and in case of demerger, the demerger companies benefiting from the partial assignment of assets resulting from the split will be bound to:

- (a) take over with joint liability the commitments of the Guarantor under this Guarantee Agreement; and
- (b) if requested by the Bank, grant additional security or guarantees.

ARTICLE 9
NON WAIVER

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Guarantee Agreement shall be construed as a waiver of such right or remedy and the Bank shall not be liable for any such failure, delay or single or partial exercise of any such right and remedy.

ARTICLE 10
LAW AND JURISDICTION, MISCELLANEOUS

10.01 Governing Law

This Guarantee Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Germany.

10.02 Jurisdiction

- (a) The courts of Frankfurt am Main, Germany, have exclusive jurisdiction to settle any matter or dispute (a “**Dispute**”) arising out of or in connection with this Guarantee Agreement (including a dispute regarding the existence, validity or termination of this Guarantee Agreement or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Guarantee Agreement.
- (b) The parties agree that the courts of Frankfurt am Main, Germany, are the most appropriate and convenient courts to settle Disputes between them and, accordingly, that they will not argue to the contrary.
- (c) This Article 10.02 is for the benefit of the Bank only. As a result and notwithstanding Sub-Paragraph (a) above, it does not prevent the Bank from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Bank may take concurrent proceedings in any number of jurisdictions.

10.03 Service of process

- (a) Without prejudice to any other mode of service allowed under any relevant law, the Guarantor:
 - (i) irrevocably appoints the Borrower (the “**Process Agent**”) as its agent for service of process in relation to any proceedings before the German courts in connection with any Finance Document;
 - (ii) agrees that failure by the Process Agent to notify the Guarantor of the process will not invalidate the proceedings concerned; and
 - (iii) undertakes to deliver to the Process Agent within five Business Days upon request of the Bank a process agent appointment letter and to send a copy of such executed letter to the Bank.
- (b) The Process Agent hereby accepts its appointment pursuant to Article 10.03(a) above. The Process Agent shall ensure that documents to be served to the Guarantor may validly be served by delivery to the Process Agent. The Process Agent shall notify the Bank of any change of address, accept any documents delivered to it on behalf of the Guarantor, fulfil any requirements of Section 171 ZPO and present the original process agent appointment letter to any person effecting the service of process as required pursuant to Section 171 sentence 2 ZPO.

10.04 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Guarantee Agreement, shall be the seat of the Bank.

10.05 Evidence of sums due

In any legal action arising out of this Guarantee Agreement the certificate of the Bank as to any amount or rate due to the Bank under this Guarantee Agreement shall, in the absence of manifest error, be *prima facie* evidence of such amount or rate.

10.06 Entire Agreement

This Guarantee Agreement constitutes the entire agreement between the Bank and the Guarantor in relation to the provision of this Guarantee Agreement hereunder, and supersedes any previous agreement, whether express or implied, on the same matter.

10.07 Invalidity

- (a) If at any time any term of this Guarantee Agreement is or becomes illegal (*nichtig*), invalid or unenforceable in any respect, or this Guarantee Agreement is or becomes ineffective (*unwirksam*) in any respect, under the laws of any jurisdiction, such illegality (*Nichtigkeit*), invalidity, unenforceability or ineffectiveness (*Unwirksamkeit*) shall indisputably (*unwiderlegbar*) not affect:
 - (i) the legality, validity or enforceability in that jurisdiction of any other term of this Guarantee Agreement or the effectiveness in any other respect of this Guarantee Agreement in that jurisdiction; or
 - (ii) the legality, validity or enforceability in other jurisdictions of that or any other term of this Guarantee Agreement or the effectiveness of this Guarantee Agreement under the laws of such other jurisdictions,without any party to this Guarantee Agreement having to argue (*darlegen*) and prove (*beweisen*) such parties' intent to uphold this Guarantee Agreement even without the void, invalid or ineffective provisions.
- (b) The illegal, invalid, unenforceable or ineffective provision shall be deemed replaced by such legal, valid, enforceable and effective provision that in legal and economic terms comes closest to what the parties to this Guarantee Agreement intended or would have intended in accordance with the purpose of this Guarantee Agreement if they had considered the point at the time of conclusion of this Guarantee Agreement. The same applies in the event that this Guarantee Agreement does not contain a provision which it needs to contain in order to achieve the economic purpose as expressed herein (*Regelungslücke*).

10.08 Amendments

Any amendment to this Guarantee Agreement (including this Article 10.08) shall be made in writing (or in notarial form, if required) and shall be signed by the parties hereto.

10.09 Counterparts

This Guarantee Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

10.10 Assignment and transfer by the Bank

- (a) Subject to sub-paragraph (b) of this Article 10.10 (*Assignment and transfer by the Bank*), the consent of the Guarantor is required for an assignment or transfer (by way of assumption of contract (*Vertragsübernahme*), assignment, sub-participation or otherwise) by the Bank of all or part of its rights, benefits or obligations under this Guarantee Agreement, unless the assignment or transfer:
- (i) is to a Bank Affiliate; or
 - (ii) is made at a time when an Event of Default has occurred and is continuing; or
 - (iii) is made in respect of a sub-participation or securitisation (or similar transaction of broadly equivalent economic effect) where the Bank remains the lender of record of the Loan.
- (b) The consent of the Guarantor to an assignment or transfer must not be unreasonably withheld or delayed. The Guarantor will be deemed to have given its consent five (5) Business Days after the Bank has requested such consent in written form unless consent is expressly refused by the Guarantor within that time.
- (c) Provided such disclosure is subject to confidentiality provisions at least as restrictive as set forth in the MAR Side Letter, the Bank shall have the right to confidentially disclose all information relating to or concerning the Guarantor, the Group, the Finance Documents and the Loan in connection with or in contemplation of any such assignment or transfer.

For the purpose of this Article 10.10 (*Assignment and transfer by the Bank*):

“**Affiliate**” means any entity directly or indirectly Controlling, Controlled by or under common Control with the Bank.

“**Bank Affiliate**” means an Affiliate of the Bank and any other entity or platform initiated, managed or advised by the Bank.

ARTICLE 11 **FINAL ARTICLES**

11.01 Form of notice

- (a) Any notice or other communication given under this Guarantee Agreement must be in writing and, unless otherwise stated, may be made by letter and electronic mail.
- (b) Notices and other communications for which fixed periods are laid down in this Guarantee Agreement or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter or by electronic mail. Such notices and communications shall be deemed to have been received by the other party:
- (i) on the date of delivery in relation to a hand-delivered or registered letter; or
 - (ii) in the case of any electronic mail, when the electronic mail is received in readable form.

- (c) Any notice provided by the Guarantor to the Bank by electronic mail shall:
- (i) mention the Contract Number in the subject line; and
 - (ii) be in the form of a non-editable electronic image (pdf, tif or other common non-editable file format agreed between the parties) of the notice signed by one or more Authorised Signatories of the Guarantor as appropriate, attached to the electronic mail.
- (d) Notices issued by the Guarantor pursuant to any provision of this Guarantee Agreement shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Guarantor and the authenticated specimen signature of such person or persons, unless such person is listed in the then current List of Authorised Signatories.
- (e) Without affecting the validity of electronic mail or communication made in accordance with this Article 11 (*Final Articles*), the following notices, communications and documents shall also be sent by registered letter to the relevant party at the latest on the immediately following Business Day:
- (i) Disbursement Acceptance;
 - (ii) any notices and communication in respect of the cancellation of a disbursement of any Tranche, Prepayment Request, Prepayment Notice, Event of Default, any demand for prepayment, and
 - (iii) any other notice, communication or document required by the Bank.
- (f) The parties agree that any above communication (including via electronic mail) is an accepted form of communication, shall constitute admissible evidence in court and shall have the same evidential value as an agreement under hand.
- (g) Any communication or document made or delivered to the Guarantor in accordance with this Article 11 (*Final Articles*) will be deemed to have been made or delivered to each of the Obligors or any other member of the Group party to a Finance Document. Each Obligor incorporated in Germany, for this purpose, appoints the Borrower as its receipt agent (*Empfangsboten*).

11.02 Addresses

The address and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication to be made or document to be delivered under or in connection with this Guarantee Agreement is:

For the Bank

Attention: OPS/ENPST/3-GC&IF

98 - 100 boulevard Konrad Adenauer, L-2950 Luxembourg

Email address: [_____]

For the Guarantor

Attention: Finance Department

MATAM Advanced Technology Park, Building 5, Haifa 3508409, Israel

Email address: [_____]

11.03 Demand after notice to remedy

The Bank and the Guarantor shall promptly notify the other party in writing of any change in their respective communication details.

11.04 English language

- (a) Any notice or communication given under or in connection with this Guarantee Agreement must be in English.
- (b) All other documents provided under or in connection with this Guarantee Agreement must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Bank, accompanied by a certified English translation and, in this case, the English translation will prevail.

11.05 Conclusion of this Guarantee Agreement (Vertragsschluss)

- (a) The parties to this Guarantee Agreement may choose to conclude this Guarantee Agreement by an exchange of signed signature page(s), transmitted by any means of telecommunication (*telekommunikative Übermittlung*) such as by way of electronic photocopy or by way of qualified electronic signatures (*qualifizierte elektronische Signatur*) within the meaning of Section 126a BGB.
- (b) If the parties to this Guarantee Agreement choose to conclude this Guarantee Agreement pursuant to this Article 11.05 (*Conclusion of this Guarantee Agreement (Vertragsschluss)*), they will transmit the signed signature page(s) of this Guarantee Agreement to the following attorneys of Noerr LLP (Börsenstr. 1, 60313 Frankfurt am Main, Germany) via email: Andreas Naujoks, Michael Schuhmacher and Dorian Legel (each a “**Recipient**”). The Guarantee Agreement will be considered concluded once a Recipient has actually received the signed signature page(s) (*Zugang der Unterschriftsseite(n)*) from all parties (whether electronic photocopy or other means of telecommunication and at the time of the receipt of the last outstanding signature page(s) by such one Recipient).
- (c) For the purposes of this Article 11.05 (*Conclusion of this Guarantee Agreement (Vertragsschluss)*) only, the parties to this Guarantee Agreement appoint each Recipient as their attorney (*Empfangsvertreter*) and expressly allow (*gestatten*) each Recipient to collect the signed signature page(s) from all and for all parties to this Guarantee Agreement. For the avoidance of doubt, each Recipient will have no further duties connected with its position as Recipient. For the purposes of proof and confirmation, each Obligor has to provide the Bank with original signature pages(s) or signature page(s) signed by way of qualified electronic signatures (*qualifizierte elektronische Signatur*) within the meaning of Section 126a BGB after signing this Guarantee Agreement.

This Guarantee Agreement has been entered into on the date stated at the beginning of this Guarantee Agreement.

Signed for and on behalf of

EUROPEAN INVESTMENT BANK

By: /s/ Donald Fitzpatrick
Name: Donald Fitzpatrick
Title: Head of Division

By: /s/ Mariana Duarte Silva
Name: Mariana Duarte Silva
Title: Counsel

Signed for and on behalf of

Pluristem Ltd.

By: /s/ Yaacob Yanay
Name: Yaacob Yanay
Title: CEO

By: /s/ Chen Franco-Yehuda
Name: Chen Franco-Yehuda
Title: CFO

Signed for and on behalf of

Pluristem GmbH

By: /s/ Yaacob Yanay
Name: Yaacob Yanay
Title: Managing Director

By: /s/ Chen Franco-Yehuda
Name: Chen Franco-Yehuda
Title: Managing Director

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: November 5, 2020

/s/ Yaky Yanay

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

CERTIFICATION

I, Chen Franco-Yehuda, 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: November 5, 2020

/s/ Chen Franco-Yehuda
Chen Franco-Yehuda
Chief Financial Officer
(Principal Financial Officer)

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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Yaky Yanay, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. 1350, 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: November 5, 2020

By: /s/ Yaky Yanay
Yaky Yanay
Chief Executive Officer and President

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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Chen Franco-Yehuda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, 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: November 5, 2020

By: /s/ Chen Franco-Yehuda

Chen Franco-Yehuda

Chief Financial Officer