

**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 **December 31, 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
<b>Common Shares, par value \$0.00001</b>	<b>PSTI</b>	<b>Nasdaq Global Market</b>

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 shares as of the latest practicable date: 31,529,267 common shares issued and outstanding as of February 4, 2021.

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

**As of December 31, 2020**

**(Unaudited)**

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

**As of December 31, 2020**

**U.S. DOLLARS IN THOUSANDS**

**(Unaudited)**

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## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

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

	Note	December 31, 2020 Unaudited	June 30, 2020
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 7,824	\$ 8,270
Short-term bank deposits		35,228	37,514
Restricted cash		40	555
Other current assets		2,158	2,122
<u>Total</u> current assets		<u>45,250</u>	<u>48,461</u>
LONG-TERM ASSETS:			
Long-term deposits and restricted bank deposits		3,152	12,653
Severance pay fund		706	631
Property and equipment, net		2,089	2,516
Operating lease right-of-use asset		1,053	1,259
Other long-term assets		13	12
<u>Total</u> long-term assets		<u>7,013</u>	<u>17,071</u>
<u>Total</u> assets		<u>\$ 52,263</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	December 31, 2020 Unaudited	June 30, 2020
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables		\$ 2,854	\$ 1,968
Accrued expenses		3,741	3,018
Operating lease liability, current		1,132	1,020
Other accounts payable		2,269	1,981
<u>Total</u> current liabilities		<u>9,996</u>	<u>7,987</u>
<b>LONG-TERM LIABILITIES</b>			
Accrued severance pay		960	879
Operating lease liability		159	565
<u>Total</u> long-term liabilities		<u>1,119</u>	<u>1,444</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	3		
<b>SHAREHOLDERS' EQUITY</b>			
Share capital:	4		
Common shares \$0.00001 par value per share:			
Authorized: 60,000,000 shares			
Issued and outstanding: 25,839,286 shares as of December 31, 2020, 25,492,713 shares as of June 30, 2020		(*)	(*)
Additional paid-in capital		342,347	336,257
Accumulated deficit		(301,199)	(280,156)
<u>Total</u> shareholders' equity		<u>41,148</u>	<u>56,101</u>
<u>Total</u> liabilities and shareholders' equity		<u>\$ 52,263</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)

	Six months ended December 31		Three months ended December 31,	
	2020	2019	2020	2019
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues	\$ -	\$ 23	\$ -	\$ 23
Cost of revenues	-	(1)	-	(1)
Gross profit	-	22	-	22
Operating expenses:				
Research and development expenses	(14,202)	(11,398)	(7,999)	(5,572)
Less: participation by the Israeli Innovation Authority (IIA), Horizon 2020 and other parties	287	1,376	22	932
Research and development expenses, net	(13,915)	(10,022)	(7,977)	(4,640)
General and administrative expenses, net	(7,896)	(3,563)	(5,097)	(1,750)
Operating loss	(21,811)	(13,563)	(13,074)	(6,368)
Financial income (expense), net	768	54	520	(2)
Net loss for the period	<u>\$ (21,043)</u>	<u>\$ (13,509)</u>	<u>\$ (12,554)</u>	<u>\$ (6,370)</u>
Loss per share:				
Basic and diluted net loss per share	<u>\$ (0.82)</u>	<u>\$ (0.86)</u>	<u>\$ (0.49)</u>	<u>\$ (0.40)</u>
Weighted average number of shares used in computing basic and diluted net loss per share	<u>25,599,008</u>	<u>15,665,641</u>	<u>25,662,752</u>	<u>15,927,749</u>

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

## INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common Shares		Additional	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Shareholders'
			Capital		Equity
<b>Balance as of July 1, 2019</b>	15,082,852	\$ (*)	\$ 272,825	\$ (251,004)	\$ 21,821
Share-based compensation to employees, directors and non-employee consultants	201,155	(*)	1,631	-	1,631
Issuance of common shares under Open Market Sales Agreement, net of issuance costs of \$812 (see Note 4a)	1,644,118	(*)	5,967	-	5,967
Exercise of options by employees and non-employee consultants	5,000	(*)	-	-	-
Round up of shares due to reverse share split effectuated on July 25, 2019 (see Note 4c)	1,292	(*)	-	-	-
Net loss	-	-	-	(13,509)	(13,509)
<b>Balance as of December 31, 2019 (unaudited)</b>	<u>16,934,417</u>	<u>\$ (*)</u>	<u>\$ 280,423</u>	<u>\$ (264,513)</u>	<u>\$ 15,910</u>

(\*) Less than \$1

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

## INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common Shares		Additional	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Shareholders'
			Capital		Equity
<b>Balance as of October 1, 2019</b>	15,619,913	\$ (*)	\$ 275,670	\$ (258,143)	\$ 17,527
Share-based compensation to employees, directors and non-employee consultants	108,286	(*)	767	-	767
Issuance of common shares under Open Market Sales Agreement, net of issuance costs of \$614	1,204,218	(*)	3,986	-	3,986
Exercise of options by employees and non-employee consultants	2,000	(*)	-	-	-
Net loss	-	-	-	(6,370)	(6,370)
<b>Balance as of December 31, 2019 (unaudited)</b>	<u>16,934,417</u>	<u>\$ (*)</u>	<u>\$ 280,423</u>	<u>\$ (264,513)</u>	<u>\$ 15,910</u>

(\*) Less than \$1

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



## INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
<b>Balance as of July 1, 2020</b>	25,492,713	\$ (*)	\$ 336,257	\$ (280,156)	\$ 56,101
Share-based compensation to employees, directors and non-employee consultants	162,518	(*)	4,857	-	4,857
Issuance of common shares under New ATM Agreement, net of issuance costs of \$151 (see Note 4b)	117,021	(*)	869	-	869
Exercise of warrants (see Note 4d)	51,999	(*)	364	-	364
Exercise of options by non-employee consultants	15,035	(*)	-	-	-
Net loss	-	-	-	(21,043)	(21,043)
<b>Balance as of December 31, 2020 (unaudited)</b>	<u>25,839,286</u>	<u>\$ (*)</u>	<u>\$ 342,347</u>	<u>\$ (301,199)</u>	<u>\$ 41,148</u>

(\*) Less than \$1

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

## INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common Share		Additional	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Shareholders'
			Capital		Equity
<b>Balance as of October 1, 2020</b>	25,612,811	\$ (*)	\$ 337,593	\$ (288,645)	\$ 48,948
Share-based compensation to employees, directors and non-employee consultants	88,777	(*)	3,821	-	3,821
Issuance of common Share under New ATM Agreement, net of issuance costs of \$151 (see Note 4b)	117,021	(*)	869	-	869
Exercise of warrants (see Note 4d)	9,142	(*)	64	-	64
Exercise of options by employees and non-employee consultants	11,535	(*)	-	-	-
Net loss	-	-	-	(12,554)	(12,554)
<b>Balance as of December 31, 2020 (unaudited)</b>	<u>25,839,286</u>	<u>\$ (*)</u>	<u>\$ 342,347</u>	<u>\$ (301,199)</u>	<u>\$ 41,148</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 (except share and per share data)

	Six months ended	
	December 31,	
	2020	2019
	Unaudited	Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (21,043)	\$ (13,509)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	695	853
Share-based compensation to employees, directors and non-employee consultants	4,857	1,631
Decrease in accounts receivable from the IIA	142	125
Increase in other current assets and other long-term assets	(179)	(719)
Increase (decrease) in trade payables	825	(378)
Increase (decrease) in other accounts payable, accrued expenses, other current liabilities and other long-term liabilities	960	(1,466)
Decrease in operating lease right-of-use asset and liability, net and effect of exchange rate differences	(88)	(103)
Decrease (increase) in interest receivable on short-term deposits	(130)	39
Linkage differences and interest on short and long-term deposits and restricted bank deposits	(29)	(7)
Accrued severance pay, net	6	(8)
Net cash used by operating activities	\$ (13,984)	\$ (13,542)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	\$ (207)	\$ (128)
Proceeds from withdrawals of short-term deposits	2,445	10,786
Proceeds from withdrawals of long-term deposits	9,533	2
Net cash provided by investing activities	\$ 11,771	\$ 10,660

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 (except share and per share data)

	Six months ended December 31,	
	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds related to issuance of common shares, net of issuance costs	\$ 920	\$ 5,967
Proceeds related to exercise of warrants	364	-
Net cash provided by financing activities	<u>\$ 1,284</u>	<u>\$ 5,967</u>
Increase (decrease) in cash and cash equivalents and restricted cash	(929)	3,085
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>\$ 8,300</u>	<u>\$ 8,271</u>
<b>(a) Supplemental disclosure of cash flow activities:</b>		
Cash paid during the period for:		
Taxes paid due to non-deductible expenses	<u>\$ 5</u>	<u>\$ 5</u>
<b>(b) Supplemental disclosure of non-cash activities:</b>		
Purchase of property and equipment on credit	\$ 93	\$ 8
Accrued expenses related to issuance of common shares	<u>\$ 51</u>	<u>\$ -</u>

The following table provides a reconciliation of cash and cash equivalents, and long-term restricted cash reported within the consolidated balance sheets that sum to the total of such amounts in the consolidated statements of cash flows:

	December 31,	
	2020	2019
	<u>(Unaudited)</u>	
Cash and cash equivalents	\$ 7,824	\$ 7,300
Restricted cash included in Restricted cash and short-term bank deposits	476	971
Cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	<u>\$ 8,300</u>	<u>\$ 8,271</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.”

Pluristem Therapeutics’ common shares are traded on the Nasdaq Global 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 inflammation, muscle trauma, hematological disorders and radiation damage.

The Company has incurred an accumulated deficit of approximately \$301,199 and incurred recurring operating losses and negative cash flows from operating activities since inception. As of December 31, 2020, the Company’s total shareholders’ equity amounted to \$41,148. During the six month period ended December 31, 2020, the Company incurred operating losses of \$21,043 and its negative cash flow from operating activities was \$13,984.

As of December 31, 2020, the Company's cash position (cash and cash equivalents, short-term bank deposits and restricted cash and long-term bank deposits) totaled approximately \$46,244. The Company plans to continue to finance its operations from, its current resources (including the net proceeds received from its registered direct offering that closed in February 2021 and proceeds from the sales of common shares pursuant to the New ATM Agreement (as defined herein) during January 2021), 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 its current resources and these sources for additional 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 December 31, 2020, Pluristem has not yet received any Tranche of the Finance Contract.

**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 six month period ended December 31, 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 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 December 31, 2020, the Company had no open hedging transactions. The net income recognized in "Financial income (expense), net" during the three and six month periods ended December 31, 2020 and 2019 were \$9 and \$21 ,(\$26) and \$57 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.

**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 December 31, 2020, an amount of \$476 of cash and deposits was pledged by the Subsidiary to secure 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 December 31, 2020, total grants obtained from the IIA aggregated to approximately \$27,743 and total royalties paid and accrued amounted to \$169. As of December 31, 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)**

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**NOTE 3: - COMMITMENTS AND CONTINGENCIES (CONT.)**

As of December 31, 2020, total grants obtained under this Smart Money program amounted to approximately \$112. As of December 31, 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 December 31, 2020, the aggregate amount of grant obtained from this Smart Money program was approximately \$160. As of December 31, 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 December 31, 2020, total grants obtained under the "Shalav" program amounted to approximately \$52. As of December 31, 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: - SHAREHOLDERS' 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 common shares having an aggregate offering price of up to \$50,000 through Jefferies acting as sales agent. During the six month period ended December 31, 2019, the Company sold 1,644,118 common shares under the Sales Agreement at an average price of \$4.12 per share for aggregate net proceeds of approximately \$5,967, net of issuance expenses of \$812. 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. Pursuant to a shelf registration on Form S-3 declared effective by the SEC on July 23, 2020, in July 2020 the Company entered into a new Open Market Sale Agreement ("New ATM Agreement") with Jefferies, which provides that, upon the terms and subject to the conditions and limitations in the New ATM Agreement, the Company may elect, from time to time, to offer and sell common shares having an aggregate offering price of up to \$75,000 through Jefferies acting as sales agent. During the six month period ended December 31, 2020, the Company sold 117,021 common shares under the New ATM Agreement at an average price of \$8.7 per share for aggregate net proceeds of approximately \$869, net of issuance expenses of \$151.
- c. In July 2019, the Board of Directors approved a 1-for-10 reverse share split of the Company's (a) authorized common shares; (b) issued and outstanding common shares and (c) authorized preferred shares. The reverse share split became effective on July 25, 2019. All common shares, options, warrants and securities convertible or exercisable into common shares, as well as loss per share, have been adjusted to give retroactive effect to this reverse share split for all periods presented.

An additional 1,292 common shares 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 share split.

- d. During the six month period ended December 31, 2020, warrants to purchase a total of 519,990 common shares from the Company's April 2019 firm commitment underwritten public offering were exercised at an exercise price of \$7.00 per share, resulting in the issuance of 51,999 common shares for net proceeds of approximately \$364.
- e. Options to non-employees:

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

Six months ended December 31, 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	(15,035)	-	-	-
Options forfeited	-	-	-	-
Options outstanding at end of the period	39,836	0.00001	7.48	\$ 282
Options exercisable at the end of the period	34,836	0.00001	7.41	\$ 246
Options unvested	5,000	-	-	-
Options vested and expected to vest	39,836	\$ 0.00001	7.48	\$ 282

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 4: - SHAREHOLDERS' EQUITY (CONT.)

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

	Six months ended December 31,		Three months ended December 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Research and development expenses	\$ -	\$ 33	\$ -	\$ 15
General and administrative expenses	\$ 6	\$ 53	\$ 3	\$ 24
	<u>\$ 6</u>	<u>\$ 86</u>	<u>\$ 3</u>	<u>\$ 39</u>

## e. Restricted Shares ("RS") and restricted Shares 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 six month period ended December 31, 2020 (Unaudited):

	Number
Unvested at the beginning of period	415,194
Granted	2,600,120
Forfeited	(5,649)
Vested	(161,268)
Unvested at the end of the period	<u>2,848,397</u>
Expected to vest after December 31, 2020	<u>2,800,315</u>

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

	Six months ended December 31,		Three months ended December 31,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Research and development expenses	\$ 564	\$ 414	\$ 472	\$ 192
General and administrative expenses	4,168	1,049	3,346	476
	<u>\$ 4,732</u>	<u>\$ 1,463</u>	<u>\$ 3,818</u>	<u>\$ 668</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 \$22,409.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 4: - SHAREHOLDERS' 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 six month period ended December 31, 2020 (Unaudited):

	<b>Number</b>
Unvested at the beginning of period	6,250
Granted	110,000
Expired	(25,000)
Vested	(1,250)
Unvested at the end of the period	90,000

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

	<b>Six months ended December 31,</b>		<b>Three months ended December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Research and development expenses	\$ 68	\$ 23	\$ (35)	\$ 11
General and administrative expenses	51	59	35	49
	<u>\$ 119</u>	<u>\$ 82</u>	<u>\$ 0</u>	<u>\$ 60</u>

**NOTE 5: - SUBSEQUENT EVENTS**

- a. From January 1, 2021 through February 8, 2021, the Company sold an aggregate of 928,076 common shares for aggregate gross proceeds of \$ 7,867 under the New ATM Agreement.
- b. On February 2, 2021, the Company entered into a securities purchase agreement with several institutional investors, or the Investors, pursuant to which the Company sold, in a registered direct offering directly to the Investors, 4,761,905 common shares for aggregate gross proceeds of \$30,000.

## 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 entering into certain contracts with third parties;
- the prospects of entering into additional license agreements, or other forms of cooperation with other companies, research organizations and medical institutions;
- our pre-clinical and clinical trials plans, including timing of initiation, expansion, enrollment and conclusion of trials;
- 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 EIB Finance Agreement, with the European Investment Bank, or the EIB, and whether we will achieve the milestones necessary to receive funds thereunder;
- developing capabilities for new clinical indications of placenta expanded, or 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 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 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.

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. The cells are grown using our proprietary three-dimensional expansion technology and can be administered to patients off the-shelf, without blood or tissue matching prior to administration. PLX cells are believed to release a range of therapeutic proteins in response to the patient’s condition such as inflammation, muscle trauma, hematological disorders and radiation damage.

We are currently enrolling patients in a multinational Phase III clinical study for muscle recovery following surgery for hip fracture and two Phase II clinical studies in Acute Respiratory Distress Syndrome, or ARDS, complicated by the COVID-19 coronavirus in the U.S., EU and Israel. We also expect to expand our COVID-19 program to Mexico following the announcement in December 2020 of our collaboration with Innovare R&D.

In addition, we are focusing on other clinical programs such as a Phase I clinical study for incomplete recovery following bone marrow transplantation in the U.S. and Israel, an Investigator-Led Phase I/II Chronic Graft vs Host Disease Study, or cGvHD, and acute radiation syndrome, or ARS, under the FDA animal rule. We believe that each of these indications is a severe unmet medical need.

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.

## Recent Developments

### *CLI Phase III Study*

In December 2020, we announced that the independent Data Monitoring Committee, or DMC, issued its recommendation letter following an interim analysis relating to our global pivotal Phase III study for the use of PLX-PAD for the treatment of critical limb ischemia, or CLI. A clinical dataset was reviewed by the independent DMC for safety and analysis of the primary endpoint of amputation-free survival, defined as time to occurrence of major amputation of the index leg or death. Based on the review, the DMC concluded that the CLI study is unlikely to meet the primary endpoint by the time of the final analysis. Following the DMC’s recommendation, we decided to terminate enrollment in the CLI study.

## **RESULTS OF OPERATIONS – THREE AND SIX MONTHS ENDED DECEMBER 31, 2020 COMPARED TO THREE AND SIX MONTHS ENDED DECEMBER 31, 2019.**

### **Revenues**

We had no revenues for both the six and three month periods ended December 31, 2020, as compared to \$23,000, respectively, in the six and three month periods ended December 31, 2019. Revenues in 2019 were related to the sale of our PLX cells for research use.

### **Research and Development Expenses, Net**

Research and development expense, net (costs less participation and grants by the Horizon 2020 program and the IIA) for the six month period ended December 31, 2020 increased by 39% from \$10,022,000 for the six month period ended December 31, 2019 to \$13,915,000. The increase is mainly attributed to: (1) an increase in clinical trial subcontractor expenses for our ARDS associated with COVID - 19 Phase II clinical trial, (2) an increase in materials purchased as part of our production plan, (3) an increase in payroll expenses related to payroll adjustments, increase in the average number of employees and the strength of the New Israel Shekel, or NIS, against the U.S. dollar, (4) an increase in share-based compensation expenses related to the amount of restricted stock units granted and the share price at the time of the grant and (5) a decrease in participation by the EU with respect to the Horizon 2020 program, as a result of our utilizing the entirety of the grant under such program during the six month period ended December 31, 2019. The increase was partially offset by lower depreciation expenses and lower travel abroad expenses.

Research and development expense, net (costs less participation and grants by the Horizon 2020 program and the IIA) for the three month period ended December 31, 2020 increased by 72% from \$4,640,000 for the three month period ended December 31, 2019 to \$7,977,000. The increase is mainly attributed to: (1) an increase in clinical trial subcontractor expenses for our ARDS associated with COVID - 19 Phase II clinical trial, (2) an increase in materials purchased as part of our production plan, (3) an increase in payroll expenses related to payroll adjustments and the strength of the NIS against the U.S. dollar, (4) an increase in share-based compensation expenses related to the amount of restricted stock units granted and the share price at the time of the grant and (5) a decrease in participation by the European Union with respect to the Horizon 2020 program, as a result of our utilizing the entirety of the grant under such program during the three month period ended December 31, 2019. The increase was partially offset by lower depreciation expenses and lower travel abroad expenses.

### **General and Administrative Expenses**

General and administrative expenses for the six month period ended December 31, 2020 increased by 122% from \$3,563,000 for the six month period ended December 31, 2019 to \$7,896,000. The increase is mainly attributed to: (1) an increase in share-based compensation expenses related to the amount of restricted stock units granted and the share price at the time of the grant, (2) an increase in payroll expenses, mostly related to the entitlement of Mr. Aberman, our Executive Chairman, to certain adjustment fees pursuant to his amended consulting agreement, payroll adjustments and the strength of the NIS against the U.S. dollar, (3) an increase in Directors & Officers insurance premium expenses and (4) an increase in legal expenses related to the EIB Finance Agreement. The increase was offset by lower travel abroad expenses.

General and administrative expenses for the three month period ended December 31, 2020 increased by 191% from \$1,750,000 for the three month period ended December 31, 2019 to \$5,097,000. The increase is mainly attributed to: (1) an increase in share-based compensation expenses related to the amount of restricted stock units granted and the share price at the time of the grant, (2) an increase in payroll expenses related to payroll adjustments and the strength of the NIS against the U.S. dollar and (3) an increase in Directors & Officers insurance premium expenses. The increase was partially offset by lower travel abroad expenses.

## Financial Income (Expense), Net

Financial income, net, increased from a net financial income of \$54,000 for the six month period ended December 31, 2019 to a net financial income of \$768,000 for the six month period ended December 31, 2020. This increase is mainly attributable to income derived from NIS against U.S. dollar exchange rates on deposits linked to the NIS.

Financial income (expense), net, increased from a net financial expense of )\$2,000( for the three month period ended December 31, 2019 to a net financial income of \$520,000 for the three month period ended December 31, 2020. This increase is mainly attributable to income derived from NIS against U.S. dollar exchange rates on deposits linked to the NIS.

## Net Loss

Net loss for the six and three month periods ended December 31, 2020 was \$21,043,000 and \$12,554,000, respectively, as compared to net loss of \$13,509,000 and \$6,370,000 for the six and three month periods ended December 31, 2019. The increases in net loss were mainly due to increases in research and development and general and administrative expenses, as described above. Net loss per share for the six and three month periods ended December 31, 2020 was \$0.82 and \$0.49, respectively, as compared to \$0.86 and \$0.40 for the six and three month periods ended December 31, 2019.

For the six and three month periods ended December 31, 2020 and December 31, 2019, we had weighted average common shares outstanding of 25,599,008, 25,662,752 and 15,665,641, 15,927,749, respectively, which were used in the computations of net loss per share for the six and three month periods.

The increase in weighted average common shares outstanding reflects the issuance of additional shares mainly related to the issuances of shares upon settlement of restricted stock units to employees and consultants, issuances of shares pursuant to our new Open Market Sale Agreement<sup>SM</sup>, or the New ATM Agreement, that we entered into with Jefferies LLC, or Jefferies, on July 16, 2020, and the Open Market Sale Agreement<sup>SM</sup>, or the Sales Agreement, that we entered into with 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 the exercise of outstanding warrants and options.

## Liquidity and Capital Resources

As of December 31, 2020, our total current assets were \$45,250,000 and total current liabilities were \$9,996,000. On December 31, 2020, we had a working capital surplus of \$35,254,000, shareholders' equity of \$41,148,000 and an accumulated deficit of \$301,199,000. 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 EIB Finance Agreement 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 December 31, 2020 amounted to \$7,824,000, compared to \$7,300,000 as of December 31, 2019, and compared to \$8,270,000 as of June 30, 2020. Cash balances changed in the six months ended December 31, 2020 and 2019 for the reasons presented below.

Operating activities used cash of \$13,984,000 in the six months ended December 31, 2020, compared to \$13,542,000 in the six months ended December 31, 2019. Cash used in operating activities in the six months ended December 31, 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 EU's Horizon 2020 program, Israel's Ministry of Economy and other research grants.

Investing activities provided cash of \$11,771,000 in the six months ended December 31, 2020, compared to cash provided of \$10,660,000 for the six months ended December 31, 2019. The investing activities in the six month period ended December 31, 2020 consisted primarily of the withdrawal of \$2,445,000 of short term deposits and the withdrawal of \$9,533,000 of long term deposits, partially offset by payments of \$207,000 related to investment in property and equipment. The investing activities in the six month period ended December 31, 2019 consisted primarily of the withdrawal of \$10,786,000 of short term deposits, offset by payments of \$128,000 related to investment in property and equipment.



Financing activities generated cash of \$1,284,000 during the six months ended December 31, 2020, compared to \$5,967,000 for the six months ended December 31, 2019. The cash generated in the six months ended December 31, 2020 from financing activities is related to net proceeds of \$364,000 from issuing our common shares from the exercise of warrants and net proceeds of \$920,000 related to issuances made under the New ATM Agreement. The cash generated in the six months ended December 31, 2019 from financing activities is related to net proceeds of \$5,967,000 from issuing our common shares under our Sale Agreement.

In April 2020, we and our subsidiaries, Pluristem Ltd. and Pluristem GmbH, executed the EIB Finance Agreement for funding of up to €50 million in the aggregate, payable in three tranches. The proceeds from the EIB 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 EIB 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, pursuant to which we were entitled to issue and sell our common shares 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 shares under the Sales Agreement. 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 the New ATM Agreement, pursuant to which we may issue and sell our common shares having an aggregate offering price of up to \$75,000,000 from time to time through Jefferies. Upon entering into the New ATM Agreement, we filed a new shelf registration statement on Form S-3, which was declared effective by the SEC on July 23, 2020. During the six month period ended December 31, 2020, we sold 117,021 of our common shares under the New ATM Agreement at an average price of \$8.70 per share for aggregate net proceeds of approximately \$869,000.

From January 1, 2021 through February 8, 2021, we sold an aggregate of 928,076 common shares under the New ATM Agreement for aggregate gross proceeds of \$7,867,000.

On February 2, 2021, we entered into a securities purchase agreement with several institutional investors, or the Investors, pursuant to which we sold, in a registered direct offering, or the Registered Direct Offering, directly to the Investors, 4,761,905 common shares for aggregate gross proceeds of \$30,000,000.

During the six months ended December 31, 2020, warrants were exercised by investors at an exercise price of \$7.00 per share, resulting in the issuance of 51,999 our common shares for net proceeds of approximately \$364,000.

During the six months ended December 31, 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 December 31, 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 December 31, 2020, we received total grants of approximately \$348,000 in cash from the IIA pursuant to the CRISPR-IL consortium program.

As of December 31, 2020, we received total grants of approximately \$5,997,000 in cash from the EU research and development consortiums pursuant to the EU'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 our common shares, preferred shares and warrants to purchase common shares, 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 February 8, 2021, other than the \$75 million we are eligible to sell pursuant to the New ATM Agreement, and the \$30,000,000 we sold in the Registered Direct Offering, no common shares, preferred shares or warrants to purchase common shares were sold pursuant to our effective Form S-3 registration statement.

## **Outlook**

We have accumulated a deficit of \$301,199,000 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 Finance Agreement, grants from the IIA, EU's Horizon 2020 program, Israel's Ministry of Economy and other research grants, collaboration with other companies and sales of our common shares.

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 second 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*	<a href="#">Form of Director and Officer Indemnification Agreement.</a>
31.1*	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer.</a>
31.2*	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer.</a>
32.1**	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</a>
32.2**	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</a>
101 *	The following materials from our Quarterly Report on Form 10-Q for the quarter ended December 31, 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 Shareholders' Equity, (iv) the Interim Condensed Consolidated Statements of Cash Flows, and (v) 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: February 8, 2021

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

Date: February 8, 2021

## PLURISTEM THERAPEUTICS INC.

This Agreement is made as of the \_\_\_\_ day of \_\_\_\_\_, by and between Pluristem Therapeutics Inc., a Nevada corporation (the "Corporation"), and \_\_\_\_\_ ("Indemnitee"), a director and/or officer of the Corporation.

WHEREAS, it is essential to the Corporation to retain and attract as directors and officers the most capable persons available;

WHEREAS, it is the express policy of the Corporation to indemnify its directors and officers so as to provide them with the maximum possible protection permitted by law; and

WHEREAS, Indemnitee is a director or officer of the Corporation;

WHEREAS, both the Corporation and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of corporations;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability and in order to induce Indemnitee to serve or continue to serve the Corporation, the Corporation wishes to provide Indemnitee with the benefits contemplated by this Agreement to the fullest extent permitted by law;

NOW THEREFORE, in consideration of the above premises and intending to be legally bound hereby, the parties agree as follows:

1. Agreement to Serve. Indemnitee agrees to serve or continue to serve as director and/or officer of the Corporation for so long as he is duly elected or appointed or until such time as he tenders his resignation in writing.

2. Definitions. As used in this Agreement:

- (a) "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or a corporation owned directly or indirectly by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation, becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the total voting power represented by the Corporation's then outstanding Voting Securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, or (iii) the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, other than a merger or consolidation that would result in the Voting Securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation, or the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation (in one transaction or a series of transactions) of all or substantially all of the Corporation's assets.
-

- (b) The term "Corporate Status" shall mean the status of a person who is or was a director and/or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.
- (c) The term "Expenses" shall include, without limitation, attorneys' fees, retainers, court costs, transcript costs, fees of experts, reasonable travel expenses approved in advance by the Corporation, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and other disbursements or expenses of the types customarily incurred in connection with investigations, judicial or administrative proceedings or appeals, but shall not include the amount of judgments, fines or penalties against Indemnitee or amounts paid in settlement in connection with such matters.
- (d) The term "Independent Counsel" shall mean an attorney admitted to practice in the State of Nevada, selected by Indemnitee and approved and appointed by a majority vote of a quorum consisting of Disinterested Directors, as defined in Paragraph 9.
- (e) References to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Agreement.
- (f) The term "Proceeding" shall include any threatened, pending or completed action, suit or proceeding, whether brought by or in the right of the Corporation or otherwise and whether of a civil, criminal, administrative or investigative nature, and any appeal therefrom.
- (g) The term "Voting Securities" shall mean securities of the Corporation that vote generally in the election of directors.

3. Indemnification in Third-Party Proceedings. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 3 if Indemnitee was or is a party to or threatened to be made a party to or otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Corporation to procure a judgment in its favor) by reason of Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had no reasonable cause to believe that Indemnitee's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation and, with respect to any criminal Proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.

4. Indemnification in Proceedings by or in the Right of the Corporation. The Corporation shall indemnify Indemnitee in accordance with the provisions of this Paragraph 4 if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of Indemnitee's Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith, against all Expenses and, to the extent permitted by law, judgment, fines, penalties and amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Paragraph 4 in respect to any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation, unless and only to the extent that a court of proper jurisdiction shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as such court shall deem proper.

5. Exceptions to Right of Indemnification. Notwithstanding anything to the contrary in this Agreement, except as set forth in Paragraph 10, the Corporation shall not indemnify Indemnitee in connection with a Proceeding (or part thereof) initiated by Indemnitee unless (i) the initiation thereof was approved by the Board of Directors of the Corporation; or (ii) the Proceeding is instituted after a Change in Control. Notwithstanding anything to the contrary in this Agreement, the Corporation shall not indemnify Indemnitee to the extent Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification payments to Indemnitee and Indemnitee is subsequently reimbursed from the proceeds of insurance, Indemnitee shall promptly refund such indemnification payments to the Corporation to the extent of such insurance reimbursement.

6. Indemnification of Expenses. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful, on the merits or otherwise, in defense of any Proceeding or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection therewith. Without limiting the foregoing, if any Proceeding or any claim, issue or matter therein is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto. In addition, notwithstanding any other provision contained in this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness to any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified and held harmless from all Expenses actually and reasonable incurred by Indemnitee in connection therewith.

7. Notification and Defense of Claim. As a condition precedent to Indemnatee's right to be indemnified, Indemnatee agrees to notify the Corporation in writing as soon as reasonably practicable of any Proceeding for which indemnity will or could be sought by Indemnatee and provide the Corporation with a copy of any summons, citation, subpoena, complaint, indictment, information or other document relating to such Proceeding with which Indemnatee is served; provided, however, that the failure to give such notice shall not relieve the Corporation of its obligations to Indemnatee under this Agreement, except to the extent, if any, that the Corporation is actually prejudiced by the failure to give such notice. With respect to any Proceeding of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to Indemnatee. After notice from the Corporation to Indemnatee of its election so to assume such defense, the Corporation shall not be liable to the Indemnatee for any legal or other expenses subsequently incurred by the Indemnatee in connection with such Proceeding, other than as provided below in this Paragraph 7. Indemnatee shall have the right to employ Indemnatee's own counsel in connection with such Proceeding, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Indemnatee unless (i) the employment of counsel by Indemnatee has been authorized by the Corporation, (ii) counsel to Indemnatee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and Indemnatee in the conduct of the defense of such Proceeding, (iii) after a Change in Control, Indemnatee's employment of its own counsel has been approved by the Independent Counsel, or (iv) the Corporation shall not in fact have employed counsel to assume the defense of such Proceeding, in each of which cases the fees and expenses of counsel for Indemnatee shall be at the expense of the Corporation, except as otherwise expressly provided by this Agreement. The Corporation shall not be entitled, without the consent of Indemnatee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for Indemnatee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation shall not be required to indemnify Indemnatee under this Agreement for any amounts paid in settlement of any Proceeding effected without its written consent, *provided, however*, that if a Change in Control has occurred, the Corporation shall be liable for indemnification of Indemnatee for amounts paid in settlement if the Independent Counsel has approved the settlement. The Corporation shall not settle any Proceeding in any manner which would impose any penalty or limitation on Indemnatee without Indemnatee's written consent. Neither the Corporation nor the Indemnatee will unreasonably withhold its consent to any proposed settlement.

8. Advancement of Expenses. Any Expenses incurred by Indemnatee in connection with any such Proceeding to which Indemnatee was or is a witness or a party or is threatened to be a party by reason of his Corporate Status or by reason of any action alleged to have been taken or omitted in connection therewith shall be paid by the Corporation in advance of the final disposition of such matter; provided, however, that the payment of such Expenses incurred by the Indemnatee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnatee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnatee is not entitled to be indemnified by the Corporation as authorized in this Agreement; and further provided that no such advancement of Expenses shall be made if it is determined that (i) Indemnatee did not act in good faith and in a manner Indemnatee reasonably believes to be in, or not opposed to, the best interests of the Corporation, or (ii) with respect to any criminal action or proceeding, the Indemnatee had reasonable cause to believe Indemnatee's conduct was unlawful. Such undertaking shall be accepted without reference to the financial ability of Indemnatee to make such repayment. If, pursuant to the terms of this Agreement, Indemnatee is not entitled to be indemnified with respect to such Proceeding, then such Expenses shall be paid within 60 days after the receipt by Indemnatee of the written request by the Corporation for the Indemnatee to make payments to the Corporation.



9. Procedure for Indemnification. In order to obtain indemnification pursuant to Paragraphs 3, 4 or 6 of this Agreement, Indemnatee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to Indemnatee and is reasonably necessary to determine whether and to what extent Indemnatee is entitled to indemnification or advancement of Expenses. Any such indemnification or advancement of Expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnatee, unless with respect to requests under Paragraphs 3 or 4 the Corporation determines within such 60-day period that such Indemnatee did not meet the applicable standard of conduct set forth in Paragraphs 3 or 4, as the case may be. Such determination, and any determination pursuant to Paragraph 8 that advanced Expenses must be repaid to the Corporation, shall be made in each instance (a) by a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the Proceeding ("Disinterested Directors"), whether or not a quorum, (b) by a committee of Disinterested Directors designated by majority vote of Disinterested Directors, whether or not a quorum, (c) if there are no Disinterested Directors, or if Disinterested Directors so direct, by independent legal counsel (who may, to the extent permitted by applicable law, be regular legal counsel to the Corporation ) in a written opinion or (d) by the stockholders.

10. Remedies. The right to indemnification and immediate advancement of Expenses as provided by this Agreement shall be enforceable by the Indemnatee in any court of competent jurisdiction. Unless otherwise required by law, the burden of proving that indemnification is not appropriate shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnatee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Paragraph 9 that Indemnatee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnatee has not met the applicable standard of conduct. Indemnatee's expenses (of the type described in the definition of "Expenses" in Paragraph 2 (c)) reasonably incurred in connection with successfully establishing Indemnatee's right to indemnification, in whole or in part, in any such Proceeding also shall be indemnified by the Corporation.

11. Partial Indemnification. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Corporation for some or a portion of the Expenses, judgments, fines penalties or amounts paid in settlement actually and reasonably incurred by Indemnatee or on Indemnatee's behalf in connection with any Proceeding but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnatee for the portion of such Expenses, judgments, fines, penalties or amounts paid in settlement to which Indemnatee is entitled.

12. Establishment of Trust. In the event of a Change in Control, the Corporation shall, upon written request by Indemnatee, create a trust for the benefit of Indemnatee and from time to time upon written request of Indemnatee shall fund the trust in an amount sufficient to satisfy any and all claims hereunder, including Expenses, reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, participating in, or defending any Proceeding as described in Paragraphs 3 and 4. The amount or amounts to be deposited in the trust pursuant to the foregoing funding obligation shall be determined by the Independent Counsel. The terms of the trust shall provide that upon a Change in Control, (i) the trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnatee, (ii) the trustee shall advance, within ten (10) business days of a request by Indemnatee, any and all Expenses to Indemnatee, (iii) the trust shall continue to be funded by the Corporation in accordance with the funding obligation set forth above, (iv) the trustee shall promptly pay to Indemnatee all amounts for which Indemnatee shall be entitled to indemnification pursuant to this Agreement or otherwise, and (v) all unexpended funds in the trust shall revert to the Corporation upon a final determination by the Independent Counsel or a court of competent jurisdiction, as the case may be, that Indemnatee has been fully indemnified under the terms of this Agreement. The trustee shall be chosen by Indemnatee. Nothing in this Paragraph 12 shall relieve the Corporation of any of its obligations under this Agreement. All income earned on the assets held in the trust shall be reported as income by the Corporation for federal, state, local, and foreign tax purposes. The Corporation shall pay all costs of establishing and maintaining the trust and shall indemnify the trustee against any and all expenses (including attorneys' fees), claims, liabilities, loss, and damages arising out of or relating to this Agreement or the establishment and maintenance of the trust.

13. Subrogation. In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

14. Term of Agreement. This Agreement shall continue until and terminate upon the later of (a) six years after the date that Indemnatee shall have ceased to serve as a director or officer of the Corporation or, at the request of the Corporation, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; (b) the expiration of all applicable statute of limitations periods for any claim which may be brought against Indemnatee in a Proceeding as a result of his Corporate Status; or (c) the final termination of all Proceedings pending on the date set forth in clauses (a) or (b) in respect of which Indemnatee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnatee pursuant to Paragraph 10 of this Agreement relating thereto.

15. Indemnification Hereunder Not Exclusive. The indemnification and advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnatee may be entitled under the Articles of Incorporation, the By-Laws, any agreement, any vote of stockholders or disinterested directors, the applicable law of the State of Nevada, and any other law (common or statutory) or otherwise, both as to action in Indemnatee's official corporate capacity and as to action in another capacity while holding office for the Corporation. Nothing contained in this Agreement shall be deemed to prohibit the Corporation from purchasing and maintaining insurance, at its expense, to protect itself or the Indemnatee against any expense, liability or loss incurred by it or Indemnatee in any such capacity, or arising out of Indemnatee's status as such, whether or not Indemnatee would be indemnified against such expense, liability or loss under this Agreement; provided that the Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnatee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise, including as provided in Paragraph 5 hereof.

16. No Special Rights. Nothing herein shall confer upon Indemnatee any right to continue to serve as a director or officer of the Corporation for any period of time or, except as expressly provided herein, at any particular rate of compensation.

17. Savings Clause. If this Agreement or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify Indemnitee as to Expenses, judgments, fines, penalties and amounts paid in settlement with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the fullest extent permitted by applicable law.

18. Counterparts; Facsimile Signatures. This Agreement may be executed in two counterparts, both of which together shall constitute the original instrument. This Agreement may be executed by facsimile signatures.

19. Successors and Assigns. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of the estate, heirs, executors, administrators and personal representatives of Indemnitee.

20. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

21. Modification and Waiver. This Agreement may be amended from time to time to reflect changes in applicable law or for other reasons. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof nor shall any such waiver constitute a continuing waiver.

22. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given (i) when delivered by hand or (ii) if mailed by certified or registered mail with postage prepaid, on the third day after the date on which it is so mailed:

(a) if to the Indemnitee, to:

(b) if to the Corporation, to:

Pluristem Therapeutics Inc.  
MATAM Advanced Technology Park,  
Building No. 5,  
Haifa, Israel 3508409  
Attention: Yaky Yanay  
Chief Executive Officer and President

or to such other address as may have been furnished to Indemnitee by the Corporation or to the Corporation by Indemnitee, as the case may be.

23. Applicable Law. This Agreement is governed by and is to be construed in accordance with the laws of the State of Nevada without giving effect to any provisions thereof relating to conflict of laws.

24. Enforcement. The Corporation expressly confirms and agrees that it has entered into this Agreement in order to induce Indemnitee to continue to serve as director and/or officer of the Corporation and acknowledges that Indemnitee is relying upon this Agreement in continuing in such capacity.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

**PLURISTEM THERAPEUTICS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDEMNITEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## 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: February 8, 2021

/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: February 8, 2021

/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 December 31, 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: February 8, 2021

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 December 31, 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: February 8, 2021

By: /s/ Chen Franco-Yehuda

Chen Franco-Yehuda  
Chief Financial Officer