

PLURISTEM THERAPEUTICS, INC.

ISRAEL / LIFE SCIENCES

Primary exchange: NASDAQ

Secondary exchange: Frankfurt

Bloomberg symbol: PSTI US / PJTA GR

ISIN: US72940R1023

RATING:	Buy
PRICE TARGET:	\$3.30
RETURN POTENTIAL:	200.0%
RISK RATING:	High

PLURISTEM HEADS TOWARDS PHASE II TRIALS

Pluristem is in discussions to move directly into Phase IIb trials on the back of excellent Phase I data. Management tells us that the Phase I trial has met not only its safety endpoints, but has demonstrated excellent efficacy. Pluristem is aiming for a consolidated FDA/EMA filing which would result in coordinated approval for both the USA and Europe, reducing administrative costs and speeding the time to peak sales once market approval is granted. Phase II trials are expected to begin in Q1 of 2011. We reiterate our Buy rating and price target of \$3.30.

Looking for Phase II validation of encouraging Phase I results... The multinational Phase II trial will enroll 100 patients at centres across the US and Europe. This is a significant increase from the 30 patients treated in Phase I. It remains to be seen if the efficacy shown in Phase I can be generalised to a larger patient population. Placental derived stem cells have the capacity to become a convenient "off the shelf" cell-based therapy. They require neither blood type nor human leukocyte antigen (HLA) matching. Donated tissue is easily obtained, contains a high number of cells, and these cells can be easily expanded in Pluristem's bioreactor.

Grant of \$2.5m reduces financing requirements... The grant received from the Israeli government was slightly larger than expected (2009: \$2.3m). We estimate Pluristem's current cash position to be about \$1.5m. Given the low burn rate of roughly \$600k/month, the current financing will sustain the company to Q1 2011. Pluristem is seeking to sell or license one indication from its pipeline in order to raise the funds required in 2011. This would allow the company to finance the clinical development of PLX-PAD without further dilution to shareholders.

Trials on track for promising indication... Patient enrollment is expected to occur relatively quickly as PLX-PAD meets a poorly met medical need. It is estimated that in the US alone there are around 12m people with peripheral artery disease (PAD). Critical limb ischemia is the most severe form of PAD and often leads to amputation. Pluristem has shown excellent results in its Phase I trial, but will need to demonstrate efficacy in the much larger Phase II trial. We reiterate our Buy rating and our price target of \$3.30.

FINANCIAL HISTORY & PROJECTIONS

	2006/07	2007/08	2008/09	2009/10E	2010/11E	2011/12E
Revenue (\$m)	0.00	0.00	0.00	0.00	0.00	0.00
Y-o-y growth	na	na	na	na	na	na
EBIT (\$m)	-8.24	-10.43	-6.56	-8.00	-8.98	-11.32
EBIT margin	na	na	na	na	na	na
Net income (\$m)	-8.43	-10.50	-6.64	-8.06	-9.04	-11.37
EPS (diluted) (\$)	-0.03	-1.52	-0.49	-0.44	-0.42	-0.40
P/E (x)	na	na	na	na	na	na
DPS (\$)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

RISKS

The main risk factors that we identified are development risk, financing risk, regulatory risk and commercialisation risk, including reimbursement.

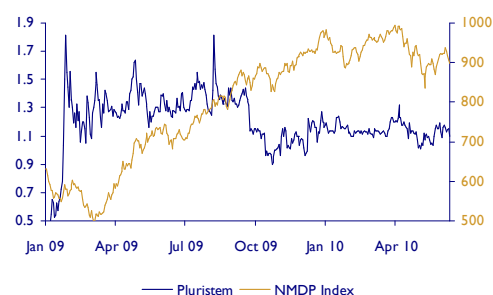
COMPANY PROFILE

Pluristem is a clinical stage biotech company focused on the commercialisation of allogenic cell therapy products derived from human placenta for the treatment of several severe ischemic and autoimmune disorders. Its lead product, PLX-PAD, is a treatment for Peripheral Artery Disease. The company is based in Haifa, Israel, and has 45 full-time employees.

TRADING DATA

Closing price (01.07.10)	\$1.10
Shares outstanding	20.93m
Market capitalisation	\$23.02m
52-week range	\$0.90 / 1.81
Average volume (12 months)	101,222

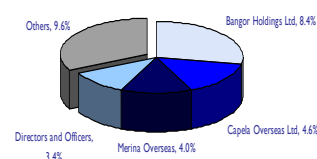
STOCK OVERVIEW



COMPANY DATA (as of 31 March 2010)

Liquid assets	\$1.12m
Current assets	\$2.39m
Intangible assets	\$0.00m
Total assets	\$4.09m
Current liabilities	\$1.12m
Consolidated equity	\$2.63m

SHAREHOLDERS



**FIRST BERLIN RATING & PRICE TARGET HISTORY**

Report No.	Date of publication	Previous day closing price	Rating	Price target	Interim high	% change to high
Initial Report	2 June 2008	\$1.88	Buy	\$5.50	-	-
2...6	↓	↓	↓	↓	↓	↓
7	18 November 2009	\$1.13	Buy	\$3.20	\$1.27	12.4%
8	4 March 2010	\$1.14	Buy	\$3.20	\$1.32	15.8%
9	28 April 2010	\$1.23	Buy	\$3.30	\$1.23	0.0%
10	Today	\$1.10	Buy	\$3.30	-	-

Emily Haines

First Berlin
Equity Research GmbH

Lennéstrasse 9
10785 Berlin

Tel. +49 (0)30 - 80 93 96 83

Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

FIRST BERLIN POLICY

In an effort to assure the independence of First Berlin research neither analysts nor the company itself trade or own securities in subject companies. In addition, analysts' compensation is not directly linked to specific financial transactions, trading revenue or asset management fees. Analysts are compensated on a broad range of benchmarks. Furthermore, First Berlin receives no compensation from subject companies in relation to the costs of producing this report.

ANALYST CERTIFICATION

I, Emily Haines, certify that the views expressed in this report accurately reflect my personal and professional views about the subject company; and I certify that my compensation is not directly linked to any specific financial transaction including trading revenue or asset management fees; neither is it directly or indirectly related to the specific recommendation or views contained in this research. In addition, I possess no shares in the subject company.

INVESTMENT RATING SYSTEM

First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

ADDITIONAL DISCLOSURES

This report is not constructed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer would be illegal. We are not soliciting any action based upon this material. This material is for the general information of clients of First Berlin. It does not take into account the particular investment objectives, financial situation or needs of individual clients. Before acting on any advice or recommendation in this material, a client should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only; such opinions are subject to change without notice.

Copyright © 2010 First Berlin Equity Research GmbH. All rights reserved. No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without First Berlin's prior written consent. The research is not for distribution in the USA or Canada. When quoting please cite First Berlin as the source. Additional information is available upon request.