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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2013**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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)	(I.R.S. Employer Identification No.)
MATAM Advanced Technology Park, Building No. 5, Haifa, Israel	**31905**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number **011-972-74-7107171**

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.00001	**Nasdaq Capital Market**

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

None.

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

$176,348,253

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

59,184,971 as of September 1, 2013

TABLE OF CONTENTS

Our financial statements are stated in thousands United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP).

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "intends," "plans" "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements, or industry results, expressed or implied by such forward-looking statements. Such forward-looking statements appear in Item 1 – "Business" and Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations," (especially in the section titled "Outlook") as well as elsewhere in this Annual Report and include, among other statements, statements regarding the following:

- The clinical hold notification provided by the U.S. Food and Drug Administration (FDA) in June 2013 (Clinical Hold), including the possibility and timing of lifting thereof;
- the expected development and potential benefits from our products in treating various medical conditions;
- the exclusive license agreements we entered into with United Therapeutics Corporation (United) and CHA Bio&Diostech (CHA) and clinical trials to be conducted according to such agreements;
- the prospects of entering into additional license agreements, or other forms of cooperation with other companies and medical institutions;
- our pre-clinical and clinical trials plans;
- our belief that PLX cells may be effective in supporting bone marrow transplantation and in treating bone marrow suppression from radiation and chemotherapy;
- achieving regulatory approvals;
- consummation of the building of a manufacturing facility and expanding our manufacturing capacity;
- developing capabilities for new clinical indications of placenta expanded cells (PLX);
- the potential market demand for our products;
- 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; and

- information with respect to any other plans and strategies for our business.

The factors discussed herein, including those risks described in Item 1A. "Risk Factors", and expressed from time to time in our filings with the Securities and Exchange Commission could cause actual results and developments to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing, and except as required by law we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

PART I

Item 1. Business.

Our Current Business

We are a bio-therapeutics company developing standardized cell therapy products for the treatment of a variety of local and systemic diseases. Our patented PLX (PLacental eXpanded) cells function as a drug delivery platform that releases a number of therapeutic proteins in response to various local and systemic inflammatory and ischemic signals generated by the patient. PLX cells are grown using our proprietary 3D micro-environment technology that produces an “off-the-shelf” product that requires no tissue matching prior to administration.

We were incorporated as a Nevada corporation in 2001. We have a wholly owned research and development subsidiary in Israel called Pluristem Ltd. We operate in one segment, namely, the research, development and commercialization of cell therapeutics and related technologies.

Our strategy is to develop and produce cell therapy products for the treatment of multiple disorders using several methods of administration. We plan to execute this strategy independently, using our own personnel, and through relationships with research and clinical institutions or in collaboration with other companies, such as United and CHA. We have built our own Good Manufacturing Practices facility and we are planning to have in-house production capacity to grow clinical grade PLX cells in commercial quantities and to control all of our proprietary manufacturing processes.

Scientific Background

Cell therapy is an emerging and promising field within the regenerative medicine area. The characteristics and properties of cells vary as a function of tissue source and growth conditions. The human placenta from which our PLX cells are derived provides uncontroversial source of non-embryonic, adult cells and represents a new approach in the cell therapy field. The different factors that PLX cells release suggest that the cells can be used therapeutically for a variety of ischemic, inflammatory, autoimmune and hematological disorders.

PLX cells do not require tissue matching prior to administration. This allows for the development of ready-to-use "off-the-shelf" products.

Our Technology

We develop and intend to commercialize cell therapy production technologies and products that are derived from the human placenta. Our PLX cells are Adherent Stromal Cells (ASCs) that are expanded using a proprietary three dimensional (3D) process, termed PluriX™.

PluriX™ uses a system of stromal cell cultures and substrates to create an artificial 3D environment where placental-derived stromal cells (obtained after birth) can grow. Our 3D process enables the large scale production of reproducible, high quality cell products, and is capable of manufacturing large numbers of PLX doses originating from different placentas. Additionally, our manufacturing process has demonstrated batch-to-batch consistency, an important manufacturing challenge for biological products.

Product Candidates

Our goal is to provide patients, doctors and healthcare decision makers around the globe with “off-the-shelf”, standardized, high quality, regulatory-approved PLX cell therapy products that need no matching prior to administration for a variety of clinical indications.

Our business model for commercialization and revenue generation includes establishing partnerships with pharmaceutical companies for developing and/or marketing PLX product candidates. The pharmaceutical partnerships include out-licensing agreements for product candidates as we did with United, which licensed our PLX cells for the treatment of pulmonary artery hypertension (PAH) and with CHA, which will conduct PLX clinical studies in south Korea, and, following approval, a joint venture equally owned by us and CHA will be established to market PLX products in South Korea.

These relationships will leverage our expertise in manufacturing high quality, adult, placenta-derived cells, using the Company’s proprietary, scalable, efficient 3D cell manufacturing platform that supports the cost-effective mass production of PLX cells. Our policy for these partnerships is to retain control of the manufacturing of PLX cell products and their associated intellectual property.

We believe that using the placenta as a unique cell source, combined with the Company’s innovative research, development and high quality manufacturing capabilities, will be the "engine" that drives this platform technology towards the successful development of many PLX cell therapy products.

Our Clinical development product candidates

Peripheral and Cardiovascular Diseases - Treatments for the entire spectrum of peripheral artery disease (PAD) from early stage intermittent claudication (IC) to critical limb ischemia (CLI) are being investigated using PLX-PAD cells.

We have completed two Phase I safety/dose-finding clinical trials at multiple sites in the United States and Germany for CLI demonstrated that no blood or genetic matching is required and that the administration of PLX-PAD cells is safe, even if two doses are given to patients from the same placental source. Also, PLX-PAD cells are potentially effective in reducing amputation in CLI patients. The FDA and the European Medicines Agencies (EMA) require the primary endpoint for pivotal CLI clinical trials to be Amputation Free Survival (AFS) at one year. In our studies, an AFS one-year rate of 85% versus the 66% historical rate was demonstrated.

Table 1: Cumulative Event-Rate Comparison

Following our successful Phase I trials in CLI, a Phase II, 150 patient placebo-controlled, randomized, dose escalating trial in the United States, Europe and Israel in IC was initiated, where PLX-PAD cells are to be given intramuscularly into the patient’s afflicted limb. The main endpoint for the study will be the patient’s maximal walking distance on a treadmill. In June 2013, we received the Clinical Hold notification with respect to our U.S. Phase II IC study due to a serious allergic reaction in a case which required hospitalization. Consequently to the notification we suspended the trial in the United States and Europe. In addition, we advised the PEI in Germany about the FDA clinical hold and provided relevant information. Following further communication with the PEI, and in order to maintain consistency among the study protocols, the company has issued an amendment to the protocol putting the IC study in Germany on hold in order to provide more comprehensive analysis, and a risk minimization proposed plan. We responded to the Clinical Hold notification on August 13, 2013. If the FDA finds our response is incomplete, it will notify us as soon as possible, and no later than 30 calendar days after the receipt of our response. Once the FDA receives what it believes to be a complete response, it will review the response within 30 calendar days and indicate whether the Clinical Hold is lifted, and if not, specify the reasons.

Orthopedic Diseases – A Phase I/II double blind placebo-controlled trial in muscle injury is being conducted in Germany under the approval of the Paul Ehrlich Institute (PEI). The six-month end-point of the study will be the rehabilitation time of patients having undergone hip replacement surgery where PLX-PAD cells are injected into the traumatized gluteal muscle. This orthopedic program is our attempted entry into the sports medicine market. On July 11, 2013, we announced that enrollment for this clinical trial has been completed.

Pulmonary Diseases – We have out-licensed to United PLX-PAD cells for PAH. We were advised that pre-clinical studies supporting the therapeutic effect of PLX-PAD in this indication have been completed and regulatory approval has been obtained to initiate a Phase I trial using PLX-PAD cells intravenously in Australia. We were further advised that a Phase I clinical study in Australia commenced during the second quarter of 2013. Following the notification of the Clinical Hold, United notified that it has suspended enrollment in the trial until the Clinical Hold is cleared.

Acute Radiation Syndrome (ARS) – Following positive data from the use of PLX-RAD cells in animals in stimulating hematopoiesis in diseased or injured bone marrow, we intend to pursue the development of PLX- RAD, for enhancing the engraftment of hematopoietic stem cells after bone marrow transplant. Additionally, on July 26, 2012 we received an invitation from the National Institute of Allergy and Infectious Diseases (NIAID), Department of Health and Human Services, to submit our PLX cells to the agency for evaluation in models of ARS. On July 18, 2013, NIAID recommended to us that NIAID expand the scope of its ongoing animal research using PLX-RAD cells for the treatment of ARS.

Regulatory and Clinical Affairs Strategy

Our cell therapy development strategy is to hold open discussions with regulators at all stages of development from preclinical trials to more advanced regulatory stages. We utilize this strategy in working with the FDA as well as the EMA, Germany's PEI and the Israeli Ministry of Health (MOH).

Intellectual Property

We understand that our success will depend, in part, on maintaining our intellectual property and therefore we are committed to protecting our technology and product candidates with patents and other methods described below.

We are the sole owner of 26 issued patents and 100 patent applications in the U.S. and Europe as well as in additional countries worldwide, including in the Far East and South America.

Based on the well-established understanding that the characteristics and therapeutic potential of a cell product are largely determined by the source of the cells and by the methods and conditions used during their expansion process, our patent portfolio includes multi-layered claims on the various unique aspects of our technology.

Our patent and patent applications portfolio around the world include claims on:

- Our proprietary expansion methods and devices for 3D stromal cells;
- Composition of matter claims on the cells; and
- The therapeutic use of PLX cells for the treatment of a variety of medical conditions.

Through our experience with ASC-based product development, we have developed expertise and know-how in this field and have established the ability to manufacture clinical grade PLX cells at our facilities. Certain aspects of our manufacturing process are covered by patents and patent applications. In addition, specific aspects of our technology are kept as know-how and trade secrets that are protected by our confidentiality agreements with our employees, consultants, contractors, manufacturers and advisors. These agreements generally provide for protection of confidential information, restrictions on the use of materials and assignment of inventions conceived during the course of performance of services for us.

The following table provides a description of our key patents and patent applications and is not intended to represent an assessment of claims, limitations or scope. There is a risk that our patents will be invalidated, and that our pending patent applications will not result in issued patents. We also cannot be certain that we will not infringe any patents that may be issued to others. See *"Risk Factors - We must further protect and develop our technology and products in order to become a profitable company"*. The expiration dates of these patents, based on filing dates, range from 2019 to 2033. Actual expiration dates will be determined according to extensions received based on the Drug Price Competition and Patent Term Restoration Act of 1984 (P.L. 98-417), commonly known as the "Hatch-Waxman" Act, that permits extensions of pharmaceutical patents to reflect regulatory delays encountered in obtaining FDA permission to market the drug. The Hatch-Waxman Act is based on a U.S. federal law and therefore only relevant to U.S. patents.

Pluristem's Patent Portfolio

Patent Name	**Pending Jurisdictions**	**Granted Jurisdictions**
Method And Apparatus For Maintenance And Expansion Of Haematopoietic Stem Cells And/Or Progenitor Cells	United States, Europe, Mexico	United States, Japan, Europe, Mexico, Australia, South Africa, Israel, Russia, New Zealand, India, China, Hong Kong, Canada
Methods for Cell Expansion and Uses of Cells and Conditioned Media Produced Thereby for Therapy	United States, Japan, Europe, Mexico, Australia, Israel, India, China, Hong Kong, Canada, Brazil, Korea, Singapore	Russia, South Africa
Adherent Cells From Placenta Tissue And Use Thereof In Therapy	United States, Europe, Mexico, Australia, Israel, India, China, Hong Kong, Canada, Brazil, Singapore, Russia	United States, South Africa
Adherent Cells from Adipose or Placenta Tissues and Use Thereof in Therapy	United States, Japan, Europe, Mexico, Australia, Israel, India, China, Canada, Korea, Brazil, Russia	Europe, United States, Hong Kong, Singapore, South Africa

_____

A comment to the table: Multiple files per jurisdiction are attributed to continuation/ divisional applications

Research and Development

Our research and development expenses were $19,906,000 and $12,685,000 in fiscal years 2013 and 2012 respectively, before deducting the participation by the Office of the Chief Scientist (OCS) and grants by other third parties.

Foundational Research

Our initial technology, the PluriX™ Bioreactor system, was invented in the Technion - Israel Institute of Technology's Rappaport Faculty of Medicine, in collaboration with researchers from the Weizmann Institute of Science. This technology has further significantly developed by our research and development teams over the years.

Ongoing Research and Development Plans

In July 2007, we entered into a five year collaborative research agreement with the Berlin-Brandenburg Center for Regenerative Therapies at Charité - University Medicine Berlin (Charité). In August 2012, we extended our collaborative research agreement with Charité for a period of five years through 2017. We and Charité are collaborating on a variety of indications utilizing PLX cells. According to the agreement, we will be the exclusive owner of the technology and any products produced as a result of the collaboration. The Charité will receive up to 1% royalties from new developments that have been achieved during the joint development.

Over the last years we have also engaged into research and development projects with other leading research institutions such as the Hadassah University Medical Center in Jerusalem, Israel and the Texas AM Health Science Center in Temple, US.

On June 19, 2011, we entered into an exclusive agreement with United for the use of our PLX cells to develop and commercialize a cell-based product for the treatment of PAH (the United Agreement). The United Agreement provides that United will receive exclusive worldwide license rights for the development and commercialization of our PLX cell-based product to treat PAH. The United Agreement provides for the following consideration payable to us: (i) $7 million which was paid to us in August 2011; (ii) up to $37.5 million upon reaching certain regulatory milestones with respect to the development of a product to treat PAH; (iii) reimbursement of up to $10 million of certain of our expenses if we establish a manufacturing facility in North America upon meeting certain milestones; (iv) reimbursement of certain costs in connection with the development of the product; and (v) following commercialization of the product, royalties and the purchase of commercial supplies of the developed product from us at a specified margin over our cost.

On June 26, 2013, we entered into an Exclusive License and Commercialization Agreement with CHA, for conducting clinical trials and commercialization of our PLX-PAD product in South Korea in connection with two indications: the treatment of CLI and intermediate claudication. Under the terms of this agreement, CHA will receive exclusive rights in South Korea for conducting clinical trials with respect to these indications, at the sole expense of CHA. Commencement of the clinical trials is conditioned upon the receipt of the necessary regulatory approvals. If our products receive regulatory approvals in South Korea for marketing as treatment for the specified indications, the parties will form a joint venture in order to sell, distribute and market our products for treating the such indications in South Korea. The joint venture would be owned equally by CHA and us. We would own any and all intellectual property rights to the extent conceived in connection with our products and license such rights to the joint venture. If the Clinical Hold imposed by the FDA in June 2013 is lifted, and we reach an agreement with respect to the development plan for conducting the clinical trials, we will issue to CHA 2,500,000 shares of our common stock in consideration for the issuance to us of 1,011,504 common shares of CHA, which reflect total consideration of approximately $10 million for our shares (based on the average closing price of CHA common shares over the last 30 trading days preceding the date of the agreement). Each party has agreed to hold the other party's shares for at least one year before selling any of such shares. The parties also agreed to give an irrevocable proxy to the other party's management with respect to the voting power of the shares issued. The agreement includes non-competition covenants by CHA for a specified period as well as customary termination and indemnification provisions, including in the event the parties do not reach an agreement upon development plan for conducting the clinical trials.

We plan to continue to collaborate with universities and academic institutions and corporate partners worldwide to fully leverage our expertise and explore the use of our cells in other indications.

Our research and development facilities are in Haifa, Israel.

In-House Clinical Manufacturing

We have the in-house capability to perform clinical cell manufacturing. We have a new state of the art cGMP manufacturing facility that has been in use since February 2013 solely in connection with the regulatory approval process. Our other facility was inspected and approved by a qualified person representing the EMA approving that the site and production processes meet the current Good Manufacturing Practices, or cGMP, for the purpose of manufacturing PLX cells. In addition, the FDA reviewed the design of our clean rooms and approved the process for Phase 2 clinical trials production.

Our new facility is expected to comply with the FDA's cGMPs for clinical cell manufacturing, and is designed specifically to meet both the EMA and the FDA regulatory requirements as well as the standards outlined by the Israeli MOH. The facility is expected to have the capacity to produce PLX cells to meet our needs for the foreseeable future. As we widen our clinical product candidate portfolio and prepare to launch additional clinical trials in the United States and Europe, the new facility will enable us to meet increased in-house manufacturing capacity requirements and meet marketing demands upon product approval. The new site started to manufacture cells in February 2013 and is expected to begin the comparability and approval runs during the calendar year of 2013 in order to assure that the products that are manufactured in the new site are similar to the products that are manufactured in the other site.

We receive the human placentas used for our research and manufacturing activities from various hospitals in Israel. Any medical waste related to the use of placentas is treated in compliance with local environmental laws and standards.

Government Regulation

The development, manufacturing, and marketing of our cell therapy product candidates are subject to the laws and regulations of governmental authorities in the United States and the European Union as well as other countries in which our products will be marketed in the future. Specifically, in the United States, the FDA and in Europe, the EMA, must approve new drug and cell therapy products before they may be marketed. Furthermore, various governmental statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage and record keeping related to such products and their marketing. Governments in other countries have similar requirements for testing and marketing.

The process of obtaining these approvals and the subsequent compliance with appropriate statutes and regulations require the expenditure of substantial time, resources and money. There can be no assurance that our product candidates will ultimately receive regulatory approval.

Regulatory Process in the United States

Our product candidates are subject to regulation as biological products under the Public Health Service Act and the Federal Food, Drug and Cosmetic Act. The FDA generally requires the following steps prior to approving a new biological product for commercial sale:

- Performance of nonclinical laboratory and animal studies to assess a drug's biological activity and to identify potential safety problems, and to characterize and document the product's chemistry, manufacturing controls, formulation, and stability. In accordance with regulatory requirements nonclinical safety and toxicity studies are conducted under Good Laboratory Practice requirements to ensure their quality and reliability;
- Submission to the FDA of an Investigational New Drug application, which must become effective before clinical testing in humans can begin;
- Obtaining approval of Institutional Review Boards (IRBs) of research institutions or other clinical sites to introduce the biologic drug candidate into humans in clinical trials;
- Conducting adequate and well-controlled human clinical trials in compliance with Good Clinical Practice (GCP) to establish the safety and efficacy of the product for its intended indication;
- The manufacture of the product according to cGMP regulations and standards;
- Submission to the FDA of a Biologics License Application (BLA) for marketing the product which must include adequate results of pre-clinical testing and clinical trials.

- FDA review of the BLA in order to determine, among other things, whether the product is safe and effective for its intended uses;
- FDA inspection and approval of the product manufacturing facility at which the product will be manufactured; and
- Potential post-marketing testing and surveillance of approved products, which can result in additional conditions on the approvals or suspension of clinical use.

Regulatory Process in Europe

In the European Union, our investigational cellular products are regulated under the Advanced Therapy Medicinal Product regulation, a regulation specific to cell and tissue products.

This European Union regulation requires:

- Compliance with cGMP regulations and standards, pre-clinical laboratory and animal testing;
- Filing a Clinical Trial Application with the various member states or a centralized procedure (a Voluntary Harmonisation), which makes it possible to obtain a coordinated assessment of an application for a clinical trial that is to take place in several European countries;
- Obtaining approval of affiliated Ethic Committees of research institutions or other clinical sites to introduce the biologic drug candidate into humans in clinical trials;
- Adequate and well-controlled clinical trials to establish the safety and efficacy of the product for its intended use;
- Submission to the EMA for a Marketing Authorization; and
- Review and approval of the Marketing Authorization Application.

Regulatory Process in Israel

Similar to the FDA and EMA regulations, a new drug can be registered in Israel only after its safety, efficacy and quality has been proven. The decision regarding regulatory approval is made following the submission of a dossier that is thoroughly assessed and critically addressed. The initial approval is granted for 5 years. Thereafter, the approval can be extended for an additional 10 year period.

Clinical trials

Typically, both in the United States and the European Union, clinical testing involves a three-phase process although the phases may overlap. In Phase I, clinical trials are conducted with a small number of healthy volunteers or patients and are designed to provide information about product safety and to evaluate the pattern of drug distribution and metabolism within the body. In Phase II, clinical trials are conducted with groups of patients afflicted with a specific disease in order to determine preliminary efficacy, optimal dosages and expanded evidence of safety. In some cases, an initial trial is conducted in diseased patients to assess both preliminary efficacy and preliminary safety and patterns of drug metabolism and distribution, in which case it is referred to as a Phase I/II trial. Phase III clinical trials are generally large-scale, multi-center, controlled trials conducted with patients afflicted with a target disease in order to provide statistically valid proof of efficacy, as well as safety and potency. In some circumstances, the FDA or the EMA may require Phase IV or post-marketing trials if it feels that additional information needs to be collected about the drug after it is on the market.

During all phases of clinical development, regulatory agencies require extensive monitoring and auditing of all clinical activities, clinical data and clinical trial investigators to minimize risks. The sponsor of a clinical trial is required to submit an annual safety report to the relevant regulatory agencies, in which serious adverse events must be reported. An agency may, at its discretion, re-evaluate, alter, suspend, or terminate the testing based upon the data which have been accumulated to that point and its assessment of the risk/benefit ratio to the patient.

Employees

We presently employ a total of 142 full-time employees and 6 part-time employees, of whom 125 full-time employees and 5 part-time employees are engaged in research and clinical manufacturing.

Competition

The cellular therapeutics industry is subject to technological changes that can be rapid and intense. We have faced, and will continue to face, intense competition from biotechnology, pharmaceutical and biopharmaceutical companies, academic and research institutions and governmental agencies engaged in cellular therapeutic and drug discovery activities or the funding of such activities, both in the United States and internationally. Some of these competitors are pursuing the development of cellular therapeutics, drugs and other therapies that target the same diseases and conditions that we target in our clinical and pre-clinical programs.

We are aware of many companies working in this area, including: Osiris Therapeutics, Aastrom Biosciences, Athersys, Aldagen, Cytori Therapeutics, Mesoblast, and Celgene. Among other things, we expect to compete based upon our intellectual property portfolio, our in-house manufacturing efficiencies and the efficacy of our products. Our ability to compete successfully will depend on our continued ability to attract and retain experienced and skilled executive, scientific and clinical development personnel to identify and develop viable cellular therapeutic candidates and exploit these products commercially.

Available Information

Additional information about us is contained on our Internet website at www.pluristem.com. Information on our website is not incorporated by reference into this report. Under the "SEC Filings" section under the "Investors" section of our website, we make available free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended (Exchange Act), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Our reports filed with the SEC are also made available to read and copy at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at www.sec.gov. The following Corporate Governance documents are also posted on our website: Code of Business Conduct and Ethics, and the Charters for each of the Committees of our Board of Directors.

Item 1A. Risk Factors.

The following risk factors, among others, could affect our actual results of operations and could cause our actual results to differ materially from those expressed in forward-looking statements made by us. These forward-looking statements are based on current expectations and except as required by law we assume no obligation to update this information. You should carefully consider the risks described below and elsewhere in this annual report before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Our common stock is considered speculative and the trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. The following risk factors are not the only risk factors facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business.

Our likelihood of profitability depends on our ability to license and / or develop and commercialize products based on our cell production technology, which is currently in the development stage. If we are unable to complete the development and commercialization of our cell therapy products successfully, our likelihood of profitability will be limited severely.

We are engaged in the business of developing cell therapy products. We have not realized a profit from our operations to date and there is little likelihood that we will realize any profits in the short or medium term. Any profitability in the future from our business will be dependent upon successful commercialization of our potential cell therapy products, which will require significant additional research and development as well as substantial clinical trials.

If we are not able to successfully license and/or develop and commercialize our cell therapy product candidates and obtain the necessary regulatory approvals, we may not generate sufficient revenues to continue our business operations.

So far only one of the products we are developing has completed Phase I clinical trials. Our early stage cell therapy product candidates may fail to perform as we expect. Moreover even if our cell therapy product candidates successfully perform as expected, in later stages of development they may fail to show the desired safety and efficacy traits despite having progressed successfully through pre-clinical or initial clinical testing. We will need to devote significant additional research and development, financial resources and personnel to develop commercially viable products and obtain the necessary regulatory approvals.

If our cell therapy product candidates do not prove to be safe and effective in clinical trials, we will not obtain the required regulatory approvals. If we fail to obtain such approvals, we may not generate sufficient revenues to continue our business operations.

Even if we obtain regulatory approval of a product, that approval may be subject to limitations on the indicated uses for which it may be marketed. Even after granting regulatory approval, the FDA and regulatory agencies in other countries continue to regulate marketed products, manufacturers and manufacturing facilities, which may create additional regulatory burdens. Later discovery of previously unknown problems with a product, manufacturer or facility, may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market. Further, regulatory agencies may establish additional regulations that could prevent or delay regulatory approval of our products.

We cannot market and sell our cell therapy product candidates in the United States or Europe or in other countries if we fail to obtain the necessary regulatory approvals or licensure.

We cannot sell our cell therapy product candidates until regulatory agencies grant marketing approval, or licensure. The process of obtaining regulatory approval is lengthy, expensive and uncertain. It is likely to take at least several years to obtain the required regulatory approvals for our cell therapy product candidates, or we may never gain the necessary approvals. Any difficulties that we encounter in obtaining regulatory approval may have a substantial adverse impact on our operations and cause our stock price to decline significantly.

To obtain marketing approvals in the United States and Europe for cell therapy product candidates we must, among other requirements, complete carefully controlled and well-designed clinical trials sufficient to demonstrate to the FDA and the EMA that the cell therapy product candidates is safe and effective for each disease for which we seek approval. So far, we successfully conducted Phase I clinical trials for our PLX-PAD product, which currently is our only product that is the subject of clinical trials. Several factors could prevent completion or cause significant delay of these trials, including an inability to enroll the required number of patients or failure to demonstrate adequately that cell therapy product candidates are safe and effective for use in humans. Negative or inconclusive results from or adverse medical events during a clinical trial could cause the clinical trial to be repeated or a program to be terminated, even if other studies or trials relating to the program are successful. The FDA or the EMA can place a clinical trial on hold if, among other reasons, it finds that patients enrolled in the trial are or would be exposed to an unreasonable and significant risk of illness or injury. If safety concerns develop, we, the FDA, or the EMA could stop our trials before completion.

Future sales of our shares may cause the prevailing market price of our shares to decrease.

Future sales of our common stock, including pursuant to our sales agreement with MLV & Co. LLC or other public or private offerings of our shares, or the perception that such sales may occur, could cause immediate dilution and adversely affect the market price of our common stock.

If we are not able to conduct our clinical trials properly and on schedule, marketing approval by FDA, EMA and other regulatory authorities may be delayed or denied.

The completion of our clinical trials may be delayed or terminated for many reasons. For instance, in June 2013, we received the Clinical Hold notification with respect to our United States Phase II IC study due to a serious allergic reaction in a case which required hospitalization. This Clinical Hold resulted in delays in our clinical trials plan for IC in the United States, Europe and Israel as well as the extension of the development period for which we received funds from United from 6.5 years to 11.5 years. Our clinical trials may be delayed or terminated due to other reasons, such as:

- the FDA or the EMA does not grant permission to proceed or places additional trials on clinical hold;
- subjects do not enroll in our trials at the rate we expect;
- the regulators may ask to increase subjects population in the clinical trials;
- subjects experience an unacceptable rate or severity of adverse side effects;
- third-party clinical investigators do not perform our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, GCP and regulatory requirements, or other third parties do not perform data collection and analysis in a timely or accurate manner;
- inspections of clinical trial sites by the FDA or EMA, find regulatory violations that require us to undertake corrective action, suspend or terminate one or more sites, or prohibit us from using some or all of the data in support of our marketing applications; or
- one or more IRBs suspends or terminates the trial at an investigational site, precludes enrollment of additional subjects, or withdraws its approval of the trial.

Our development costs will increase if we have material delays in our clinical trials, or if we are required to modify, suspend, terminate or repeat a clinical trial. If we are unable to conduct our clinical trials properly and on schedule, marketing approval may be delayed or denied by the FDA or the EMA.

We may need to raise additional financing to support the research and development of our cell therapy products and our products in the future but we cannot be sure we will be able to obtain additional financing on terms favorable to us when needed. If we are unable to obtain additional financing to meet our needs, our operations may be adversely affected or terminated.

It is highly likely that we will need to raise significant additional financing in the future. Although we were successful in raising financing in the past, our current financial resources are limited and may not be sufficient to finance our operations until we become profitable, if that ever happens. It is likely that we will need to raise additional funds in the near future in order to satisfy our working capital and capital expenditure requirements. Therefore, we are dependent on our ability to sell our common stock for funds, receive grants or to otherwise raise capital. There can be no assurance that we will be able to obtain financing. Any sale of our common stock in the future will result in dilution to existing stockholders and could adversely affect the market price of our common stock. Also, we may not be able to borrow or raise additional capital in the future to meet our needs or to otherwise provide the capital necessary to conduct the development and commercialization of our potential cell therapy products, which could result in the loss of some or all of one's investment in our common stock.

Favorable results from compassionate use treatment or initial interim results from a clinical trial do not ensure that later clinical trials will be successful and success in early stage clinical trials does not ensure success in later-stage clinical trials.

PLX cells have been administered as part of compassionate use treatments, which permit the administration of the PLX cells outside of clinical trials. No assurance can be given that any positive results are attributable to the PLX cells, or that administration of PLX cells to other patients will have positive results. Compassionate use is a term that is used to refer to the use of an investigational drug outside of a clinical trial to treat a patient with a serious or immediately life-threatening disease or condition who has no comparable or satisfactory alternative treatment options. Regulators often allow compassionate use on a case-by-case basis for an individual patient or for defined groups of patients with similar treatment needs.

There is no assurance that we will obtain regulatory approval for PLX cells. We will only obtain regulatory approval to commercialize a product candidate if we can demonstrate to the satisfaction of the FDA or the applicable non-U.S. regulatory authorities, in well-designed and conducted clinical trials, that the product candidate is safe and effective and that the product candidate, including the cell production methodology, otherwise meets the appropriate standards required for approval. Clinical trials can be lengthy, complex and extremely expensive processes with uncertain results. A failure of one or more clinical trials may occur at any stage of testing.

Success in early clinical trials does not ensure that later clinical trials will be successful, and initial results from a clinical trial do not necessarily predict final results. While results from treating patients through compassionate use have in certain cases been successful, we cannot be assured that further trials will ultimately be successful. Results of further clinical trials may be disappointing.

Even if early stage clinical trials are successful, we may need to conduct additional clinical trials for product candidates with patients receiving the drug for longer periods before we are able to seek approvals to market and sell these product candidates from the FDA and regulatory authorities outside the United States. Even if we are able to obtain approval for our product candidates through an accelerated approval review program, we may still be required to conduct clinical trials after such an approval. If we are not successful in commercializing any of our lead product candidates, or are significantly delayed in doing so, our business will be materially harmed.

We may not successfully maintain our existing exclusive out-licensing agreements with United and CHA, or establish new collaborative and licensing arrangements, which could adversely affect our ability to develop and commercialize our product candidates.

One of the elements of our business strategy is to license our technology to other companies. Our business strategy includes establishing collaborations and licensing agreements with one or more pharmaceutical or biotechnology companies. We have entered into the United Agreement for the use of PLX cells to develop and commercialize a cell-based product for the treatment of PAH. We have also entered into an exclusive agreement with CHA for conducting clinical trials and commercialization our PLX-PAD product in South Korea in connection with two indications. However, we may not be able to establish or maintain such licensing and collaboration arrangements necessary to develop and commercialize our product candidates. Even if we are able to maintain or establish licensing or collaboration arrangements, these arrangements may not be on favorable terms and may contain provisions that will restrict our ability to develop, test and market our product candidates. Any failure to maintain or establish licensing or collaboration arrangements on favorable terms could adversely affect our business prospects, financial condition or ability to develop and commercialize our product candidates.

Our agreements with our collaborators and licensees may have provisions that give rise to disputes regarding the rights and obligations of the parties. These and other possible disagreements could lead to termination of the agreement or delays in collaborative research, development, supply, or commercialization of certain product candidates, or could require or result in litigation or arbitration. Moreover, disagreements could arise with our collaborators over rights to intellectual property or our rights to share in any of the future revenues of products developed by our collaborators. These kinds of disagreements could result in costly and time-consuming litigation. Any such conflicts with our collaborators could reduce our ability to obtain future collaboration agreements and could have a negative impact on our relationship with existing collaborators.

We may not be able to secure and maintain research institutions to conduct our clinical trials.

We rely on research institutions to conduct our clinical trials. Specifically, the limited number of centers experienced with cell therapy product candidates heightens our dependence on such research institutions. Our reliance upon research institutions, including hospitals and clinics, provides us with less control over the timing and cost of clinical trials and the ability to recruit subjects. If we are unable to reach agreements with suitable research institutions on acceptable terms, or if any resulting agreement is terminated, we may be unable to quickly replace the research institution with another qualified institution on acceptable terms. We may not be able to secure and maintain suitable research institutions to conduct our clinical trials.

We have limited experience in conducting and managing human trials. If we fail in the conduct of such trials, our business will be materially harmed.

Even though we conducted Phase I trials for our PLX-PAD product and have recruited employees who are experienced in managing and conducting clinical trials, we have limited experience in this area. We will need to expand our experience and rely on consultants in order to obtain regulatory approvals for our therapeutic product candidates. The failure to successfully conduct clinical trials could materially harm our business.

The trend towards consolidation in the pharmaceutical and biotechnology industries may adversely affect us.

There is a trend towards consolidation in the pharmaceutical and biotechnology industries. This consolidation trend may result in the remaining companies having greater financial resources and technical discovery capabilities, thus intensifying competition in these industries. This trend may also result in fewer potential collaborators or licensees for our therapeutic product candidates. Also, if a consolidating company is already doing business with our competitors, we may lose existing licensees or collaborators as a result of such consolidation.

This trend may adversely affect our ability to enter into license agreements or agreements for the development and commercialization of our product candidates, and as a result may materially harm our business.

Our product development programs are based on novel technologies and are inherently risky.

We are subject to the risks of failure inherent in the development of products based on new technologies. The novel nature of our therapeutics creates significant challenges in regards to product development and optimization, manufacturing, government regulation, third-party reimbursement and market acceptance. For example, the FDA or the EMA has relatively limited experience with cell therapies. Very few cell therapy products have been approved by regulatory authorities to date for commercial sale, and the pathway to regulatory approval for our cell therapy product candidates may accordingly be more complex and lengthy. As a result, the development and commercialization pathway for our therapies may be subject to increased uncertainty, as compared to the pathway for new conventional drugs.

There are very few drugs and limited therapies that the FDA or EMA have approved as treatments for some of the disease indications we are pursuing. This could complicate and delay FDA or EMA approval of our biologic drug candidates.

There are very few drugs and limited therapies currently approved for treatment of CLI, IC, ARS or PH. As a result, the clinical efficacy endpoints, or the criteria to measure the intended results of treatment may be difficult to determine. This will increase the difficulty of our obtaining FDA or EMA approval to market our products.

Our cell therapy drug candidates represent new classes of therapy that the marketplace may not understand or accept.

Even if we successfully develop and obtain regulatory approval for our cell therapy candidates, the market may not understand or accept them. We are developing cell therapy product candidates that represent novel treatments and will compete with a number of more conventional products and therapies manufactured and marketed by others, including major pharmaceutical companies. The degree of market acceptance of any of our developed and potential products will depend on a number of factors, including:

- the clinical safety and effectiveness of our cell therapy drug candidates and their perceived advantage over alternative treatment methods, if any;

- adverse events involving our cell therapy product candidates or the products or product candidates of others that are cell-based; and
- the cost of our products and the reimbursement policies of government and private third-party payers.

If the health care community does not accept our potential products for any of the foregoing reasons, or for any other reason, it could affect our sales, having a material adverse effect on our business, financial condition and results of operations.

If our processing and storage facility or our clinical manufacturing facilities are damaged or destroyed, our business and prospects would be adversely affected.

If our processing and storage facility, our clinical manufacturing facilities or the equipment in such facilities were to be damaged or destroyed, the loss of some or all of the stored units of our cell therapy drug candidates would force us to delay or halt our clinical trial processes. We have two clinical manufacturing facilities located in Haifa, Israel. If these facilities or the equipment in them are significantly damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity.

The clinical manufacturing process for cell therapy products is complex and requires meeting high regulatory standards; We have limited manufacturing experience and know-how. Any delay or problem in the clinical manufacturing of PLX may result in a material adverse effect on our business.

Our facility has been approved as a cGMP standard site for the purpose of manufacturing PLX cells by an inspector from the EMA. In addition, the FDA reviewed the design of our clean rooms. We plan to obtain similar approvals for our new facilities that will enable us to conduct commercial scale clinical manufacturing of PLX. However, the clinical manufacturing process is complex and we have no experience in manufacturing our product candidates at a commercial level. There can be no guarantee that we will be able to successfully develop and manufacture our product candidates in a manner that is cost-effective or commercially viable, or that our development and manufacturing capabilities might not take much longer than currently anticipated to be ready for the market. In addition, if we fail to maintain regulatory approvals for our manufacturing facilities, we may suffer delays in our ability to manufacture our product candidates. This may result in a material adverse effect on our business.

We are dependent upon third-party suppliers for raw materials needed to manufacture PLX; if any of these third parties fails or is unable to perform in a timely manner, our ability to manufacture and deliver will be compromised.

In addition to the placenta used in the clinical manufacturing process of PLX we require certain raw materials. These items must be manufactured and supplied to us in sufficient quantities and in compliance with cGMP. To meet these requirements, we have entered into supply agreements with firms that manufacture these raw materials to cGMP standards. Our requirements for these items are expected to increase if and when we transition to the manufacture of commercial quantities of our cell-based drug candidates.

In addition, as we proceed with our clinical trial efforts, we must be able to continuously demonstrate to the FDA and the EMA, that we can manufacture our cell therapy product candidates with consistent characteristics. Accordingly, we are materially dependent on these suppliers for supply of cGMP-grade materials of consistent quality. Our ability to complete ongoing clinical trials may be negatively affected in the event that we are forced to seek and validate a replacement source for any of these critical materials.

If we encounter problems or delays in the research and development of our potential cell therapy products, we may not be able to raise sufficient capital to finance our operations during the period required to resolve such problems or delays.

Our cell therapy products are currently in the development stage and we anticipate that we will continue to incur substantial operating expenses and incur net losses until we have successfully completed all necessary research and clinical trials. We, and any of our potential collaborators, may encounter problems and delays relating to research and development, regulatory approval and intellectual property rights of our technology. Our research and development programs may not be successful, and our cell culture technology may not facilitate the production of cells outside the human body with the expected result. Our cell therapy products may not prove to be safe and efficacious in clinical trials. If any of these events occur, we may not have adequate resources to continue operations for the period required to resolve the issue delaying commercialization and we may not be able to raise capital to finance our continued operation during the period required for resolution of that issue. Accordingly, we may be forced to discontinue or suspend our operations.

Existing government programs and tax benefits may be terminated.

We have received certain Israeli government approvals under certain programs and may in the future utilize certain tax benefits in Israel by virtue of these programs. To remain eligible for such tax benefits, we must continue to meet certain conditions. If we fail to comply with these conditions in the future, the benefits we receive could be canceled and have to pay additional taxes. We cannot guarantee that these programs and tax benefits will be continued in the future, at their current levels or at all. If these programs and tax benefits are ended, our business, financial condition and results of operations could be materially adversely affected.

Because we received grants from the OCS, we are subject to on-going restrictions.

We have received royalty-bearing grants from the OCS, for research and development programs that meet specified criteria. The terms of the OCS's grants limit our ability to transfer know-how developed under an approved research and development program outside of Israel, regardless of whether the royalties are fully paid. Any non-Israeli citizen, resident or entity that, among other things, becomes a holder of 5% or more of our share capital or voting rights, is entitled to appoint one or more of our directors or our chief executive officer, serves as a director of our company or as our chief executive officer is generally required to notify the same to the OCS and to undertake to observe the law governing the grant programs of the OCS, the principal restrictions of which are the transferability limits described above.

We have limited operating history, which raises doubts with respect to our ability to generate revenues in the future.

We have a limited operating history in our business of developing and commercializing cell production technology. Until we entered into the United Agreement, we did not generate any revenues. It is not clear when we will generate additional revenues or whether we will experience further delays in recognizing revenues such as resulted from the Clinical Hold Our primary source of funds has been the sale of our common stock and government grants. We cannot give assurances that we will be able to generate any significant revenues or income in the future. There is no assurance that we will ever be profitable.

If we do not keep pace with our competitors and with technological and market changes, our technology and products may become obsolete and our business may suffer.

The cellular therapeutics industry, of which we are a part, is very competitive and is subject to technological changes that can be rapid and intense. We have faced, and will continue to face, intense competition from biotechnology, pharmaceutical and biopharmaceutical companies, academic and research institutions and governmental agencies engaged in cellular therapeutic and drug discovery activities or funding, both in the United States and internationally. Some of these competitors are pursuing the development of cellular therapeutics, drugs and other therapies that target the same diseases and conditions that we target in our clinical and pre-clinical programs.

Many of our competitors have greater resources, more product candidates and have developed product candidates and processes that directly compete with our products. Our competitors may have developed, or could develop in the future, new products that compete with our products or even render our products obsolete.

We depend to a significant extent on certain key personnel, the loss of any of whom may materially and adversely affect our company.

Our success depends to a significant extent on the continued services of certain highly qualified scientific and management personnel, in particular, Zami Aberman, our Chief Executive Officer, and Yaky Yanay, our Chief Financial Officer, Secretary and Executive Vice President. We face competition for qualified personnel from numerous industry sources, and there can be no assurance that we will be able to attract and retain qualified personnel on acceptable terms. The loss of service of any of our key personnel could have a material adverse effect on our operations or financial condition. In the event of the loss of services of such personnel, no assurance can be given that we will be able to obtain the services of adequate replacement personnel. We do not maintain key person insurance on the lives of any of our officers or employees.

The patent approval process is complex and we cannot be sure that our pending patent applications or future patent applications will be approved.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our and any future licensors' patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. The laws of foreign countries may not protect our rights to the same extent as the laws of the United States and we may not be able to obtain meaningful patent protection for any of our commercial products either in or outside the United States.

No assurance can be given that the scope of any patent protection granted will exclude competitors or provide us with competitive advantages, that any of the patents that have been or may be issued to us will be held valid if subsequently challenged, or that other parties will not claim rights to or ownership of our patents or other proprietary rights that we hold. Furthermore, there can be no assurance that others have not developed or will not develop similar products, duplicate any of our technology or products or design around any patents that have been or may be issued to us or any future licensors. Since patent applications in the United States and in Europe are not publicly disclosed until patents are issued, there can be no assurance that others did not first file applications for products covered by our pending patent applications, nor can we be certain that we will not infringe any patents that may be issued to others.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on our business.

Our commercial success depends upon our ability and the ability of our collaborators to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. We have yet to conduct comprehensive freedom-to-operate searches to determine whether our proposed business activities or use of certain of the patent rights owned by us would infringe patents issued to third parties. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology, including interference proceedings before the U.S. Patent and Trademark Office. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. If we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing and marketing our products and technology. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. For example, we are aware of issued third party patents directed to placental stem cells and their use for therapy and in treating various diseases. We may need to seek a license for one or more of these patents. No assurances can be given that such a license will be available on commercially reasonable terms, if at all. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors are able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

The market for our products will be heavily dependent on third party reimbursement policies.

Our ability to successfully commercialize our product candidates will depend on the extent to which government healthcare programs, as well as private health insurers, health maintenance organizations and other third party payers will pay for our products and related treatments.

Reimbursement by third party payers depends on a number of factors, including the payer's determination that use of the product is safe and effective, not experimental or investigational, medically necessary, appropriate for the specific patient and cost-effective. Reimbursement in the United States or foreign countries may not be available or maintained for any of our product candidates. If we do not obtain approvals for adequate third party reimbursements, we may not be able to establish or maintain price levels sufficient to realize an appropriate return on our investment in product development. Any limits on reimbursement from third party payers may reduce the demand for, or negatively affect the price of, our products. The lack of reimbursement for these procedures by insurance payers has negatively affected the market for our products in this indication in the past.

Managing and reducing health care costs has been a general concern of federal and state governments in the United States and of foreign governments. In addition, third party payers are increasingly challenging the price and cost-effectiveness of medical products and services, and many limit reimbursement for newly approved health care products. In particular, third party payers may limit the indications for which they will reimburse patients who use any products that we may develop. Cost control initiatives could decrease the price for products that we may develop, which would result in lower product revenues to us.

Our success depends in large part on our ability to develop and protect our technology and our cell therapy products. If our patents and proprietary rights agreements do not provide sufficient protection for our technology and our cell therapy products, our business and competitive position will suffer.

Our success will also depend in part on our ability to develop our technology and commercialize cell therapy products without infringing the proprietary rights of others. We have not conducted full freedom of use patent searches and no assurance can be given that patents do not exist or could not be filed which would have an adverse affect on our ability to develop our technology or maintain our competitive position with respect to our potential cell therapy products. If our technology components, devices, designs, products, processes or other subject matter are claimed under other existing United States or foreign patents or are otherwise protected by third party proprietary rights, we may be subject to infringement actions. In such event, we may challenge the validity of such patents or other proprietary rights or we may be required to obtain licenses from such companies in order to develop, manufacture or market our technology or products. There can be no assurances that we would be able to obtain such licenses or that such licenses, if available, could be obtained on commercially reasonable terms. Furthermore, the failure to either develop a commercially viable alternative or obtain such licenses could result in delays in marketing our proposed products or the inability to proceed with the development, manufacture or sale of products requiring such licenses, which could have a material adverse affect on our business, financial condition and results of operations. If we are required to defend ourselves against charges of patent infringement or to protect our proprietary rights against third parties, substantial costs will be incurred regardless of whether we are successful. Such proceedings are typically protracted with no certainty of success. An adverse outcome could subject us to significant liabilities to third parties and force us to curtail or cease our development of our technology and the commercialization our potential cell therapy products.

We have built the ability to manufacture clinical grade ASCs in-house. Through our experience with ASC-based product development, we have developed expertise and know-how in this field. To protect these expertise and know-how, our policies require confidentiality agreements with our employees, consultants, contractors, manufacturers and advisors. These agreements generally provide for protection of confidential information, restrictions on the use of materials and assignment of inventions conceived during the course of performance for us. These agreements might not effectively prevent disclosure of our confidential information.

We must further protect and develop our technology and products in order to become a profitable company.

The initial patent underlying our technology will expire in approximately 2019. If we do not complete the development of our technology and products in development by then, or create additional sufficient layers of patents or other intellectual property right, other companies may use the technology to develop competing products. If this happens, we may lose our competitive position and our business would likely suffer.

Furthermore, the scope of our patents may not be sufficiently broad to offer meaningful protection. In addition, our patents could be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier. We also intend to seek patent protection for any of our potential cell therapy products once we have completed their development.

We also rely on trade secrets and unpatentable know-how that we seek to protect, in part, by confidentiality agreements with our employees, consultants, suppliers and licensees. These agreements may be breached, and we might not have adequate remedies for any breach. If this were to occur, our business and competitive position would suffer.

We are exposed to fluctuations in currency exchange rates.

A significant portion of our business is conducted outside the United States. Therefore, we are exposed to currency exchange fluctuations in other currencies such as the Euro and the New Israeli Shekel (NIS) because a portion of our expenses in Israel and Europe are paid in NIS and Euros, respectively, which subjects us to the risks of foreign currency fluctuations. Our primary expenses paid in NIS are employee salaries, fees for consultants and subcontractors and lease payments on our Israeli facilities.

The dollar cost of our operations in Israel will increase to the extent increases in the rate of inflation in Israel are not offset by a devaluation of the NIS in relation to the dollar, which would harm our results of operations.

Since a considerable portion of our expenses such as employees' salaries are linked to an extent to the rate of inflation in Israel, the dollar cost of our operations is influenced by the extent to which any increase in the rate of inflation in Israel is or is not offset by the devaluation of the NIS in relation to the dollar. As a result, we are exposed to the risk that the NIS, after adjustment for inflation in Israel, will appreciate in relation to the dollar. In that event, the dollar cost of our operations in Israel will increase and our dollar-measured results of operations will be adversely affected. We cannot predict whether the NIS will appreciate against the dollar or vice versa in the future. Any increase in the rate of inflation in Israel, unless the increase is offset on a timely basis by a devaluation of the NIS in relation to the dollar, will increase labor and other costs, which will increase the dollar cost of our operations in Israel and harm our results of operations.

Potential product liability claims could adversely affect our future earnings and financial condition.

We face an inherent business risk of exposure to product liability claims in the event that the use of our products results in adverse affects. We may not be able to maintain adequate levels of insurance for these liabilities at reasonable cost and/or reasonable terms. Excessive insurance costs or uninsured claims would add to our future operating expenses and adversely affect our financial condition.

Our principal research and development and manufacturing facilities are located in Israel and the unstable military and political conditions of Israel may cause interruption or suspension of our business operations without warning.

Our principal research and development and manufacturing facilities are located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors. Acts of random terrorism periodically occur which could affect our operations or personnel.

In addition, Israeli-based companies and companies doing business with Israel, have been the subject of an economic boycott by members of the Arab League and certain other predominantly Muslim countries since Israel's establishment. Although Israel has entered into various agreements with certain Arab countries and the Palestinian Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, we cannot predict whether or in what manner these problems will be resolved. Wars and acts of terrorism have resulted in significant damage to the Israeli economy, including reducing the level of foreign and local investment.

Furthermore, certain of our officers and employees may be obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called up for active military duty at any time. All Israeli male citizens who have served in the army are subject to an obligation to perform reserve duty until they are between 40 and 49 years old, depending upon the nature of their military service.

Our cash may be subject to a risk of loss and we may be exposed to fluctuations in the market values of our portfolio investments and in interest rates.

Our assets include a significant component of cash. We adhere to an investment policy set by our investment committee which aims to preserve our financial assets, maintain adequate liquidity and maximize returns. We believe that our cash is held in institutions whose credit risk is minimal and that the value and liquidity of our deposits are accurately reflected in our consolidated financial statements as of June 30, 2013. Currently, we hold part of our current assets in bank deposits and part is invested in bonds, government bonds and a combination of corporate bonds and relatively low risk stocks. However, nearly all of our cash and bank deposits are not insured by the Federal Deposit Insurance Corporation, or the FDIC, or similar governmental deposit insurance outside the United States. Therefore, our cash and any bank deposits that we now hold or may acquire in the future may be subject to risks, including the risk of loss or of reduced value or liquidity, particularly in light of the increased volatility and worldwide pressures in the financial and banking sectors. In the future, should we determine that there is a decline in value of any of our portfolio securities which is not temporary in nature, this would result in a loss being recognized in our consolidated statements of operations.

Although our internal control over financial reporting was considered effective as of June 30, 2013, there is no assurance that our internal control over financial reporting will continue to be effective in the future, which could result in our financial statements being unreliable, government investigations or loss of investor confidence in our financial reports.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to furnish an annual report by our management assessing the effectiveness of our internal control over financial reporting. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management. In addition, our independent registered public accounting firm must annually provide an opinion on the effectiveness of our internal control over financial reporting. Management's report as of the end of fiscal year 2013 concluded that our internal control over financial reporting was effective. In addition, our registered independent public accounting firm provided an opinion that our internal control over financial reporting was effective as of the end of fiscal year 2013. There is, however, no assurance that we will be able to maintain such effective internal control over financial reporting in the future. Ineffective internal control over financial reporting can result in errors or other problems in our financial statements. In the future, if we or our registered independent public accounting firm are unable to assert that our internal controls are effective, our investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline. Failure to maintain effective internal control over financial reporting could also result in investigation or sanctions by regulatory authorities.

Because substantially all of our officers and directors are located in non-U.S. jurisdictions, you may have no effective recourse against the management for misconduct and may not be able to enforce judgment and civil liabilities against our officers, directors, experts and agents.

Substantially all of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for you to enforce within the United States any judgments obtained against our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any U.S. state.

Because we do not intend to pay any dividends on our common stock, investors seeking dividend income should not purchase shares of our common stock.

We have not declared or paid any dividends on our common stock since our inception, and we do not anticipate paying any such dividends for the foreseeable future. Investors seeking dividend income should not invest in our common stock.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

Our principal executive, new manufacturing and research and development offices are located at MATAM Advanced Technology Park, Building No. 5, Haifa, Israel 31905, where we occupy approximately 2,750 square meters. Our monthly rent payment for these leased facilities as of July 2013 was 149,000 NIS (approximately $41,000). For the fiscal year ended June 30, 2013, we paid $422,233 for rent for such facilities. In addition, we rent a facility that is located at MATAM Advanced Technology Park, Building No. 20, Haifa, Israel 31905, where we occupy approximately 1,280 square meters. Our monthly rent payment for the leased facilities in Building No. 20 as of July 2013 was 76,000 NIS (approximately $20,000). For the fiscal year ended June 30, 2013, we paid $240,940 for rent for such facilities. We believe that the current space we have, including our current improvement plans, is adequate to meet our current and near future needs.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our shares trade on the NASDAQ Capital Market under the symbol PSTI and in the Tel Aviv Stock Exchange under the ticker symbol PLTR.

The following table sets forth, for the periods indicated, the high and low sales prices of our common stock, as reported on NASDAQ website and may not necessarily represent actual transactions.

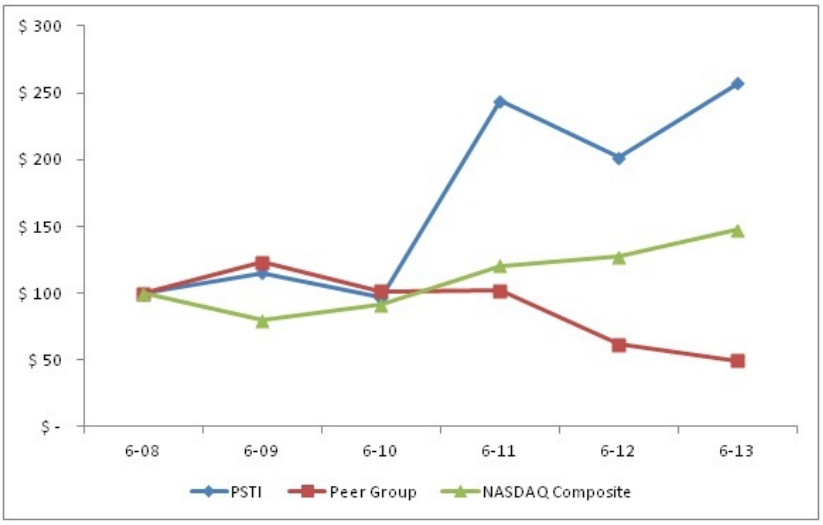
Quarter Ended	High	Low
Fiscal Year Ended June 30, 2012		
September 30, 2011	$ 3.65	$ 2.03
December 31, 2011	$ 2.86	$ 2.05
March 31, 2012	$ 2.77	$ 2.09
June 30, 2012	$ 2.86	$ 2.16
Fiscal Year Ended June 30, 2013		
September 30, 2012	$ 4.75	$ 2.38
December 31, 2012	$ 4.07	$ 2.85
March 31, 2013	$ 3.46	$ 3.05
June 30, 2013	$ 3.34	$ 2.68

On August 21, 2013, the per share closing price of our common stock, as reported on NASDAQ website, was $3.20. As of August 21, 2013, there were 93 holders of record, and 59,176,370 of our common shares were issued and outstanding.

American Stock Transfer and Trust Company, LLC is the registrar and transfer agent for our common shares. Their address is 6201 15th Avenue, 2nd Floor, Brooklyn, NY 11219, telephone: (718) 921-8261, (800) 937-5449.

Comparative Stock Performance Graph

The following graph shows how an initial investment of $100 in our common stock would have compared to an equal investment in the Nasdaq Composite Index and the a peer group index (comprised of: Aastrom Biosciences, Inc.; Athersys, Inc.; Cytori Therapeutics, Inc.; Geron Corporation; Osiris Therapeutics, Inc.; and Neostem, Inc.) during the period from July 1, 2008 through June 30, 2013. The performance shown is not necessarily indicative of future price performance.



Dividend Policy

We have not paid any cash dividends on our common stock and have no present intention of doing so. Our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our Board of Directors.

Recent Sales of Unregistered Securities

In January 2013, we granted 30,000 restricted stock units to a consultant for services rendered. In June 2013, we granted 255,000 restricted stock units to two companies controlled by two of our directors in connection with compensation for such directors' services to us.

The above issuances were exempt under Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 6. Selected Financial Data.

The selected data presented below under the captions "Statements of Operations Data," "Statements of Cash Flows Data" and "Balance Sheet Data" for, and as of the end of, each of the fiscal years in the five-year period ended June 30, 2013, are derived from, and should be read in conjunction with, our audited consolidated financial statements.

The information contained in this table should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes thereto included elsewhere in this report (in thousands of dollars except share and per share data):

	2013	2012	2011	2010	2009
Statements of Operations Data:					
Revenues	$ 679	$ 716	$ -	$ -	$ -
Cost of revenues	20	21	-	-	-
Gross profit	659	695	-	-	-
Research and development expenses	19,906	12,685	8,311	6,123	4,792
Participation by the OCS and other parties	2,673	3,527	1,682	1,822	1,651
Research and development expenses, net	17,233	9,158	6,629	4,301	3,141
General and administrative expenses	5,649	6,568	4,485	3,138	3,417
Operating loss	22,223	15,031	11,114	7,439	6,558
Financial income (expenses), net	1,068	237	266	(14)	(78)
Net loss for the period	$ 21,155	$ 14,794	$ 10,848	$ 7,453	$ 6,636
Basic and diluted net loss per share	$ 0.38	$ 0.34	$ 0.35	$ 0.44	$ 0.63
Weighted average number of shares used in computing basic and diluted net loss per share	55,481,357	44,031,866	31,198,825	17,004,998	10,602,880
Statements of Cash Flows Data:					
Net cash used in operating activities	$ 16,887	$ 3,275	$ 5,755	$ 5,408	$ 4,262
Net cash provided by (used in) investing activities	(19,799)	(30,797)	(36)	(1,296)	830
Net cash provided by financing activities	36,304	632	47,037	5,948	5,448
Net increase (decrease) in cash	(382)	(33,440)	41,246	(756)	2,016
Cash and cash equivalents at beginning of year	9,389	42,829	1,583	2,339	323
Cash and cash equivalents at end of year	$ 9,007	$ 9,389	$ 42,829	$ 1,583	$ 2,339
Balance Sheet Data:					
Cash, cash equivalents, restricted cash and short-term deposits, short-term bank deposits and marketable securities	$ 54,213	$ 37,809	$ 42,829	$ 2,496	$ 2,339
Current assets	55,085	38,192	43,297	3,605	2,935
Long-term assets	13,231	9,228	2,719	2,017	1,528
Total assets	68,316	47,420	46,016	5,622	4,463
Current liabilities	5,921	5,522	2,018	1,281	840
Long-term liabilities	4,929	4,156	576	360	229
Stockholders' equity	57,466	37,742	43,422	3,981	3,394

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are a bio-therapeutics company developing standardized cell therapy products for the treatment of a variety of local and systemic diseases. Our patented PLX (PLacental eXpanded) cells function as a drug delivery platform that releases a number of therapeutic proteins in response to various local and systemic inflammatory and ischemic signals generated by the patient. PLX cells are grown using our proprietary 3D micro-environmental technology that produces an "off-the-shelf" product that requires no tissue matching prior to administration.

Our strategy is to develop and produce cell therapy products for the treatment of multiple disorders using several methods of administration. We plan to execute this strategy independently, using our own personnel, and through relationships with research and clinical institutions or in collaboration with other companies, such as United and CHA. We have built our own Good Manufacturing Practices facility and we are planning to have in-house production capacity to grow clinical grade PLX cells in commercial quantities and to control all of our proprietary manufacturing processes.

RESULTS OF OPERATIONS – YEAR ENDED JUNE 30, 2013 COMPARED TO YEAR ENDED JUNE 30, 2012 AND YEAR ENDED JUNE 30, 2012 COMPARED TO YEAR ENDED JUNE 30, 2011.

Revenues

Revenues decreased by 5% from $716,000 for the year ended June 30, 2012 to $679,000 for the year ended June 30, 2013. All such revenues are derived from the United Agreement. This reduction is a result of re-evaluation we did for the development period under the United Agreement. Following the Clinical Hold we extended the development period for which we received funds from United from 6.5 years to 11.5 years. The license fee will be recognized on a straight line basis as revenue over the estimated development period.

We did not generate revenues during the year ended June 30, 2011.

Cost of revenues

Cost of revenues decreased by 5% from $21,000 for the year ended June 30, 2012 to $20,000 for the year ended June 30, 2013. All such cost of revenues are derived from the United Agreement. This reduction is a result of re-evaluation we did for the development period under the United Agreement. Following the Clinical Hold we extended the development period for which we received funds from United from 6.5 years to 11.5 years.

Research and Development net

Research and development net costs (costs less participation and grants by the OCS and other parties), for the year ended June 30, 2013 increased by 88% to $17,233,000 from $9,158,000 for the year ended June 30, 2012. This increase is mainly due to the increase in our research and development activities during the fiscal year 2013, and more specifically is attributed to the increase in our clinical trials expenses, salaries, lab materials expenses and consultants and subcontractor expenses, including hiring 46 new employees since June 30, 2012.

Research and development net costs (costs less participation and grants by the OCS and other parties), for the year ended June 30, 2012 increased by 38% to $9,158,000 from $6,629,000 for the year ended June 30, 2011. This increase is mainly due to the increase in our research and development activities during the fiscal year 2012, and more specifically is attributed to the increase in our stock-based compensation expenses and our salaries and lab materials expenses including hiring 37 new employees since June 30, 2011.

General and Administrative

General and administrative expenses decreased by 14% from $6,568,000 for the year ended June 30, 2012 to $5,649,000 for the year ended June 30, 2013. This decrease is mainly due to a decrease in stock-based compensation expenses related to our employees and consultants.

General and administrative expenses for the year ended June 30, 2012 increased by 46% to $6,568,000 from $4,485,000 for the year ended June 30, 2011. This increase is due to an increase in stock-based compensation expenses related to our employees and consultants, salary expenses due to the hiring of 4 new employees, increases in salary that took effect in May 2011 and payment of bonuses in connection with entering into the United Agreement.

Financial Income, net

Financial income increased from $237,000 for the year ended June 30, 2012 to $1,068,000 for the year ended June 30, 2013. The increase is mainly due to an increase in gains from hedging instruments and changes in exchange rates over the past fiscal year.

Financial income decreased from $266,000 for the year ended June 30, 2011 to income of $237,000 for the year ended June 30, 2012. The decrease is mainly due to a decrease in gains from hedging instruments and changes in exchange rates for the year ended June 30, 2012 over the prior fiscal year offset by an increase in interest income due to higher average cash balances during fiscal year 2012.

Net Loss

Net loss for the year ended June 30, 2013 was $21,155,000 as compared to net loss of $14,794,000 for the year ended June 30, 2012. Net loss per share for the year ended June 30, 2013 was $0.38, as compared to $0.34 for the year ended June 30, 2012. The net loss per share increased as a result of the increase in our net loss, offset by the increase in our weighted average number of shares due to the issuance of additional shares, mainly as part of a public offering we consummated in September 2012.

Net loss for the year ended June 30, 2012 was $14,794,000 as compared to net loss of $10,848,000 for the year ended June 30, 2011. Net loss per share for the year ended June 30, 2012 was $0.34, as compared to $0.35 for the year ended June 30, 2011. The net loss per share decreased as a result of the increase in our weighted average number of shares primarily due to the issuance of additional shares pursuant to equity issuances during the year ended June 30, 2011 that were fully reflected in the fiscal 2012 weighted average as discussed further below.

Liquidity and Capital Resources

As of June 30, 2013, our total current assets were $55,085,000 and our total current liabilities were $5,921,000. On June 30, 2013, we had a working capital surplus of $49,164,000 and an accumulated deficit of $86,902,000.

As of June 30, 2012, our total current assets were $38,192,000 and our total current liabilities were $5,522,000. On June 30, 2012, we had a working capital surplus of $32,670,000 and an accumulated deficit of $65,747,000.

Our cash and cash equivalents as of June 30, 2013 amounted to $9,007,000. This is a decrease of $382,000 from the $9,389,000 reported as of June 30, 2012. Cash balances decreased in the year ended June 30, 2013 for the reasons presented below:

Operating activities used cash of $16,887,000 in the year ended June 30, 2013. Cash used by operating activities in the year ended June 30, 2013 primarily consisted payments of salaries to our employees, and payments of fees to our consultants, subcontractors and professional services providers including costs of the clinical studies, offset by an OCS grant.

Investing activities used cash of $19,799,000 in the year ended June 30, 2013. The investing activities consisted primarily of investing $10,202,000 in short term deposits and $8,534,000 in marketable securities and purchasing equipment and paying for the construction of our new facilities in the amount of $4,309,000, offset by proceeds from the sale of available for sale marketable securities of $1,848,000 and redemption of available for sale marketable securities of $529,000.

Financing activities generated cash in the amount of $36,304,000 during the year ended June 30, 2013. Net proceeds from the public offering we closed in September 2012 were $34,106,000, as described below. The remainder of the cash generated in the year ended June 30, 2013 from financing activities, is from exercises of warrants by shareholders and exercises of options by employees and consultants.

From July 2012 through June 2013, a total of 682,213 warrants were exercised via “cashless” exercise, resulting in the issuance of 420,199 shares of common stock to investors of the Company. In addition, 1,201,160 warrants were exercised for cash and resulted in the issuance of 1,201,160 shares of common stock to investors of the Company. The aggregate cash consideration received was $2,009. In August 2012, a total of 36,000 warrants were exercised via “cashless” exercise, resulting in the issuance of 26,299 shares of common stock to consultants of the Company.

Our cash and cash equivalents as of June 30, 2012 amounted to $9,389,000. This is a decrease of $33,440,000 from the $42,829,000 reported as of June 30, 2011. Cash balances increased in the year ended June 30, 2012 for the reasons presented below:

Operating activities used cash of $3,275,000 in the year ended June 30, 2012. Cash used by operating activities in the year ended June 30, 2012 primarily consisted payments of salaries to our employees, and payments of fees to our consultants, subcontractors and professional services providers including costs of the clinical studies, less research and development grants by the OCS and other parties, and less revenues of $7 million from United.

Investing activities used cash of $30,797,000 in the year ended June 30, 2012. The investing activities consisted primarily of investment in short-term deposits, purchase of available for sale marketable securities and investments in equipment for our research and development facilities and the construction of new facilities.

Financing activities generated cash in the amount of $632,000 during the year ended June 30, 2012. Such amount is due to the exercise of warrants and options, as follows. During fiscal year 2012, a total of 406,783 warrants were exercised via a "cashless" manner, resulting in the issuance of 168,424 shares of common stock to our investors. In addition 355,411 warrants were exercised for cash and resulted in the issuance of 355,411 shares of common stock by our investors. The aggregate cash consideration received for exercise of warrants was $545,000. The balance of such amount, i.e., $87,000 was received from the exercise of options for cash.

On September 19, 2012, we closed a firm commitment underwritten public offering of 8,000,000 units, at a purchase price of $4.00 per unit, with each unit consisting of one share of our common stock and one warrant to purchase 0.35 shares of common stock, at an exercise price of $5.00 per share. The warrants sold in the offering are currently exercisable and will expire on September 19, 2017. We also granted the underwriters a 30-day option to purchase up to 1,200,000 shares of common stock and/or warrants to purchase up to 420,000 shares of common stock, which option was fully exercised. The aggregate net proceeds to us from the offering, including from the exercise in full of the option, were approximately $34 million, before the exercise of any warrants (which has not yet occurred) and after deducting underwriting commissions and discounts and our offering expenses.

During the years that ended June 30, 2013, 2012 and 2011 we received approximately $1,452,000, $3,156,000 and $2,177,000, respectively, from the OCS towards our research and development expenses. In August 2013, we received an approval for a NIS 26,110,000 (approximately $7,217,000) grant from the OCS. Once received, the grant will be used to cover research and development expenses for the period January 1, 2013 to December 31, 2013, which is the period of the company's research plan. According to the OCS grant terms, we are required to pay royalties at a rate of 3% - 5% on sales of products and services derived from technology developed using this and other OCS grants until 100% of the dollar-linked grants amount plus interest are repaid. In the absence of such sales, no payment is required. During the year ended June 30, 2013, we paid royalties to the OCS in the aggregate amount of $22,000. The OCS limits our ability to transfer know-how developed with OCS support outside of Israel, regardless of whether the royalties were fully paid. In addition, the European authorities approved a research grant under the European Commission's Seventh Framework Program (FP7) in the amount of approximately $134,000 for a period of 5 years which began on January 1, 2011.

In December 2012, we entered into an At Market Issuance Sales Agreement (Sales Agreement) with MLV & Co. LLC (MLV), which provides that, upon the terms and subject to the conditions and limitations set forth in the Sales Agreement, we may elect to issue and sell shares of our common stock having an aggregate offering price of up to $95 million from time to time through MLV as our sales agent. We are not obligated to make any sales of common stock under the Sales Agreement. To date, we have not sold any common stock pursuant to the Sales Agreement.

In February 2013, MTM – Scientific Industries Center Haifa Ltd. (MTM,), our landlord participated by contributing an amount of NIS 2,990,000 (approximately $800,000) toward the cost of constructing our new facility. Such participation is being made pursuant to our lease agreement with MTM, and is recognized by ratably deducting from our monthly rent payment over the rent period.

We adhere to an investment policy set by our investment committee which aims to preserve our financial assets, maintain adequate liquidity and maximize return while minimizing exposure to the NIS. Such policy further provides that we should hold most of our current assets in bank deposits and the remainder of our current assets is to be invested in government bonds and a combination of corporate bonds and relatively low risk stocks. As of today, the currency of our financial portfolio is mainly in U.S. dollars and we use forward and options contracts in order to hedge our exposures to currencies other than the U.S. dollar.

Outlook

We have accumulated a deficit of $86,902,000 since our inception in May 2001. We do not expect to generate any revenues from sales of products in the next twelve months. Our products will likely not be ready for sale for at least three years, if at all. Our cash needs will increase in the foreseeable future. We expect to generate revenues, which in the short and medium terms will unlikely exceed our costs of operations, from the sale of licenses to use our technology or products, as we have in the United Agreement. Our management believes that we may need to raise additional funds before we have cash flow from operations that can materially decrease our dependence on our existing cash and other liquidity resources. We are continually looking for sources of funding, including non-diluting sources such as the OCS grants.

In December 2012 we entered into the Sales Agreement that allows us to issue and sell shares of our common stock from time to time.

We anticipate that the Clinical Hold may delay our clinical development plan. During the Clinical Hold period we have stopped the recruitment of the IC study and it may take time to reinitiate the clinical sites and brining patient enrollment to the rate of enrolment before the Clinical Hold.

The OCS has supported our activity in the past seven years. Our last program, for the eighth year, was approved by the OCS in August 2013 and relates to a NIS 26,110,000 (approximately $7,217,000) grant. Once received, the grant will be used to cover research and development expenses for the period January 1, 2013 to December 31, 2013.

In addition, the European authorities approved a research grant under the FP7 in the amount of approximately $134,000 for a period of 5 years which began on January 1, 2011.

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

Application of Critical Accounting Policies

Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements appearing in this Annual Report on Form 10-K. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

The discussion and analysis of our financial condition and results of operations is based on our financial statements, which we prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate such estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition from the United Agreement

We recognize revenue pursuant to the United Agreement in accordance with ASC 605-25, "Revenue Recognition, Multiple-Element Arrangements".

Revenues from the non-refundable upfront license fee of $5,000,000 are recognized on a straight line basis over the estimated development period, resulting in revenues of $679,000 for the year ended June 30, 2013, in accordance with SAB104 “Revenue Recognition”. The development period for the United project is estimated using the current project progress and future expected timeline of clinical trials in PAH. In June 2013, we assessed the impact of the Clinical Hold on the performance period of the United Agreement and concluded that it should be extended from 6.5 years to 11.5 years. The remaining performance period is 9.5 years as of June 30, 2013. This change in estimate resulted in a decrease in future annual revenues from $779,000 to $379,000.

We also received a refundable, advance payment on the development, of $2,000,000 that is deductible against development expenses as it accrued in accordance with ASC 730-20. As of June 30, 2013, we deducted an amount of approximately $1,607,244.

Stock-based compensation

Stock-based compensation is considered critical accounting policy due to the significant expenses of restricted stock units which were granted to our employees, directors and consultants. In fiscal year 2013 we recorded stock-based compensation expenses related to restricted stock units in the amount of $2,773,000.

In accordance with ASC 718, restricted shares units to employees and directors are measured at their fair value on the grant date. All restricted shares units granted in 2013 and 2012 were granted for no consideration; therefore their fair value was equal to the share price at the date of grant, based on the close trading price of our shares known at the grant date. The restricted shares units to non-employees consultants are remeasured in any future vesting period for the unvested portion of the grants.

The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in our consolidated statements of operations. We have graded vesting based on the accelerated method over the requisite service period of each of the awards. The expected pre-vesting forfeiture rate affects the number of the shares. Based on our historical experience, the pre-vesting forfeiture rate per grant is 7% for the shares granted to employees and 0% for the shares granted to our directors, officers and non-employees consultants.

Marketable Securities

Marketable securities consist of corporate bonds, government bonds and stocks. We determine the appropriate classification of marketable securities at the time of purchase and re-evaluate such designation at each balance sheet date. In accordance with ASC No. 320, "Investment Debt and Equity Securities," we classify marketable securities as available-for-sale. Available-for-sale securities are stated at fair value, with unrealized gains and losses reported in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Realized gains and losses on sales of marketable securities, as determined on a specific identification basis, are included in financial income. The amortized cost of marketable securities is adjusted for amortization of premium and accretion of discount to maturity, both of which, together with interest, are included in financial income.

Marketable securities are classified within Level 1 or Level 2 because marketable securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

We recognize an impairment charge when a decline in the fair value of our investments is below the cost basis and is judged to be other-than-temporary. Factors considered in making such a determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and our intent to sell, including whether it is more likely than not that we will be required to sell the investment before recovery of cost basis. As such, we did not recognize any impairment charges on outstanding securities during the year ended June 30, 2013.

Research and Development Expenses, Net

We expect our research and development expense to remain our primary expense in the near future as we continue to develop our product candidates. Research and development expense consists of:

- internal costs associated with research and development activities;
- payments made to consultants and subcontractors such as research organizations;
- manufacturing development costs;
- personnel-related expenses, including salaries, benefits, travel, and related costs for the personnel involved in research and development;
- activities relating to the preclinical studies and clinical trials; and
- facilities and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, as well as laboratory and other supplies.

Research and development expenses, net of participations are charged to the statement of operations as incurred. Research and development grants from the government of Israel and other parties for funding approved research and development projects are recognized at the time we are entitled to such grants, on the basis of the cost incurred and applied as a deduction from research and development costs. There can be no assurance that we will continue to receive grants from the OCS in amounts sufficient for our operations, if at all.

Contractual Obligations

The following summarizes our contractual obligations and other commitments on June 30, 2013, and the effect such obligations could have on our liquidity and cash flow in future periods:

		Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating lease obligations	$ 1,897	$ 692	$ 914	$ 291	$ -
Minimum purchase requirements	400	364	36	-	-
Pre-clinical research study obligations	27	27	-	-	-
Clinical research study obligations*	281	281		-	-
Total	**$ 2,605**	**$ 1,364**	**$ 950**	**$ 291**	**$ -**

*Estimated cancellation fees.

Off Balance Sheet Arrangements

Our company has no off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to a variety of risks, including changes in interest rates, foreign currency exchange rates and inflation.

As of June 30, 2013, we had $9 million in cash and cash equivalents, $31.4 million in short-term bank deposits and $13.4 million in marketable securities.

We adhere to an investment policy set by our investment committee which aims to preserve our financial assets, maintain adequate liquidity and maximize return while minimizing exposure to the NIS. Such policy further provides that we should hold most of our current assets in bank deposits and the remainder of our current assets is to be invested in government bonds and a combination of corporate bonds and relatively low risk stocks. As of today, the currency of our financial portfolio is mainly in U.S. dollars and we use forward and options contracts in order to hedge our exposures to currencies other than the U.S. dollar.

Interest Rate Risk

We invest a major portion of our cash surplus in bank deposits in banks in Israel. Since the bank deposits typically carry fixed interest rates, financial income over the holding period is not sensitive to changes in interest rates. However, our interest gains from future deposits may decline in the future as a result of changes in the financial markets. In addition, our income from marketable securities is exposed to market risks resulting from changes in interest rates. In any event, given the historic low levels of the interest rate, we estimate that a further decline in the interest rate we are receiving will not result in a material adverse effect to our business.

Foreign Currency Exchange Risk and Inflation

A significant portion of our expenditures, including salaries, lab materials, consultants' fees and office expenses relate to our operations in Israel. The cost of those Israeli operations, as expressed in U.S. dollars, is influenced by the extent to which any increase in the rate of inflation in Israel is not offset (or is offset on a lagging basis) by a devaluation of the NIS in relation to the U.S. dollar. If the U.S. dollar declines in value in relation to the NIS, it will become more expensive for us to fund our operations in Israel. In addition, as of June 30, 2013, we own net balances in NIS of approximately $280,000 Assuming a 10% appreciation of the NIS against the U.S. dollar, we would experience exchange rate gain of approximately $31,000, while assuming a 10% devaluation of the NIS against the U.S. dollars, we would experience an exchange rate loss of approximately $26,000, in both cases excluding the effect of our hedging transactions (as described below).

The exchange rate of the U.S. dollar to the NIS, based on exchange rates published by the Bank of Israel, was as follows:

	Year Ended June 30,		
	2011	**2012**	**2013**
Average rate for period	3.614	3.716	3.794
Rate at period-end	3.415	3.923	3.618

We use currency hedging transactions of options and forwards to decrease the risk of financial exposure from fluctuations in the exchange rate of the U.S. dollar against the NIS. For more information, see Note 2(s) of our 2013 consolidated financial statements included elsewhere in this annual report. For the year ended June 30, 2013, our net gain from hedging transactions were $140,000.

Item 8. Financial Statements and Supplementary Data.

Our financial statements are stated in thousands United States dollars (US$) and are prepared in accordance with U.S. GAAP.

The following audited consolidated financial statements are filed as part of this Annual Report on Form 10-K:

Reports of Independent Registered Public Accounting Firm, dated September 11, 2013.

Consolidated Balance Sheets.

Consolidated Statements of Operations.

Consolidated Statements of Comprehensive Loss.

Statements of Changes in Equity.

Consolidated Statements of Cash Flows.

Notes to the Consolidated Financial Statements.

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2013

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2013

U.S. DOLLARS IN THOUSANDS

INDEX

Kost Forer Gabbay & Kasierer
2 Pal-Yam Ave.Haifa 330905,
Israel
Tel: 972 (4)8654021
Fax: 972(3) 5633439
www.ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders Of

PLURISTEM THERAPEUTICS INC.

We have audited the accompanying consolidated balance sheets of Pluristem Therapeutics Inc. and its subsidiary ("the Company") as of June 30, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework and our report dated September 11, 2013, expressed an unqualified opinion thereon.

Haifa, Israel
September 11, 2013

/s/ Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

Kost Forer Gabbay & Kasierer
2 Pal-Yam Ave.Haifa 330905,
Israel
Tel: 972 (4)8654021
Fax: 972(3) 5633439
www.ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders Of

PLURISTEM THERAPEUTICS INC.

We have audited Pluristem Therapeutics Inc. and its subsidiary's internal control over financial reporting as of June 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework (the COSO criteria). Pluristem Therapeutics Inc. and its subsidiary's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Pluristem Therapeutics Inc. and its subsidiary maintained, in all material respects, effective internal control over financial reporting as of June 30, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pluristem Therapeutics Inc. and its subsidiary as of June 30, 2013 and 2012 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2013 of Pluristem Therapeutics Inc. and its subsidiary and our report dated September 11, 2013 expressed an unqualified opinion thereon.

Haifa, Israel
September 11, 2013

/s/ Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

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

	Note	June 30, 2013	June 30, 2012
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	$ 9,007	$ 9,389
Short term bank deposits		31,449	21,397
Restricted cash and restricted short term deposits		316	-
Marketable securities	4	13,441	7,023
Other current assets		872	383
Total current assets		55,085	38,192
LONG-TERM ASSETS:			
Long-term deposits and restricted deposits	2g	421	1,287
Severance pay fund		905	522
Advance payment for leasehold improvements		-	2,400
Property and equipment, net	6	11,866	5,019
Other long term assets		39	
Total long-term assets		13,231	9,228
Total assets		$ 68,316	$ 47,420

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

CONSOLIDATED BALANCE SHEETS

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

	Note	June 30, 2013	June 30, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables		$ 2,837	$ 1,368
Accrued expenses		1,040	922
Deferred revenues	1d, 2i	379	779
Advance payment from United Therapeutics	1d, 2i	393	1,576
Other accounts payable	7	1,272	877
Total current liabilities		5,921	5,522
LONG-TERM LIABILITIES			
Deferred revenues	1d, 2i	3,226	3,505
Accrued severance pay		1,023	651
Other long term liabilities		680	-
Total long term liabilities		4,929	4,156
COMMITMENTS AND CONTINGENCIES	8		
STOCKHOLDERS' EQUITY			
Share capital:	9		
Common stock $0.00001 par value: Authorized: 100,000,000 shares Issued and outstanding: 59,196,617 shares as of June 30, 2013, 46,448,051 shares as of June 30, 2012		-(*)	-(*)
Additional paid-in capital		144,109	103,619
Accumulated deficit		(86,902)	(65,747)
Other comprehensive (loss) income		259	(130)
		57,466	37,742
		$ 68,316	$ 47,420

(*) Less than $1.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

		Year ended June 30,		
		2013	**2012**	**2011**
Revenues	1d, 2i	$ 679	$ 716	$ -
Cost of revenues		(20)	(21)	-
Gross profit		659	695	-
Research and development expenses		(19,906)	(12,685)	(8,311)
Less participation by the Office of the Chief Scientist and other parties		2,673	3,527	1,682
Research and development expenses, net		(17,233)	(9,158)	(6,629)
General and administrative expenses		(5,649)	(6,568)	(4,485)
Operating loss		(22,223)	(15,031)	(11,114)
Financial income, net	10	1,068	237	266
Net loss for the period		$ (21,155)	$ (14,794)	$ (10,848)
Loss per share:				
Basic and diluted net loss per share		$ (0.38)	$ (0.34)	$ (0.35)
Weighted average number of shares used in computing basic and diluted net loss per share		55,481,357	44,031,866	31,198,825

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

	Year ended June 30,		
	2013	**2012**	**2011**
Net loss	$ (21,155)	$ (14,794)	$ (10,848)
Other comprehensive (loss) income			
Unrealized gain (loss) on available for sale marketable securities	415	(127)	-
Reclassification adjustments for net gain realized from available for sale marketable securities	(26)	(3)	-
Total comprehensive loss	$ (20,766)	$ (14,924)	$ (10,848)

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

STATEMENTS OF CHANGES IN EQUITY

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

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of July 1, 2010	20,888,781	$ (*)	$ 44,086	$ (40,105)	$ 3,981
Issuance of common stock and warrants related to October 2010 agreements, net of issuance costs of $244	4,375,000	(*)	5,006	-	5,006
Issuance of common stock and warrants related to February 2011 secondary offering, net of issuance costs of $2,970	12,650,000	(*)	38,142	-	38,142
Exercise of warrants by investors and finders	2,442,714	(*)	3,593	-	3,593
Exercise of options by employees and consultants	103,943	(*)	68	-	68
Issuance of common stock related to investor relations agreements	90,000	(*)	155	-	155
Stock based compensation to employees, directors and non-employees consultants	1,892,747	(*)	3,325	-	3,325
Net loss for the period	-	-	-	(10,848)	(10,848)
Balance as of June 30, 2011	42,443,185	$ (*)	$ 94,375	$ (50,953)	$ 43,422

(*) Less than $1.

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

STATEMENTS OF CHANGES IN EQUITY

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

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balance as of July 1, 2011	42,443,185	$ (*)	$ 94,375	$ -	$ (50,953)	$ 43,422
Exercise of options by employees and consultants	74,800	(*)	89	-	-	89
Exercise of warrants by investors and finders	523,835	(*)	556	-	-	556
Stock based compensation to employees, directors and non-employees consultants	1,906,231	(*)	4,927	-	-	4,927
Stock based compensation to contractor	1,500,000	(*)	3,672	-	-	3,672
Other comprehensive loss	-	-	-	(130)	-	(130)
Net loss for the period	-	-	-	-	(14,794)	(14,794)
Balance as of June 30, 2012	46,448,051	$ (*)	$ 103,619	$ (130)	$ (65,747)	$ 37,742

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

STATEMENTS OF CHANGES IN EQUITY

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

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Deficit	Equity
Balance as of July 1, 2012	46,448,051	$ (*)	$ 103,619	$ (130)	$ (65,747)	$ 37,742
Issuance of common stock and warrants related to September 2012 public offering, net of issuance costs of $2,694	9,200,000	(*)	34,106	-	-	34,106
Exercise of options and warrants by employees and consultants	176,867	(*)	176	-	-	176
Exercise of warrants by investors and finders	1,621,359	(*)	2,009	-	-	2,009
Stock based compensation to employees, directors and non-employee consultants	1,750,340	(*)	2,799	-	-	2,799
Stock based compensation to contractor	-	-	1,400	-	-	1,400
Other comprehensive income	-	-	-	389	-	389
Net loss for the period	-	-	-	-	(21,155)	(21,155)
Balance as of June 30, 2013	59,196,617	$ (*)	$ 144,109	$ 259	$ (86,902)	$ 57,466

(*) Less than $1

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Year ended June 30,		
	2013	**2012**	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (21,155)	$ (14,794)	$ (10,848)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,033	435	312
Capital loss	-	1	8
Impairment of property and equipment	-	-	11
Stock-based compensation to employees, directors and non-employees consultants	2,521	4,907	3,325
Stock -based compensation to investor relations consultants	278	20	155
Decrease (increase) in other accounts receivable	(303)	(166)	656
Decrease (increase) in prepaid expenses	(237)	269	(273)
Increase (decrease) in trade payables	1,335	(424)	455
Increase in other accounts payable and accrued expenses	1,556	958	375
Increase in deferred revenues	(679)	4,284	-
Increase (decrease) in advance payment from United Therapeutics	(1,183)	1,576	-
Decrease (increase) in interest receivable on short-term deposits	(140)	(395)	15
Linkage differences and interest on short and long-term restricted lease deposit	(30)	35	(4)
Accretion of discount, amortization of premium and changes in accrued interest from marketable securities	154	17	-
Gain from sale of investments of available for sale marketable securities	(26)	(3)	-
Accrued severance pay, net	(11)	5	58
Net cash used in operating activities	$ (16,887)	$ (3,275)	$ (5,755)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	$ (4,309)	$ (1,480)	$ (962)
Investment in short-term deposits	(10,202)	(21,031)	-
Proceeds from short-term deposits	-	-	898
Proceeds from sale of property and equipment	-	-	29
Investment in long-term deposits	-	(1,125)	(14)
Repayment of long-term restricted deposit	869	6	13
Proceeds from sale of available for sale marketable securities	1,848	884	-
Proceeds from redemption of available for sale marketable securities	529	114	
Investment in available for sale marketable securities	(8,534)	(8,165)	-
Net cash used in investing activities	$ (19,799)	$ (30,797)	$ (36)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Year ended June 30,		
	2013	**2012**	**2011**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock and warrants, net of issuance costs	$ 34,106	$ -	$ 43,400
Exercise of warrants and options	2,198	632	3,661
Repayment of long-term loan	-	-	(24)
Net cash provided by financing activities	$ 36,304	$ 632	$ 47,037
Increase (decrease) in cash and cash equivalents	(382)	(33,440)	41,246
Cash and cash equivalents at the beginning of the period	9,389	42,829	1,583
Cash and cash equivalents at the end of the period	$ 9,007	$ 9,389	$ 42,829
(a) Supplemental disclosure of cash flow activities:			
Cash paid during the period for:			
Taxes paid due to non-deductible expenses	$ 18	$ 14	$ 11
(b) Supplemental disclosure of non-cash activities:			
Purchase of property and equipment in credit	$ 872	$ 738	$ 123
Issuance of shares in consideration of new facility construction	$ 1,400	$ 3,672	$ -
Other receivables resulting from issuance of shares	$ -	$ 13	$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:-GENERAL

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

b. The Company is a bio-therapeutics company developing standardized cell therapy products from human placenta for the treatment of multiple disorders. The Company has sustained operating losses and expects such losses to continue in the foreseeable future. The Company's accumulated losses aggregated to $86,902 through June 30, 2013 and incurred a net loss of $21,155 for the year ended June 30, 2013.

The Company plans to continue to finance its operations with sales of equity securities, entering into licensing technology agreements such as the United Therapeutics Corporation ("United Therapeutics") and CHA Bio&Diostech ("CHA") agreements, and from grants to support its R&D activity. In the longer term, the Company plans to finance its operations from revenues from sales of products.

c. Since December 10, 2007, the Company's shares of common stock have been traded on the NASDAQ Capital Market under the symbol PSTI.

On December 19, 2010, the Company's shares began trading on the Tel-Aviv Stock Exchange under the symbol "PLTR".

d. License Agreements:

On June 19, 2011, the Subsidiary entered into an exclusive license agreement, or the License Agreement, with United Therapeutics, for the use of its PLX cells to develop and commercialize a cell-based product for the treatment of Pulmonary Hypertension ("PAH"). The License Agreement provides that United Therapeutics will receive exclusive worldwide license rights for the development and commercialization of the Company's PLX cell-based product to treat PAH. The License Agreement provides for the following consideration payable to the Company: (i) an upfront payment of $7,000 paid in August 2011, which includes a $5,000 non-refundable upfront payment and a $2,000 advance payment on the development ; (ii) up to $37,500 upon reaching certain regulatory milestones with respect to the development of a product to treat PAH; (iii) reimbursement of up to $10,000 of certain of the Company expenses if the Company establishes a manufacturing facility in North America upon meeting certain status; (iv) reimbursement of certain costs in connection with the development of the product; and (v) following commercialization of the product, royalties and the purchase of commercial supplies of the developed product from the Company at a specified margin over the Company's cost. On August 2, 2011, the License Agreement became effective following the consent of the Office of the Chief Scientist of Israel ("OCS") within the Israeli Ministry of Industry, Trade and Labor (see 2i below).

On June 26, 2013, the Subsidiary entered into an exclusive license and commercialization agreement with CHA Bio&Diostech ("CHA"), for conducting clinical trials and commercialization of Pluristem's PLX-PAD product in South Korea in connection with two indications: the treatment of Critical Limb Ischemia, and Intermediate Claudication (the "Indications"). Under the terms of the agreement, CHA will receive exclusive rights in South Korea for conducting clinical trials with respect to the Indications, at the sole expense of CHA. Commencement of the clinical trials is conditioned upon the receipt of the necessary regulatory approvals. If Pluristem's products receive regulatory approvals in South Korea for marketing as treatment for the Indications, the parties will form a joint venture in order to sell, distribute and market Pluristem products for treating the Indications in South Korea. The joint venture would be owned equally by CHA and Pluristem. Pluristem would own any and all intellectual property rights to the extent conceived in connection with its products and license such rights to the joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1:-GENERAL (CONT.)

In an event of lifting the clinical hold by the U.S. Food and Drug Administration on a study of another indication conducted by Pluristem (see note 1.e), and reaching an agreed upon development plan for conducting the clinical trials, Pluristem has agreed to issue to CHA 2,500,000 shares of its common stock in consideration for the issuance to Pluristem of 1,011,504 common shares of CHA, which reflect total consideration of approximately $10,000 for such Pluristem shares (based on the average closing price of CHA common shares over the last 30 trading days preceding the date of the agreement). Each party has agreed to hold the other party's shares for at least one year before selling any of such shares. The parties also agreed to give an irrevocable proxy to the other party management with respect to the voting power of the shares issued.

The Agreement includes non-competition covenants by CHA for a specified period as well as customary termination and indemnification provisions, including in the event the parties do not reach an agreed upon development plan for conducting the clinical trials.

e. Clinical hold:

In June, 2013, the Company received notification from the U.S. Food and Drug Administration (“FDA”) that its United States phase II Intermittent Claudication study has been placed on clinical hold due to a serious allergic reaction in a case which required hospitalization.

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") applied on consistent basis.

Certain items in the prior period's comparative consolidated financial statements have been reclassified to conform to the current period's presentation. Royalties to the OCS in the amount of $21 for year ended June 30, 2012 was reclassified from research and development expenses to cost of revenues. This reclassification did not impact total assets, total liabilities, stockholders’ equity, results of operations or cash flows.

a. 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.

b. Functional currency of the Subsidiary

The Subsidiary's revenues are generated and determined in U.S. Dollars ("dollars"). In addition, most of the financing of the Subsidiary's operations has been made in dollars. The Company's management believes that the dollar is the primary currency of the economic environment in which the Subsidiary operates. Thus, management believe that the functional currency of the Subsidiary is the dollar. Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into dollars in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses from the remeasurement of monetary balance sheet items are reflected in the statement of operations as financial income or expenses, as appropriate.

c. Principles of consolidation

The consolidated financial statements include the accounts of Pluristem Therapeutics Inc. and its Subsidiary. Intercompany transactions and balances have been eliminated upon consolidation.

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

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Cash and cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with maturities of three months or less at the date acquired.

e. Short-term bank deposit

Bank deposits with original maturities of more than three months but less than one year are presented as part of short-term investments. Deposits are presented at their cost including accrued interest. Interest on deposits is recorded as financial income.

f. Restricted cash and short-term deposits

Short-term restricted deposits and restricted cash used to secure derivative transactions not designated as hedging accounting instruments are presented at cost.

g. Long-term restricted deposits

Long-term restricted deposits with maturities of more than one year used to secure lease agreement are presented at cost.

h. Marketable Securities

The Company accounts for its investments in marketable securities in accordance with ASC 320, “Investments - Debt and Equity Securities”. The Company determines the classification of marketable securities at the time of purchase and re-evaluates such designations as of each balance sheet date. The Company classifies all of its marketable securities as available-for-sale. Available-for-sale marketable securities are carried at fair value, with the unrealized gain and loss reported as a separate component of shareholders' equity, accumulated other comprehensive income (loss).

Realized gain and loss on sales of marketable securities are included in the Company's statements of operations and are derived using the specific identification basis for determining the cost of marketable securities. The amortized cost of available for sale marketable securities is adjusted for amortization of premiums and accretion of discount to maturity. Such amortization, together with interest on available for sale marketable securities, is included in the financial income (expenses), net.

The Company recognizes an impairment charge when a decline in the fair value of its available-for-sale marketable securities below the cost basis is judged to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time the investment has been in a loss position, the extent to which the fair value has been less than the Company's cost basis, the investment’s financial condition and the near-term prospects of the issuer. ASC 320-10-35, “Investments - Debt and Equity Securities” requires another-than-temporary impairment for debt securities to be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors (provided that the Company does not intend to sell the security and it is not more likely than not that it will be required to sell it before recovery). The Company classifies its marketable securities as available-for-sale and marks them to market with changes to other comprehensive income until realization or occurrence of other than temporary impairment loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Revenue Recognition from the license Agreement with United Therapeutics

The Company recognizes revenue pursuant to the License Agreement with United Therapeutics in accordance with ASC 605-25, "Revenue Recognition, Multiple-Element Arrangements".
Pursuant to ASC 605-25, each required deliverable is evaluated to determine whether it qualifies as a separate unit of accounting based on whether the deliverable has “stand-alone value” to the customer. The arrangement’s consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the relative selling price of each deliverable. In general, the consideration allocated to each unit of accounting is recognized as the related goods or services are delivered, limited to the consideration that is not contingent upon future deliverables.
The Company received an up-front, non-refundable license payment of $5,000. Additional payments totaling $37,500 are subject to the Company's futures events.

Since the deliverables in the agreement do not have stand-alone value, none of them qualifies as a separate unit of accounting. Accordingly, the non-refundable upfront license fee of $5,000 is deferred and recognized on a straight line basis over the related performance period which is the development period in accordance with Staff Accounting Bulletin (“SAB”) 104, "Revenue Recognition".

In June 2013, the Company assessed the impact of the clinical hold (see note 1.e), on the performance period of the United Therapeutics agreement and concluded that it should be extended from 6.5 years to approximately 11.5 years. The remaining performance period is 9.5 years as of June 30, 2013. This change in estimate resulted in a decrease in future annual revenues from $779 to $379 and a decrease in current quarterly revenues from $195 to $95.

The additional milestones payments will be recognized upon the achievement of futures events, in accordance with ASC 450-30-25, “Gain Contingencies".

The Company also received an advanced payment for the development, of $2,000 that will be deductible against development expenses as it accrued. The upfront payment which was received and has not yet recognized in the statement of operations, is included in the balance sheet as advance payment. Part of the expenses related to the development, on a cost basis, shall be repaid to the Company by United Therapeutics according to the applicable license agreement. The Company is deducting the payments from its research and development expenses in accordance with ASC 730-20, "Research and Development Agreements".
As of June 30, 2013, the Company deducted an amount of approximately $1,607.

j. Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	%
Laboratory equipment	10-15
Computers and peripheral equipment	33
Office furniture and equipment	6-15
Vehicles	15
Leasehold improvements	Over the shorter of the expected useful life or the reasonable assumed term of the lease

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

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Impairment of long-lived assets

The Company's long-lived assets and identifiable intangibles are reviewed for impairment in accordance with ASC 360, "Property, Plant and Equipment" whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

l. Accounting for stock-based compensation

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation" ("ASC 718") and ASC 505-50 "Equity-Based Payments to Non-Employees". ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model.

The Company accounts for employee's share-based payment awards classified as equity awards using the grant-date fair value method. The fair value of share-based payment transactions is recognized as an expense over the requisite service period, net of estimated forfeitures. The Company estimates forfeitures based on historical experience and anticipated future conditions. The Company elected to recognize compensation cost for an award with only service conditions that has a graded vesting schedule using the accelerated method based on the multiple-option award approach.

When stock options are granted as consideration for services provided by consultants and other non-employees, the grant is accounted for based on the fair value of the consideration received or the fair value of the stock options issued, whichever is more reliably measurable. The fair value of the options granted is measured on a final basis at the end of the related service period and is recognized over the related service period using the accelerated method.

During fiscal years 2011, 2012, 2013 there were no options grants to employees or directors.

The assumptions below are relevant to restricted shares and restricted shares units granted in 2013 and 2012:
In accordance with ASC 718, restricted shares or restricted shares units are measured at their fair value. All restricted shares and restricted shares units to employees and non-employees granted in 2013 and 2012 were granted for no consideration; therefore their fair value was equal to the share price at the date of grant.

The expected pre-vesting forfeiture rate affects the number of exercisable shares. Based on Company's historical experience, the pre-vesting forfeiture rate per grant is 7% for the shares granted to employees and 0% for the options and shares granted to directors and officers and consultants of the Company.

The fair value of all restricted shares and restricted shares units was determined based on the close trading price of the Company's shares known at the grant date. The weighted average grant date fair value of share granted during years 2013 and 2012 was $3.43 and $2.54, respectively.

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

m. Research and Development expenses and R&D grants

Research and development expenses, net of participations are charged to the Statement of Operations as incurred.

R&D grants from the government of Israel and other parties for funding approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the cost incurred and applied as a deduction from research and development costs.

n. Loss per share

Basic net loss per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted net loss per share is computed based on the weighted average number of shares of Common stock outstanding during each year, plus dilutive potential shares of common stock and warrants considered outstanding during the year, in accordance with ASC 260, "Earnings Per Share". All outstanding stock options and unvested restricted stock units have been excluded from the calculation of the diluted loss per common share because all such securities are anti-dilutive for each of the periods presented.

o. Income taxes

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes". This Topic prescribes the use of the liability method, whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value.

ASC 740 establishes a single model to address accounting for uncertain tax positions. ASC 740 clarified the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

p. Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term deposits, long-term deposits, restricted deposits and marketable securities.

The majority of the Company's cash and cash equivalents and short-term and long-term deposits are invested in dollar instruments of major banks in Israel. Generally, these deposits may be redeemed upon demand and therefore bear minimal risk.

The Company invests its surplus cash in cash deposits and marketable securities in financial institutions and has established guidelines relating to diversification and maturities to maintain safety and liquidity of the investments.

The Company holds an investment portfolio consisting of corporate bonds, Government bonds, stocks and index linked notes. The Company intends, and has the ability, to hold such investments until recovery of temporary declines in market value or maturity; accordingly, as of June 30, 2013, the Company believes the losses associated with its investments are temporary and no impairment loss was recognized during 2013. However, the Company can provide no assurance that it will recover declines in the market value of its investments.

q. Severance pay

The Subsidiary's liability for severance pay is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its employees is fully provided by monthly deposits with insurance policies and by an accrual. The value of these policies is recorded as an asset in the Company's balance sheet.

The deposited funds include profits or losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies, and includes immaterial profits or losses.

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Severance expenses for the years ended June 30, 2013, 2012 and 2011 amounted to approximately $329, $275, and $225, respectively.

r. Fair value of financial instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, available-for-sale marketable securities, short-term deposits, trade payable and other accounts payable and accrued liabilities, approximate fair value because of their generally short term maturities.

The Company accounts for certain assets and liabilities at fair value under ASC 820, "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 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions, or other inputs that are observable (model-derived valuations in which significant inputs are observable), or can be derived principally from or corroborated by observable market data; and

Level 3 - Unobservable inputs which are supported by little or no market activity.

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.

s. Derivative financial instruments

The Company's derivatives are not designated as hedging accounting instruments under ASC 815, "Derivatives and Hedging" ("ASC 815"). Those derivatives consist primarily of forward and options contracts the Company uses to hedge the Company's exposures to currencies other than the U.S. dollar. The Company recognized derivative instruments as either assets or liabilities and measures those instruments at fair value. Since the derivative instruments that the Company holds do not meet the definition of hedging instruments under ASC 815, the Company recognizes changes in the fair values in its statement of operations in financial income, net, in the same period as the re-measurement gain and loss of the related foreign currency denominated assets and liabilities.

The fair value of the forward and options contracts as of June 30, 2013 and 2012 were recorded as an asset of $93 and a liability of $138, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3:- CASH AND CASH EQUIVALENTS

	June 30,	
	2013	2012
In U.S. dollars	$ 8,048	$ 6,516
In New Israeli Shekels (NIS)	781	2,820
Other currencies	178	53
	$ 9,007	$ 9,389

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4:- MARKETABLE SECURITIES

As of June 30, 2013, all of the Company's marketable securities were classified as available-for-sale.

	June 30, 2013				June 30,2012			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Available-for-sale - matures within one year:								
Stock and index linked notes	$ 4,023	$ 234	$ (180)	$ 4,077	$ 1,264	$ 57	$ (56)	$ 1,265
Government debentures – fixed interest rate	329	21	-	350	57	-	-	57
Corporate debentures – fixed interest rate	508	30	(9)	529	303	2	(2)	303
	$ 4,860	$ 285	$ (189)	$ 4,956	$ 1,624	$ 59	$ (58)	$ 1,625
Available-for-sale - matures after one year through five years:								
Government debentures – fixed interest rate	1,602	49	(12)	1,639	1,417	12	(42)	1,387
Corporate debentures – fixed interest rate	4,976	162	(77)	5,061	2,829	20	(57)	2,792
	$ 6,578	$ 211	$ (89)	$ 6,700	$ 4,246	$ 32	$ (99)	$ 4,179
Available-for-sale - matures after five years through ten years:								
Government debentures – fixed interest rate	955	45	(14)	986	467	-	(23)	444
Corporate debentures – fixed interest rate	789	29	(19)	799	816	3	(44)	775
	$ 1,744	$ 74	$ (33)	$ 1,785	$ 1,283	$ 3	$ (67)	$ 1,219
Total	$ 13,182	$ 570	$ (311)	$ 13,441	$ 7,153	$ 94	$ (224)	$ 7,023

The following table presents gross unrealized losses and fair values for those investments that were in an unrealized loss position as of June 30, 2013 and June 30, 2012, and the length of time that those investments have been in a continuous loss position:

	Less than 12 months		12 months or greater	
	Fair Value	Gross unrealized loss	Fair Value	Gross unrealized loss
As of June 30, 2013	$ 5,122	$ (302)	$ 32	$ (9)
As of June 30, 2012	$ 4,127	$ (224)	$ -	$ -

The Company typically invests in highly-rated securities. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis. Based on the above factors, the Company concluded that unrealized losses on all available-for-sale securities were not other-than-temporary and no credit loss was present for any of its investments. As such, the Company did not recognize any impairment charges on outstanding securities during the year ended June 30, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 5:- FAIR VALUE OF FINANCIAL INSTRUMENTS

	June 30, 2013			June 30, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Marketable securities	$ 6,311	$ 7,130	-	$ 4,181	$ 2,842	-
Derivatives	-	93	-	-	(138)	-
Total	$ 6,311	$ 7,223	$ -	$ 4,181	$ 2,704	$ -

NOTE 6:-PROPERTY AND EQUIPMENT, NET

	June 30,	
	2013	2012
Cost:		
Laboratory equipment	$ 5,709	$ 2,479
Computers and peripheral equipment	535	317
Office furniture and equipment	534	119
Leasehold improvements	806	795
Leasehold improvements of new facility construction	6,563	2,559
Vehicle	68	68
Total Cost	14,215	6,337
Accumulated depreciation:		
Laboratory equipment	1,306	805
Computers and peripheral equipment	280	187
Office furniture and equipment	91	51
Leasehold improvements	361	255
Leasehold improvements of new facility construction	281	-
Vehicle	30	20
Total accumulated depreciation	2,349	1,318
Property and equipment, net	$ 11,866	$ 5,019

Depreciation expenses amounted to $1,033, $435 and $312 for the years ended June 30, 2013, 2012 and 2011, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7:-OTHER ACCOUNTS PAYABLE

	June 30,	
	2013	2012
Accrued payroll	$ 353	$ 239
Payroll institutions	324	170
Accrued vacation	506	317
Other	89	-
Derivatives	-	138
Advanced payment from OCS and other parties	-	13
	$ 1,272	$ 877

NOTE 8:-COMMITMENTS AND CONTINGENCIES

a. The Subsidiary leases facilities under an operating lease agreement. The leasing period for the leased area is 62 months as of July 1, 2007. The monthly payment is $17 starting from September 1, 2007 and is linked to the Israeli Consumer Price Index ("CPI"). On September 1, 2012, the Subsidiary extended the leasing period by 4 months. On December 31, 2012, the Subsidiary extended the leasing period by an additional 12 months. As of June 30, 2013 the monthly payment on the leasing is approximately $21.

On January 15, 2012, the Subsidiary leased additional facilities under another operating lease agreement. The leasing period for the additional leased area is 45 months as of June 30, 2013. The monthly payment is approximately $40 and is linked to the Israeli CPI. The Subsidiary may extend the leasing period by 60 months, if an advance notice is given.

In January 2013 the Subsidiary received from the lessor a non-refundable payment, which payment represents his participation in the leasehold improvements, of approximately $816. The payment will be deductible against lease expenses as it is accrued. The upfront payment received and not recognized as a deduction from lease expenses is included in the balance sheet as advance payment. As of June 30, 2013, the monthly leasing payments for the new facilities are approximately $40. The monthly leasing expenses, net of the lessor participation are approximately $32.

On January 2013 the Subsidiary leased additional facilities under another operating lease agreement. The leasing period for the additional leased area is 26.5 months as of June 30, 2013. The monthly payment is approximately $1 and is linked to the Israeli CPI.

In addition, the Subsidiary has issued a bank guarantee in favor of the lessor in the amount of $389.

Lease expenses amounted to $678, $382 and $245 for the years ended June 30, 2013, 2012 and 2011, respectively.

As of June 30, 2013 future aggregate rental commitments under the existing lease agreements are as follows:

Year ending June 30, 2014	$ 528
Year ending June 30, 2015	391
Year ending June 30, 2016	388
Year ending June 30, 2017	291
Total	$ 1,598

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 8:-COMMITMENTS AND CONTINGENCIES (CONT.)

b. The Subsidiary leases 19 cars under operating lease agreements, which expire in years 2013 through 2016. The monthly payment is approximately $18 and is linked to the Israeli CPI. In order to secure these agreements, the Subsidiary pledged a deposit in the amount of $41.

Lease expenses amounted to $215, $176 and $148 for the years ended June 30, 2013, 2012 and 2011, respectively.

As of June 30, 2013 future aggregate rental commitments under the existing lease agreements are as follows:

Year ending June 30, 2014	$ 164
Year ending June 30, 2015	101
Year ending June 30, 2016	34
Total	$ 299

c. An amount of $705 of cash and deposits was pledged by the Subsidiary to secure the hedging transactions, credit line and Bank guarantees.

d. As of June 30, 2013, the Subsidiary has aggregate contractual obligations to suppliers and contractor as follows:

Year ending June 30, 2014	$ 673
Year ending June 30, 2015	36
Total	$ 709

e. 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 a governmental committee of the OCS 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 Chief Scientist of 3% to 5% 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 June 30, 2013 and 2012, total grants obtained aggregated $10,882 and $9,412, respectively.

Through June 30, 2013 and 2012, total royalties expenses amounted to $42 and $21, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS

a. The Company's authorized common stock consists of 100,000,000 shares with a par value of $0.00001 per share. All shares have equal voting rights and are entitled to one vote per share in all matters to be voted upon by stockholders. The shares have no pre-emptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Holders of the common stock are entitled to equal ratable rights to dividends and distributions with respect to the common stock, as may be declared by the Board of Directors out of funds legally available.

The Company's authorized preferred stock consists of 10,000,000 shares of preferred stock, par value $0.00001 per share, with series, rights, preferences, privileges and restrictions as may be designated from time to time by the Company's Board of Directors. No shares of preferred stock have been issued.

b. On October 18, 2010, the Company closed a private placement, pursuant to which the Company sold 4,375,000 shares of the Company's common stock at a price of $1.20 per share and warrants to purchase 2,625,000 shares of common stock, at an exercise price per share of $1.80. No separate consideration was paid for the warrants. The warrants have a term of four years and are exercisable starting six months following the issuance thereof. The aggregate gross proceeds from the sale of the shares and the warrants were $5,250.

The Company paid a transaction fee to finders in an amount of $244 in cash and issued them warrants to purchase 151,050 shares of the Company's common stock.

In connection with the purchase agreements, the Company agreed to file a resale registration statement with the Securities and Exchange Commission covering the shares and the shares of common stock issuable upon the exercise of the warrants within 60 days from closing. The registration statement was filed and on December 10, 2010 it became effective.

c. On February 1, 2011, the Company closed a firm commitment underwritten public offering of 11,000,000 units, with each unit consisting of one share of the Company's common stock and one warrant to purchase 0.4 shares of common stock, at a purchase price of $3.25 per unit. The warrants sold in the offering will be exercisable for a period of five years commencing six months following issuance, at an exercise price of $4.20 per share. Also, on February 1, 2011 the Company closed the exercise by the underwriters of their full overallotment option to purchase an additional 1,650,000 shares of common stock and warrants to purchase 660,000 shares of common stock. The aggregate net proceeds to the Company were $38,142, after deducting underwriting commissions and discounts and expenses payable by the Company associated with the offering.

d. During the year ended June 30, 2011, the Company issued 90,000 shares of common stock to its investor relations consultants as compensation for their services.

e. From January through June 2011, a total of 769,391 warrants were exercised via "cashless" exercise, resulting in the issuance of 362,746 shares of common stock to investors of the Company. In addition 2,079,968 warrants were exercised for cash and resulted in the issuance of 2,079,968 shares of common stock by investors of the Company. The aggregate cash consideration received was $3,593.

f. From July 2011 through June 2012, a total of 406,783 warrants were exercised via "cashless" exercise, resulting in the issuance of 168,424 shares of common stock to investors of the Company. In addition 355,411 warrants were exercised for cash and resulted in the issuance of 355,411 shares of common stock to investors of the Company. The aggregate cash consideration received was $556.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

g. From July 2012 through June 2013, a total of 682,213 warrants were exercised via “cashless” exercise, resulting in the issuance of 420,199 shares of common stock to investors of the Company. In addition 1,201,160 warrants were exercised for cash and resulted in the issuance of 1,201,160 shares of common stock to investors of the Company. The aggregate cash consideration received was $2009. In August, 2012, a total of 36,000 warrants were exercised via a “cashless” exercise, resulting in the issuance of 26,299 shares of common stock to consultants of the Company.

h. As part of the agreement for building the new Company's facility with Biopharmax Group Ltd. ("Biopharmax"), the Company issued 1,500,000 shares of common stock to Biopharmax during fiscal year 2012.

i. On September 19, 2012, the Company closed a firm commitment underwritten public offering of 8,000,000 units, at a purchase price of $4.00 per unit, with each unit consisting of one share of the Company's common stock and one warrant to purchase 0.35 shares of common stock, at a purchase price of $5.00 per share. The warrants sold in the offering became exercisable on March 19, 2013 and expire on September 19, 2017. The Company has also granted the underwriters a 30-day option to purchase up to 1,200,000 shares of common stock and/or warrants to purchase up to 420,000 shares of common stock. As of September 24, 2012 the underwriters fully exercised their option. The aggregate net proceeds to the Company from the offering, including from the exercise in full of the option, were $34,106, before the exercise of any warrants (which has not yet occurred) and after deducting underwriting commissions and discounts and offering expenses of the Company.

The warrants can be exercised only for full shares of common stock. As to any fraction of a share which the warrant holder would otherwise be entitled to purchase upon such exercise, the Company shall pay a cash adjustment in respect of such fraction in an amount equal to such fraction multiplied by the fair market value less the exercise price.

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

j. Options, warrants, restricted stock and restricted stock units to employees, directors and consultants:

The Company has approved two incentive option plans from 2003 and from 2005 (the "2003 Plan" and the "2005 Plan", and collectively, the "Plans"). Under these Plans, options, restricted stock and restricted stock units (the "Awards") may be granted to the Company's officers, directors, employees and consultants. Any Awards that are cancelled or forfeited before expiration become available for future grants.
As of June 30, 2013, the number of shares of common stock authorized for issuance under the 2005 Plan amounted to 12,418,480. 1,596,169 shares are still available for future grant under the 2005 Plan as of June 30, 2013. Under the 2003 Plan, 20,500 options are authorized for issuance, and 19,244 options are still available for future grant as of June 30, 2013.

a. Options to employees and directors:

The Company accounted for its options to employees and directors under the fair value method in accordance with ASC 718. A summary of the Company's share option activity for options granted to employees and directors under the Plans is as follows:

	Year ended June 30, 2013			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at beginning of period	2,082,172	3.87		
Options exercised	(120,068)	1.22		
Options forfeited	(3,948)	4.4		
Options outstanding at end of the period	1,958,156	4.03	3.97	1,054
Options exercisable at the end of the period	1,958,156	4.03	3.97	1,054
Options vested	1,958,156	4.03	3.97	1,054

Intrinsic value of exercisable options (the difference between the Company's closing stock price on the last trading day in the period and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the employees and directors option holders had all option holders exercised their options on June 30, 2013. This amount changes based on the fair market value of the Company's common stock.

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

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

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

	Year ended June 30,		
	2013	2012	2011
Research and development expenses	$ -	$ -	$ 2
General and administrative expenses	-	-	2
	$ -	$ -	$ 4

b. Options and warrants to non-employees:

A summary of the Company's activity related to options and warrants to consultants is as follows:

	Year ended June 30, 2013			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options and warrants outstanding at beginning of period	382,000	3.86		
Options and warrants exercised	(66,500)	1.13		
Options and warrants outstanding at end of the period	315,500	4.44	4.03	425
Options and warrants exercisable at the end of the period	312,500	4.48	3.99	416
Options and warrants vested and expected to vest	315,500	4.44	4.03	425

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

	Year ended June 30,		
	2013	2012	2011
Research and development expenses	$ -	$ 19	$ 32
General and administrative expenses	26	37	73
	$ 26	$ 56	$ 105

Future expenses related to options and warrants granted to consultants for an average time of approximately 6 months are $1.7.

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

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

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

On June 5, 2013, the Company's Compensation Committee approved a grant of a total of 180,574 restricted stock units to the Company's employees.

On June 27, 2013, the Company's Compensation Committee approved a grant of a total of 1,055,000 restricted stock units to the Company's employees and directors.

In addition, the Company granted a total of 13,000 restricted stock units to several employees during the year ended June 30, 2013.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to employees and directors for the year ended June 30, 2013:

	Number
Unvested at the beginning of period	2,085,276
Granted	1,248,574
Forfeited	(90,213)
Vested	(1,583,112)
Unvested at the end of the period	1,660,525
Expected to vest after June 30, 2013	1,637,130

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

	Year ended June 30,		
	2013	2012	2011
Research and development expenses	$ 711	$ 1,163	$ 1,027
General and administrative expenses	1,529	3,487	1,717
	$ 2,240	$ 4,650	$ 2,744

Future expenses related to restricted stock and restricted stock units granted to employees and directors for an average time of approximately two years is $3,812.

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

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

d. Restricted stock and restricted stock units to consultants:

During the year ended June 30, 2013, the Company granted restricted stock to several consultants and service providers.

The following table summarizes the activities for unvested restricted stock units and restricted stock granted to consultants for the year ended June 30, 2013:

	Number
Unvested at the beginning of period	66,000
Granted	123,206
Forfeited	(21,978)
Vested	(167,228)
Unvested at the end of the period	-

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

	Year ended June 30,		
	2013	2012	2011
Research and development expenses	$ 255	$ 201	$ 294
General and administrative expenses	278	20	178
	$ 533	$ 221	$ 472

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9: - SHARE CAPITAL AND STOCK OPTIONS (CONT.)

l. Summary of warrants and options:

A summary of all the warrants and options outstanding as of June 30, 2013 is presented in this table:

Warrants / Options	Exercise Price per Share	Options and Warrants for Common Stock	Options and Warrants Exercisable	Weighted Average Remaining Contractual Terms(in years)
Warrants:	$ 1.00	1,977,245	1,977,245	0.41
	$ 1.28	50,000	50,000	0.81
	$ 1.40 - $ 1.50	1,606,226	1,606,226	1.28
	$ 1.60	181,221	181,221	1.78
	$ 1.80 - $ 1.91	2,455,003	2,455,003	0.92
	$ 4.20	5,060,000	5,060,000	3.09
	$ 5.00	3,220,000	3,220,000	4.22
Total warrants		**14,549,695**	**14,549,695**	
Options:	$ 0.00	99,500	96,500	6.37
	$ 0.62	406,000	406,000	5.25
	$ 1.04	37,500	37,500	5.16
	$ 2.97	20,000	20,000	4.86
	$ 3.50	900,000	900,000	3.56
	$ 3.72 - $ 3.80	31,550	31,550	3.44
	$ 4.00	42,500	42,500	3.30
	$ 4.38 - $ 4.40	452,856	452,856	3.96
	$ 6.80	36,250	36,250	4.37
	$ 8.20	40,000	40,000	2.63
	$ 20.00	142,500	142,500	2.98
Total options		**2,208,656**	**2,205,656**	
Total warrants and options		**16,758,351**	**16,755,351**	

This summary does not include 1,660,525 restricted stock units that are not vested as of June 30, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10:-FINANCIAL EXPENSES (INCOME), NET

	Year ended June 30,		
	2013	2012	2011
Foreign currency translation differences	$ (497)	$ 98	$ (29)
Interest on short-term bank credit and bank's expenses	29	12	13
Interest income on deposits	(266)	(575)	(236)
Gain related to marketable securities	(194)	(89)	-
Loss (Gain) from derivatives	(140)	317	(14)
	$ (1,068)	$ (237)	$ (266)

NOTE 11:-TAXES ON INCOME

A. Tax laws applicable to the companies:

1. Pluristem Therapeutics Inc. is taxed under U.S. tax laws.
2. Pluristem Ltd. is taxed under Israeli tax laws.

B. Tax assessments:

The Subsidiary has not received final tax assessments since its incorporation; however, the assessments of the Subsidiary are deemed final through 2008.

C. Tax rates applicable to the Company:

1. Pluristem Therapeutics Inc.:

The tax rates applicable to Pluristem Therapeutics Inc., a Nevada corporation, are corporate (progressive) tax at the rate of up to 35%, excluding state tax and local tax if any, which rates depend on the state and city in which Pluristem Therapeutics Inc. conducts its business.

2. The Subsidiary:

On December 5, 2011, the Israeli Parliament (the “Knesset”) passed the Law for Tax Burden Reform (Legislative Amendments) 2011 (the “Law"), which, among other things, cancels effective as of 2012, the scheduled progressive reduction in the corporate tax rate. The Law also increases the corporate tax rate to 25% in 2012. In view of this increase in the corporate tax rate to 25% in 2012, the real capital gains tax rate and the real betterment tax rate were also increased accordingly.

The Law did not have an effect on the Subsidiary's financial position and results of operations.

Israeli companies are generally subject to capital gains tax at the rate of the Israeli corporate tax (which was 25% in 2013).

NOTE 11:-TAXES ON INCOME (CONT.)

C. Tax rates applicable to the Company: (cont:)

On July 30, 2013, the Knesset approved the second and third readings of the Economic Plan for 2013-2014 ("Amended Budget Law") which consists, among other things, of fiscal changes whose main aim is to enhance long-term collection of taxes.

These changes include, among others, raising the Israeli corporate tax rate from 25% to 26.5%, cancelling the lowering of the tax rates applicable to preferred enterprises (9% in development area A and 16% in other areas), taxing revaluation gains and increasing the tax rates on dividends within the scope of the Law for the Encouragement of Capital Investments, 1959 (the "Encouragement Law") to 20% effective from January 1, 2014.

The Company estimates that the change in tax rates will have no effect over its financial statement.

Tax Benefits Under the Encouragement Law.

According to the Encouragement Law, the Subsidiary is entitled to various tax benefits due to "Beneficiary Enterprise" status granted to its enterprise, as implied by the Encouragement Law. The principal benefits by virtue of the Encouragement Law are:

Tax benefits and reduced tax rates:

On July 7, 2010, the Subsidiary has received a letter of approval (the "Ruling") from the Israeli Tax Authority. According to the Ruling, the Subsidiary's expansion program of its plant was granted the status of a "Beneficiary Enterprise" under the "Alternative Track" (the "2007 Program"). The Subsidiary chose the year 2007 as the election year of the 2007 Program.

Under the 2007 Program, the Subsidiary, which was located in a National Priority Zone "B" with respect to the year 2007, is tax exempt in the first six years of the benefit period and subject to tax at the reduced rate of 10%-25% for a period of one to four years for the remaining benefit period (dependent on the level of foreign investments).

On June 6, 2013, the Subsidiary informed the Israeli Tax Authority that it has chosen the year 2012 as an election year to the expansion of its Beneficiary Enterprise program (the "2012 Program").

Under the 2012 Program, the Subsidiary, which was located in the "Other National Priority Zone" with respect to the year 2012, would be tax exempt in the first two years of the benefit period and subject to tax at the reduced rate of 10%-25% for a period of five to eight years for the remaining benefit period (dependent on the level of foreign investments).

Following the enactment of Amendment No. 60 to the Encouragement Law, subsequent to April 1, 2005, companies whose election year entitled them to a Beneficiary Enterprise status are required, among others, to make a minimum qualifying investment. This condition requires an investment in the acquisition of productive assets such as machinery and equipment, which must be carried out within three years. The minimum qualifying investment required for setting up a plant is NIS 300,000, linked to the Israeli CPI in accordance with the guidelines of the Israeli tax authorities. As for plant expansion, the minimum qualifying investment is the higher of NIS 300,000, linked to the Israeli CPI as stated above, and an amount equivalent to the "qualifying percentage" of the value of the productive assets. Productive assets that are used by the plant but not owned by it will also be viewed as productive assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 11:-TAXES ON INCOME (CONT.)

C. Tax rates applicable to the Company: (cont:)

The qualifying percentage of the value of the productive assets is as follows:

The value of productive assets before the expansion (NIS in millions)	The new proportion that the required investment bears to the value of productive assets
Up to NIS 140	12%
NIS 140 - NIS 500	7%
More than NIS 500	5%

The income qualifying for tax benefits under the alternative track is the taxable income of a “beneficiary company” that has met certain conditions as determined by the Encouragement Law, and which is derived from an industrial enterprise. The Encouragement Law specifies the types of qualifying income that is entitled to tax benefits under the alternative track both in respect of an industrial enterprise and of a hotel, whereby income from an industrial enterprise includes, among others, revenues from the production and development of software products and revenues from industrial research and development activities performed for a foreign resident (and approved by the Head of the Administration of Industrial Research and Development).

As stated above, the Subsidiary's 2007 Program and 2012 Program were granted the status of a "Beneficiary Enterprise", in accordance with the Encouragement Law, under the alternative benefits track. Accordingly, income derived from the Beneficiary Enterprise is subject to the benefits and conditions stated above.

In respect of expansion programs pursuant to Amendment No. 60 to the Encouragement Law, the benefit period starts at the later of the election year and the first year the Company earns taxable income provided that 12 years have not passed since the beginning of the election year and for companies in development area A - 14 years since the beginning of the election year. The benefit period for the subsidiary's 2007 Program will expire in 2018 (12 years since the beginning of the election year– 2007).The benefit period for the Subsidiary's 2012 Program would expire in 2023 (12 years since the beginning of the election year – 2012).

If a dividend is distributed out of tax exempt profits, as above, the Subsidiary will become liable for tax at the rate applicable to its profits from the beneficiary enterprise in the year in which the income was earned, (tax at the rate of 10- 25%, dependent on the level of foreign investments) and to A withholding tax rate of 15% (or lower, under an applicable tax treaty).

As for Beneficiary Enterprises pursuant to Amendment No. 60 to the Encouragement Law, the basic condition for receiving the benefits under this track is that the enterprise contributes to Israeli economic growth and is a competitive factor for the gross domestic product. In order to comply with this condition, the Encouragement Law prescribes various requirements regarding industrial enterprises.

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

NOTE 11:-TAXES ON INCOME (CONT.)

C. Tax rates applicable to the Company: (cont:)

As for industrial enterprises, in each tax year during the benefit period, one of the following conditions must be met:

1. The industrial enterprise's main field of activity is biotechnology or nanotechnology as approved by the Head of the Administration of Industrial Research and Development, prior to the approval of the relevant program.
2. The industrial enterprise's sales revenues in a specific market during the tax year do not exceed 75% of its total sales for that tax year. A "market" is defined as a separate country or customs territory.
3. At least 25% of the industrial enterprise's overall revenues during the tax year were generated from the enterprise's sales in a specific market with a population of at least 12 million.

Accelerated depreciation:

The Subsidiary is eligible for deduction of accelerated depreciation on buildings, machinery and equipment used by the beneficiary enterprise at a rate of 200% (or 400% for buildings) from the first year of the asset's operation.

Conditions for the entitlement to the benefits:

The abovementioned benefits are conditional upon the fulfillment of the conditions stipulated by the Encouragement Law, regulations promulgated thereunder, and the Ruling with respect to the beneficiary enterprise. Non-compliance with the conditions may cancel all or part of the benefits and refund of the amount of the benefits, including interest. The management believes that the Subsidiary is meeting the aforementioned conditions.

Amendment to the Law for the Encouragement of Capital Investments, 1959:

In December 2010, the Knesset passed the Law for Economic Policy for 2011 and 2012 (Amended Legislation) 2011 (the “Amendment"), which prescribes, among other things, amendments to the Encouragement Law. The Amendment became effective as of January 1, 2011. According to the Amendment, the benefit tracks in the Encouragement Law were modified and a flat tax rate applies to the Company's entire preferred income under its status as a preferred company with a preferred enterprise. Commencing as of the 2011 tax year, the Company will be able to opt to apply (the waiver is non-recourse) the Amendment and from the elected tax year and onwards, it will be subject to the amended tax rates that are: 2011 and 2012 - 15% (in development area A - 10%), 2013 and 2014 - 12.5% (in development area A - 7%) and in 2015 and thereafter - 12% (in development area A - 6%).

The Subsidiary has examined the effect of the adoption of the Amendment on its financial statements, and as of the date of the publication of the financial statements, the Subsidiary did not apply the Amendment. The Subsidiary may choose to apply the Amendment in the future.

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

NOTE 11:-TAXES ON INCOME (CONT.)

D. Carryforward losses for tax purposes

As of June 30, 2013, the Company had U.S. federal net operating loss carryforward for income tax purposes in the amount of approximately $20,302. Net operating loss carryforward arising in taxable years, can be carried forward and offset against taxable income for 20 years and expiring between 2021 and 2033.

Utilization of U.S. net operating losses may be subject to substantial annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

The Subsidiary in Israel has accumulated losses for tax purposes as of June 30, 2013, in the amount of approximately $34,182, which may be carried forward and offset against taxable business income and business capital gain in the future for an indefinite period.

Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	June 30,	
	2013	2012
Deferred tax assets:		
U.S. net operating loss carryforward	$ 7,106	$ 5,806
Israeli net operating loss carryforward	8,543	5,168
Allowances and reserves	156	111
Total deferred tax assets before valuation allowance	15,805	11,085
Valuation allowance	(15,805)	(11,085)
Net deferred tax asset	$ -	$ -

As of June 30, 2012 and June 30, 2013, the Company has provided valuation allowances in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences, since they have a history of operating losses and current uncertainty concerning its ability to realize these deferred tax assets in the future.

The Company accounts for its income tax uncertainties in accordance with ASC No. 740 which clarifies the accounting for uncertainties in income taxes recognized in a company’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

As of June 30, 2012 and 2013, there were no unrecognized tax benefits that if recognized would affect the annual effective tax rate.

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

NOTE 11:-TAXES ON INCOME (CONT.)

D. Carryforward losses for tax purposes: (cont:)

Reconciliation of the theoretical tax expense (benefit) to the actual tax expense (benefit):

In 2011, 2012 and 2013, the main reconciling item of the statutory tax rate of the Company (24% to 35% in 2011, 25% to 35% in 2012 and 2013) to the effective tax rate (0%) is tax loss carryforwards, Stock -based compensation and other deferred tax assets for which a full valuation allowance was provided.

NOTE 12:-SUBSEQUENT EVENTS

In August 2013, the Subsidiary, received an approval for a NIS 26,110 (approximately $7,217) grant from the OCS. Once received, the grant will be used to cover research and development expenses for the period January 1, 2013 to December 31, 2013. This grant is subject to the same repayment restrictions of royalties as the prior OCS grants (see note 8.e.).

Since the approval was received after June 30, 2013 the grant is not reflected in the financial statements.

Quarterly Information (unaudited)

The following unaudited quarterly financial information includes, in management's opinion, all the normal and recurring adjustments necessary to fairly state the results of operations and related information for the periods presented (in thousands of dollars except share and per share data).

	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013
Revenues	$ 195	$ 195	$ 194	$ 95
Gross profit	189	189	188	93
Operating expenses	4,379	5,073	6,121	7,309
Operating loss	4,190	4,884	5,933	7,216
Net loss	3,995	4,490	5,680	6,990
Basic and diluted net loss per share	0.08	0.08	0.10	0.12

	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
Revenues	$ 154	$ 231	$ 230	$ 101
Gross profit	149	224	224	98
Operating expenses	4,481	2,342	4,834	4,069
Operating loss	4,332	2,118	4,610	3,971
Net loss	4,493	1,992	4,174	4,135
Basic and diluted net loss per share	0.11	0.05	0.09	0.09

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2013. Based on the aforementioned evaluation, management has concluded that our disclosure controls and procedures were effective as of June 30, 2013.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting has been designed 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 generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting on June 30, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework (COSO) in *Internal Control—Integrated Framework*. Based on that assessment under those criteria, management has determined that, as of June 30, 2013, our internal control over financial reporting was effective.

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, who audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued attestation report on our internal control over financial reporting, which is included herein.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of fiscal year 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

As of June 30, 2013, our directors and executive officers, their ages, positions held, and duration of such, are as follows:

Name	Position Held With Company	Age	Date First Elected or Appointed
Zami Aberman	Chief Executive Officer, President, Director and Chairman of the Board of Directors	59	September 26, 2005 November 21, 2005 April 3, 2006
Yaky Yanay	Chief Financial Officer, Secretary and Executive Vice President	42	November 1, 2006 March 17, 2013
Nachum Rosman	Director	67	October 9, 2007
Doron Shorrer	Director	60	October 2, 2003
Hava Meretzki	Director	44	October 2, 2003
Isaac Braun	Director	60	July 6, 2005
Israel Ben-Yoram	Director	52	January 26, 2005
Mark Germain	Director	63	May 17, 2007
Moria Kwiat	Director	34	May 15, 2012

Business Experience

The following is a brief account of the education and business experience of each director and executive officer during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which they were employed.

Zami Aberman

Mr. Aberman joined the Company in September 2005 as Chief Executive Officer and President and changed the Company's strategy towards cellular therapeutics. Mr. Aberman's vision to use the maternal section of the Placenta (Decidua) as a source for cell therapy, combined with the Company's 3D culturing technology, led to the development of our products. Since November 2005, Mr. Aberman has served as a director of the Company, and since April 2006, as Chairman of the Board. Between May 2007 and February 2009, he was Co-Chairman with Mr. Mark Germain. He has 25 years of experience in marketing and management in the high technology industry. Mr. Aberman has held positions of Chief Executive Officer and Chairman positions in companies in Israel, the United States, Europe, Japan and Korea. Mr. Aberman operated within high-tech global companies in the fields of automatic optical inspection, network security, video over IP, software, chip design and robotics. He serves as the chairman of Rose Hitech Ltd., a private investment company. He has served in the past as the chairman of VLScom Ltd., a private company specializing in video compression for HDTV and video over IP and as a director of Ori Software Ltd., a company involved in data management. Prior to that, Mr. Aberman served as the President and CEO of Elbit Vision System Ltd. (EVSNF.OB), a company engaged in automatic optical inspection. Prior to his service with the Company, Mr. Aberman has served as President and CEO of Netect Ltd., specializing in the field of internet security software and was the Co-Founder, President and CEO of Associative Computing Ltd., which developed an associative parallel processor for real-time video processing. He has also served as Chairman of Display Inspection Systems Inc., specializing in laser based inspection machines and as President and CEO of Robomatix Technologies Ltd.

In 1992, Mr. Aberman was awarded the Rothschild Prize for excellence in his field from the President of the State of Israel. Mr. Aberman holds a B.Sc. in Mechanical Engineering from Ben Gurion University in Israel.

We believe that Mr. Aberman's qualifications to sit on our Board of Directors include his years of experience in the financial markets in Israel and globally, as well as his experience in serving as the CEO of publicly traded entities.

Yaky Yanay

Mr. Yanay was appointed as our Chief Financial Officer and Secretary in November 2006, and Executive Vice President in March 2013. Prior to joining us, Mr. Yanay was the Chief Financial Officer of Elbit Vision Systems Ltd., a public company traded over the OTC Bulletin Board. Prior to that Mr. Yanay served as manager of audit groups of the technology sector at Ernst & Young Israel. Mr. Yanay serves as a director of Elbit Vision System Ltd. He is a member of the board of directors of Israel Advanced Technologies Industries (IATI), the largest umbrella organization in Israel for companies, organizations, and individuals in the high tech and life science sectors. Mr. Yanay holds a bachelor's degree with honors in business administration and accounting and is a Certified Public Accountant in Israel.

Nachum Rosman

Mr. Rosman became a director of the Company in October 2007. He provides management and consulting services to startup companies in the financial, organizational and human resource aspects of their operations. Mr. Rosman also serves as a director at several privately held companies. Throughout his career, Mr. Rosman held Chief Executive Officer and Chief Financial Officer positions in Israel, the United States and England. In these positions he was responsible, among other things, for finance management, fund raising, acquisitions and technology sales.

Mr. Rosman holds a B.Sc. in Management Engineering and an M.Sc. in Operations Research from the Technion, Haifa, Israel. Mr. Rosman also participated in a Ph.D. program in Investments and Financing at the Tel Aviv University, Israel.

We believe that Mr. Rosman's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, as well as his knowledge and familiarity with corporate finance.

Doron Shorrer

Mr. Shorrer became a director of the Company in October 2003. Mr. Shorrer was one of the Company's founders and served as its first Chairman until 2006. Mr. Shorrer also serves as a director of other companies: Omer Insurance Mutual Fund, Provident Fund for employees of the Israel Electric Company Ltd. and for Hebrew University employees, and Massad Bank from the International Bank group. Between 1999 and 2004 he was Chairman of the Boards of Phoenix Insurance Company, one of the largest insurance companies in Israel, and of Mivtachim Pension Funds Group, the largest pension fund in Israel. Prior to serving in these positions, Mr. Shorrer held senior positions that included Arbitrator at the Claims Resolution Tribunal for Dormant Accounts in Switzerland; Economic and Financial Advisor, Commissioner of Insurance and Capital Markets for the State of Israel; Member of the board of directors of "Nechasim" of the State of Israel; Member Committee for the Examination of Structural Changes in the Capital Market (The Brodet Committee); General Director of the Ministry of Transport; Founder and managing partner of an accounting firm with offices in Jerusalem, Tel-Aviv and Haifa; Member of the Lecture Staff of the Hebrew University Business Administration School; Chairman of Amal School Chain; Chairman of a Public Committee for Telecommunications; and Economic Consultant to the Ministry of Energy. Among many areas of expertise, Mr. Shorrer formulates implements and administers business planning in the private and institutional sector in addition to consulting on economic, accounting and taxation issues to a large audience ranging from private concerns to government ministries.

Mr. Shorrer holds a B.A. in Economics and Accounting and an M.A. in Business Administration (specialization in finance and banking) from the Hebrew University of Jerusalem and is a Certified Public Accountant (ISR).

We believe that Mr. Shorrer's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, his vast skill and expertise in accounting and economics, as well as his knowledge and familiarity with corporate finance.

Hava Meretzki

Ms. Meretzki became a director of the Company in October, 2003. Ms. Meretzki is an attorney and is a partner in Meretzki law firm in Haifa, Israel. Ms. Meretzki specializes in civil, trade and labor law, and is presently a member of the Central Committee of the National Council of the Israel Bar Association.

Ms. Meretzki received a Bachelors Degree in Law from the Hebrew University in 1991 and was admitted to the Israel Bar Association in 1993.

We believe that Ms. Meretzki's qualifications to sit on our Board of Directors include her years of experience with legal and corporate governance matters.

Isaac Braun

Mr. Braun became a director of the Company in July, 2005. Mr. Braun is a business veteran with entrepreneurial, industrial and manufacturing experience. He is a co-founder and has been a board member of several hi-tech start-ups in the areas of e-commerce, security, messaging, search engines and biotechnology. Mr. Braun is involved with advising private companies on raising capital and business development.

We believe that Mr. Braun's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, as well as his knowledge and familiarity with corporate finance.

Israel Ben-Yoram

Mr. Ben-Yoram became a director of the Company in January 2005. He has been a director and partner in the accounting firm of Mor, Ben-Yoram and Partners in Israel since 1985. In addition, since 1992, Mr. Ben-Yoram has been a shareholder and has served as the head director of Mor, Ben-Yoram Ltd., a private company in Israel in parallel to the operation of Mor, Ben-Yoram and Partners. This company provides management services, economic consulting services and other professional services to businesses. Furthermore, Mr. Ben-Yoram is the CEO of Eshed Dash Ltd. and Zonbit Ltd. During 2003-2004 Mr. Ben-Yoram served as a director of Brainstorm Cell Therapeutics Inc. (BCLI) and Smart Energy solutions, Inc. (SMGY), both of which were traded on the NASDAQ.

Mr. Ben-Yoram received a B.A. in accounting from the University of Tel Aviv, an M.A. in Economics from the Hebrew University of Jerusalem, an LL.B. and an MBA from Tel Aviv University and an LL.M. from Bar Ilan University. In addition, Mr. Ben-Yoram is qualified in arbitration and in mediation.

We believe that Mr. Ben-Yoram's qualifications to sit on our Board of Directors include his years of experience in the high-tech industry, his experience serving as a director of NASDAQ companies, as well as his knowledge and familiarity with corporate finance and accounting.

Mark Germain

Mr. Germain became a director of the Company in May 2007. Between May 2007 and February 2009, Mr. Germain served as Co-Chairman of our Board. For more than five years, Mr. Germain has been a merchant banker serving primarily the biotech and life sciences industries. He has been involved as a founder, director, chairman of the board of, and/or investor in, over twenty companies in the biotech field, and assisted many of them in arranging corporate partnerships, acquiring technology, entering into mergers and acquisitions, and executing financings and going public transactions. He graduated from New York University School of Law in 1975, Order of the Coif, and was a partner in a New York law firm practicing corporate and securities law before leaving in 1986. Since then, and until he entered the biotech field in 1991, he served in senior executive capacities, including as president of a public company, which was sold in 1991. In addition to being a Director of the Company, Mr. Germain is a director of ChromaDex, Inc. (CDXB.OB), a publicly traded company. Mr. Germain also serves as a director of the following companies that were reporting companies in the past: Stem Cell Innovations, Inc., Omnimmune Corp. and Collexis Holdings, Inc. He is also a co-founder and director of a number of private companies in and outside the biotechnology field.

We believe that Mr. Germain's qualifications to sit on our Board of Directors include his years of experience in the biotech industry, his experience serving as a director of public companies, as well as his knowledge and familiarity with corporate finance.

Moria Kwiat

Dr. Kwiat became a director of the Company in May 2012. Dr. Kwiat holds a B.Sc and an M.Sc. in Biotechnology from the Department of Molecular Microbiology and Biotechnology at Tel Aviv University, and a Ph.D.in Nano-Biotechnology from the Department of Material and Nanoscience at the Faculty of Chemistry of Tel Aviv University. Dr. Kwiat served as a teaching assistant at Tel Aviv University from 2003 through 2012. Currently, Dr. Kwiat is a postdoc fellow at the Faculty of Chemistry of Tel Aviv University, working with various cell types such as cancer and neuron cells on nano material platforms.

We believe that Dr. Kwiat's qualifications to sit on our Board of Directors include her knowledge and experience as a scientist and a researcher in the fields of biotechnology, microbiology and nanotechnology.

There are no family relationships between any of the directors or officers named above.

Audit Committee and Audit Committee Financial Expert

The members of our Audit Committee are Doron Shorrer, Nachum Rosman and Israel Ben-Yoram. Doron Shorrer is the Chairman of the Audit Committee, and our Board of Directors has determined that Israel Ben-Yoram is an "Audit Committee financial expert" and that all members of the Audit Committee are "independent" as defined by the rules of the SEC and the NASDAQ rules and regulations. The Audit Committee operates under a written charter that is posted on our website at www.pluristem.com. The information on our website is not incorporated by reference into this Annual Report. The primary responsibilities of our Audit Committee include:

- Appointing, compensating and retaining our registered independent public accounting firm;
- Overseeing the work performed by any outside accounting firm;
- Assisting the Board in fulfilling its responsibilities by reviewing: (i) the financial reports provided by us to the SEC, our stockholders or to the general public, and (ii) our internal financial and accounting controls; and
- Recommending, establishing and monitoring procedures designed to improve the quality and reliability of the disclosure of our financial condition and results of operations.

Our Audit Committee held seven meetings from July 1, 2012 through June 30, 2013 (Fiscal 2013).

Compensation Committee

The members of our Compensation Committee are Doron Shorrer, Nachum Rosman and Israel Ben-Yoram. The Board has determined that all of the members of the Compensation Committee are "independent" as defined by the rules of the SEC and NASDAQ rules and regulations. The Compensation Committee operates under a written charter that is posted on our website at www.pluristem.com. The primary responsibilities of our Compensation Committee include:

- Reviewing and recommending to our Board of the annual base compensation, the annual incentive bonus, equity compensation, employment agreements and any other benefits of our executive officers;
- Administering our equity based plans and making recommendations to our Board with respect to our incentive–compensation plans and equity–based plans; and
- Annually reviewing and making recommendations to our Board with respect to the compensation policy for such other officers as directed by our Board.

Our Compensation Committee held four meetings during Fiscal 2013. The Compensation Committee did not receive advice for or retain any consultants during Fiscal 2013.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended June 30, 2013, Mr. Shorrer, Mr. Rosman, and Mr. Ben-Yoram served as the members of our Compensation Committee. None of the members of our Compensation Committee is, or has been, an officer or employee of ours or of our subsidiary.

During the last year, none of our executive officers served as: (1) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the compensation committee; (2) a director of another entity, one of whose executive officers served on the compensation committee; or (3) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director on our Board of Directors.

Nominating/Corporate Governance; Director Candidates.

The Company does not have a Nominating Committee or Corporate Governance Committee or any committees of a similar nature, nor any charter governing the nomination process. Our Board does not believe that such committees are needed for a company our size. However, our independent directors will consider stockholder suggestions for additions to our Board.

Code of Ethics

Our Board of Directors has adopted a Code of Business Conduct and Ethics that applies to, among other persons, members of our Board of Directors, our officers including our Chief Executive Officer (being our principal executive officer) and our Chief Financial Officer (being our principal financial and accounting officer) and our employees.

Our Code of Business Conduct and Ethics is posted on our Internet website at www.pluristem.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the SEC and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended June 30, 2013, all filing requirements applicable to our officers, directors and ten percent beneficial owners were complied with, except as follows:

Mr. Ben-Yoram Israel, a director, failed to timely file a Form 4 reporting purchases and a sale of the Company's common stock in connection with a process of transferring the stock from a trustee account to the director's personal account on May 16, 2013. Mr. Ben-Yoram filed his Form 4 on May 21, 2013 and submitted payment to the Company to disgorge profits he realized from these trades in accordance with Section 16(b) of the Exchange Act.

Item 11. Executive Compensation.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

The Compensation Committee of our Board of Directors is comprised solely of independent directors as defined by NASDAQ, outside directors as defined by Section 162(m) of the Internal Revenue Code and non-employee directors as defined by Rule 16b-3 under the Exchange Act. The Compensation Committee has the authority and responsibility to review and make recommendations to the Board of Directors regarding the compensation of our Chief Executive Officer (CEO) and other executive officers. Our named executive officers for Fiscal 2013 are those two individuals listed in the "*2013 Summary Compensation Table*" below. Other information concerning the structure, roles and responsibilities of our Compensation Committee is set forth in "*Board Meetings and Committees—Compensation Committee*" section of this Annual Report on Form 10-K.

At our 2013 shareholders meeting, we provided our shareholders with the opportunity to cast an advisory vote on executive compensation. Over 84% of the votes cast on this "2013 say-on-pay vote" were voted in favor of the proposal. We have considered the 2013 say-on-pay vote and we believe that overwhelming support from our shareholders for the 2013 say-on-pay vote proposal indicates that our shareholders are supportive of our approach to executive compensation. At our 2013 shareholders meeting, our shareholders also voted in favor of the proposal to hold say-on-pay votes every two years. In the future, we will continue to consider the outcome of our say-on-pay votes when making compensation decisions regarding the named executive officers.

A discussion of the policies and decisions that shape our executive compensation program, including the specific objectives and elements, is set forth below.

Executive Compensation Objectives and Philosophy

The objective of our executive compensation program is to attract, retain and motivate talented executives who are critical for the continued growth and success of our company and to align the interests of these executives with those of our shareholders. To this end, our compensation programs for executive officers are designed to achieve the following objectives:

- attract, hire, and retain talented and experienced executives;
- motivate, reward and retain executives whose knowledge, skills and performance are critical to our success;
- ensure fairness among the executive management team by recognizing the contributions each executive makes to our success;
- focus executive behavior on achievement of our corporate objectives and strategy;
- build a mechanism of "pay for performance"; and
- align the interests of management and shareholders by providing management with longer-term incentives through equity ownership.

The Compensation Committee reviews the allocation of compensation components regularly to ensure alignment with strategic and operating goals, competitive market practices and legislative changes. The Compensation Committee does not apply a specific formula to determine the allocation between cash and non-cash forms of compensation. Certain compensation components, such as base salaries, benefits and perquisites, are intended primarily to attract, hire, and retain well-qualified executives. Other compensation elements, such as long-term incentive opportunities, are designed to motivate and reward performance. Long-term incentives are intended to reward our long-term performance and executing our business strategy, and to strongly align named executive officers' interests with those of shareholders.

With respect to equity compensation, the Compensation Committee makes awards to executives under our stock option plans and other plans as approved by the Board of Directors. Executive compensation is paid or granted based on such matters as the Compensation Committee deems appropriate, including our financial and operating performance, the alignment of the interests of the executive officers and our shareholders, the performance of our common stock and our ability to attract and retain qualified individuals.

Elements of Executive Officer Compensation

Our executive officer compensation program is comprised of: (i) base salary or monthly compensation; (ii) performance based bonus; (iii) long-term equity incentive compensation in the form of periodic stock option and restricted stock unit (RSU) grants; and (iv) benefits and perquisites.

In establishing overall executive compensation levels and making specific compensation decisions for our executive officers in 2013, the Compensation Committee considered a number of criteria, including the executive's position, scope of responsibilities, prior base salary and annual incentive awards and expected contribution.

Generally, our Compensation Committee reviews and, as appropriate, approves compensation arrangements for executive officers from time to time but not less than once a year. The Compensation Committee also takes into consideration the CEO's recommendations for executive compensation of the Chief Financial Officer (CFO). The CEO generally presents these recommendations at the time of our Compensation Committee's review of executive compensation arrangements.

Base Salary

The Compensation Committee performs a review of base salaries / monthly compensation for our named executive officers from time to time as appropriate. In determining salaries, the Compensation Committee members also take into consideration their understanding of the compensation practices of comparable companies (based on size and stage of development), especially in Israel, where our named executive officers reside, independent third party market data such as compensation surveys to industry, including information relating to peer companies[1], individual experience and performance adjusted to reflect individual roles and contribution to our clinical, regulatory, commercial and operational performance. None of the factors above has a dominant weight in determining the compensation of our executive officers, and our Compensation Committee considers the factors as a whole when considering such compensation. In addition, our Compensation Committee uses comparative data regarding compensation paid by peer companies in order to obtain a general understanding of current trends in compensation practices and ranges of amounts being awarded by other public companies, and not as part of an analysis or a formula. We may also change the base salary / monthly compensation of an executive officer at other times due to market conditions, as we did in our fiscal year ended June 30, 2011, when the named executive officers participated in a voluntary reduction of their compensation. We believe that a competitive base salary / monthly compensation is a necessary element of any compensation program that is designed to attract and retain talented and experienced executives. We also believe that attractive base salaries can motivate and reward executives for their overall performance. Base salaries / monthly compensation are established in part based on the individual experience, skills and expected contributions of our executives and our executives' performance during the prior year. Compensation adjustments are made occasionally based on changes in an executive's level of responsibility, company progress or on changed local and specific executive employment market conditions. In Fiscal 2013 (as well as in the fiscal year ended June 30, 2012), our executive officers' salaries and monthly compensation did not change from the previous year as we believe they do not deviate materially from the range of salaries received by our executive officers' respective counterparts in companies in the biotechnology industry and other comparable companies in Israel. We did not conduct any analysis of salaries and monthly compensation received by our executive officers' respective counterparts in companies in the biotechnology industry and other comparable companies in Israel in the fiscal year ended June 30, 2012 and Fiscal 2013.

Performance Based Bonus

Given the nature of our business, the determination of incentives for our executives is generally tied to success in promoting our company's development. We are continually seeking non-dilutive sources of funding. In addition, a key component of our strategy is to develop and manufacture cell therapy products for the treatment of multiple disorders through collaboration with other companies, such as United, and entering into licensing agreements with such companies, such as the United Agreement or our agreement with CHA. Therefore, in order to reward our executive officers, each of them is entitled to a bonus calculated as a percentage of amounts received by us from non-dilutive funding received, among other things, from corporate partnering and strategic deals (e.g., the United Agreement). This is designed to support our business strategy to enter into multiple license agreements with pharmaceutical companies. The performance based bonus percentages are as follows: Mr. Zami Aberman – 1.5% of amounts received by us from non dilutive funding and strategic deals, and Mr. Yaky Yanay – 1% of such amounts. The difference in the percentage of the performance based bonus was determined based on the Compensation Committee's assessment of the contribution and role of each of our named executive officers in completing the licensing and strategic agreements. In addition, our executives may be entitled, from time to time, to a discretionary bonus that is in the Compensation Committee sole discretion. For instance, in fiscal year 2013, the Compensation Committee resolved, subject to Board approval, the each of Mr. Aberman and Mr. Yanay will be entitled to a cash bonus in the gross amount of $75,000 due to our performance and achievements, including entering into the TA 100 index, closing of a financing round and completion of the manufacturing facility according to plans.

Long-term Equity Incentive Compensation

Long-term incentive compensation allows the executive officers to share in any appreciation in the value of our common stock. The Compensation Committee believes that stock participation aligns executive officers' interests with those of our shareholders. The amounts of the awards are designed to reward past performance and create incentives to meet long-term objectives. Awards are made at a level expected to be competitive within the biotechnology industry, as well as with Israeli based companies. We do not have a formula relating to, and did not conduct any analysis of, the level of awards that is competitive within the biotechnology industry and Israeli based companies. In determining the amount of each grant, the Compensation Committee also takes into account the number of shares held by the executive prior to the grant. Awards are made on a discretionary basis and not pursuant to specific criteria set out in advance.

[1]In 2011, for example, we collected executive compensation information from the recent SEC filings of Aastrom Biosciences, Inc.; Athersys, Inc.; Protalix BioTherapeutics, Inc.; Cytori Therapeutics, Inc.; Geron Corporation; and Osiris Therapeutics, Inc. We didn't use any comparable data in the fiscal years 2012 and 2013.

RSU awards provide our executive officers with the right to purchase shares of our common stock at a par value of $0.00001, subject to continued employment with our company. In recent years we granted our executive officers RSU awards. We chose to grant RSU awards and not options because RSU awards, once vested, always have an immediate financial value to the holder thereof, unlike options where the exercise price might be below the current market price of the shares and therefore not have any intrinsic value to the holder thereof. In the past, due to the high volatility of our stock price, options we granted were out of the money, and many of them still are. In addition, because vested RSU awards always have financial value, as opposed to options, we were able to limit the number of securities issued to our executive officers and other employees, directors and consultants. RSUs generally vest over two years. Our officers are entitled to acceleration of the vesting of their stock options and RSUs in the following circumstances: (1) if we terminate their employment, they will be entitled to acceleration of 100% of any unvested options and RSU and (2) if they resign, they will be entitled to acceleration of 50% of any unvested options and RSUs. In addition, our CEO is entitled to an acceleration of 100% of any unvested options and RSUs in the event of change in control. All grants are approved by our Board of Directors.

Benefits and Perquisites

Generally, benefits available to executive officers are available to all employees on similar terms and include welfare benefits, paid time-off, life and disability insurance and other customary or mandatory social benefits in Israel. We provide our named executive officers with a phone and a company car which are customary benefits in Israel to managers and officers. Each of our executive officers is also entitled to receive, once a year, a fixed sum equal to the amount of the monthly compensation to such executive officer.

In addition, in the event of termination of our CEO's consulting agreement, he will be entitled to receive an adjustment fee that equals the monthly consulting fees multiplied by 3 plus the number of years the Consulting Agreement is in force from the second year, but in any event no more than nine years in the aggregate; our CFO may be entitled to a severance payment that equals a month's compensation for each twelve-month period of employment or otherwise providing services to the company.

We do not believe that the benefits and perquisites described above deviate materially from the customary practice for compensation of executive officers by other companies similar in size and stage of development in Israel. These benefits represent a relatively small portion of the executive officers' total compensation.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Compensation Committee Members:

Doron Shorrer
Nachum Rosman
Israel Ben-Yoram

The following table shows the particulars of compensation paid to our CEO and Chief Financial Officer, for the fiscal years ended June 30, 2013, 2012 and 2011. We do not currently have any other executive officers, nor did we during the fiscal years ended June 30, 2013, 2012, and 2011.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary ($) (1)	Bonus ($)(2)	Stock-based Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	All Other Compensation ($)(5)	Total ($)
Zami Aberman Chief Executive Officer	2013	488,910(6)	75,000	1,078,000	0	21,042	1,662,952
	2012	495,623(6)	0	899,500(7)	75,000	21,771(8)	1,491,894
	2011	383,081(6)	0	900,900	0	21,695(8)	1,305,676
Yaky Yanay Chief Financial Officer	2013	251,329	75,000	770,000	0	27,951	1,124,280
	2012	253,752	0	642,500(7)	50,175	27,231	973,658
	2011	200,760	0	629,400	0	31,742	861,902

(1) Salary payments which were in NIS, were translated into US$ at the then current exchange rate for each payment.

(2) Represents discretionary bonus paid in connection with the performance and achievements of the Company in 2013.

(3) The fair value recognized for the stock-based awards was determined as of the grant date in accordance with ASC Topic 718. Assumptions used in the calculations for these amounts are included in Note 2(l) to our consolidated financial statements for Fiscal 2013 included elsewhere in this Annual Report on Form 10-K.

(4) Represents bonus paid in connection with our entry into the United Agreement.

(5) Represents cost to us in connection with the car and a mobile phone made available to Mr. Aberman and Mr. Yanay. The company also pays the tax associated with this benefit which is grossed up and part of the amount in the Salary column in the table above.

(6) Includes $19,728, $20,208 and $18,638 paid to Mr. Aberman as compensation for services as a director in fiscal 2013, 2012, and 2011, respectively.

(7) This amount is different from the amount reported previously in the Company's Annual Report on Form 10-K for its fiscal year ended June 30, 2012 and the Company's Proxy Statement filed on March 29, 2013. The amount previously reported aggregated the stock based awards compensation for both fiscal years 2011 and 2012. The amount reported herein represents the stock based awards compensation in the fiscal year ended June 30, 2012.

(8) In the Company's Annual Report on Form 10-K for its fiscal year ended June 30, 2012 and the Company's Proxy Statement filed on March 29, 2013 the amount reported was $0. This amount was changed in order to include Mr. Aberman's use of company car and cell phone, which expense is reported herein.

We have the following written agreements and other arrangements concerning compensation with our executive officers:

(a) Mr. Aberman is engaged with us as a consultant and receives consulting fee. As of May 11, 2011, Mr. Aberman's monthly consulting fee was increased from $25,000 to $31,250. In addition, Mr. Aberman is entitled once a year to receive an additional amount that equals the monthly consulting fee. The U.S. dollar rate will be not less then 4.35 NIS per $. All amounts above are paid plus value added tax. Mr. Aberman is also entitled to one and a half percent (1.5%) from amounts received by us from non diluting funding and strategic deals.

During May 2010 until April 2011, Mr. Aberman participated in a voluntary reduction of 15% of his consulting fee. In exchange for such voluntary reduction in his consulting fee and waiving his rights to receive 25 accrued vacation days, he received 78,267 shares of our common stock.

(b) As of May 11, 2011 Mr. Yanay's monthly salary was increased from 42,500 NIS to 53,125 NIS. In addition, Mr. Yanay is entitled once a year to receive an additional amount that equals his monthly salary. Mr. Yanay is provided with a cellular phone and a company car pursuant to the terms of his agreement. Furthermore, Mr. Yanay is entitled to a bonus of one percent (1.0%) from amounts received by us from non diluting funding and strategic deals. As of August 2011, Mr. Yanay has been engaged with us as a consultant, in addition to being an employee. For his services as a consultant he receives a monthly consulting fee. In addition, he continues to receive salary as an employee, but in an amount that was reduced by the consulting fee so the total cost to us did not change as a result of this change.

During May 2010 until April 2011, Mr. Yanay participated in a voluntary reduction of 15% of his salary. In exchange for the salary reduction and waiving his rights to receive 20 accrued vacation days, he received 35,243 shares of our common stock.

Potential Payments Upon Termination or Change-in-Control

We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change-in- control) or a change of responsibilities following a change-in-control, except for the following: (i) in the event of termination of Mr. Aberman's Consulting Agreement, he will be entitled to receive an adjustment fee that equals the monthly consulting fees multiplied by 3 plus the number of years the Consulting Agreement has been in force as of the second year, but in any event no more than nine years in the aggregate; and (ii) Mr. Yanay may be entitled, under Israeli law and practice, to a severance payment that equals a month's salary for each twelve-month period of employment with the company.

In addition, Mr. Aberman and Mr. Yanay are entitled to acceleration of the vesting of their stock options and restricted stock in the following circumstances: (1) if we terminate their employment, they will be entitled to acceleration of 100% of any unvested options and restricted stock and (2) if they resign, they will be entitled to acceleration of 50% of any unvested options and restricted stock. In addition, Mr. Aberman is entitled to acceleration of 100% of any unvested options and restricted stock in case of our change in control or merger into another company.

The following table displays the value of what the executive officers would have received from us had their employment been terminated, or a change in control of us happened on June 30, 2013:

Officer	Salary	Accelerated Vesting of Options and Restricted Stock Units (1)	Total
Zami Aberman			
Terminated due to officer resignation	$ 338,153	$ 669,375(2)	$ 1,007,528
Terminated due to discharge of officer	$ 338,153	$ 1,338,750(3)	$ 1,676,903
Change in control		$ 1,338,750(3)	$ 1,338,750
Yaky Yanay			
Terminated due to officer resignation	$ 98,561	$ 478,125(2)	$ 576,686
Terminated due to discharge of officer	$ 98,561	$ 956,250(3)	$ 1,054,811

(1) Value shown represents the difference between the closing market price of our shares of common stock on June 30, 2013 of $3.06 per share and the applicable exercise price of each grant.
(2) 50% of all unvested options and RSUs issued under the applicable equity incentive plans vest upon a termination without cause under the terms of those plans.
(3) All unvested options and RSUs issued under the applicable equity incentive plans vest upon a change of control under the terms of those plans.

Pension, Retirement or Similar Benefit Plans

We have no arrangements or plans under which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive stock options, RSUs or restricted shares at the discretion of our Board in the future.

Grants of Plan-Based Awards

The following table shows grants of plan-based equity awards made to our named executive officers during the fiscal year ended June 30, 2013:

Name & Principal Position	**Grant Date**	**All Other Stock Awards: Number of Shares of Stock or Units #**	**Grant Date Fair Value of Stock and Option Awards ($)**
Zami Aberman Chairman and CEO	06/27/13	350,000(1)	1,078,000
Yaky Yanay Executive Vice President, CFO and Secretary	06/27/13	250,000(2)	770,000

(1) Grant of RSUs was made pursuant to our 2005 equity incentive plan. The grant vests over a two-year period from the date of grant, as follows: 87,500 restricted shares vested as of December 27, 2013 and 262,500 restricted shares vest in six installment of 43,750 shares on each of March 27, 2014, June 27, 2014, September 27, 2014, December 27, 2014, March 27, 2015 and June 27, 2015.

(2) Grant of RSUs was made pursuant to our 2005 equity incentive plan. The grant vests over a two-year period from the date of grant, as follows: 62,500 restricted shares vested as of December 27, 2013 and 187,500 restricted shares vest in six installment of 31,250 shares on each of March 27, 2014, June 27, 2014, September 27, 2014, December 27, 2014, March 27, 2015 and June 27, 2015.

Outstanding Equity Awards at the End of Fiscal 2013

The following table presents the outstanding equity awards held as of June 30, 2013 by our executive officers:

	Number of Securities Underlying Unexercised					
	Option Awards				Stock Awards	
Name	Number of securities underlying unexercised options (#) exercisable	Number of securitie underlying unexercised option (#) unexercisable	Option exercise price($)	Option expiration date	Number of shares that have not vested (#)	Market value of shares that have not vested ($)
Zami Aberman	22,500	-	4.40	1/16/2016	-	-
	30,000	-	4.00	10/30/2016	-	-
	250,000	-	3.50	1/23/2017	-	-
	105,000	-	4.38	12/25/2017	-	-
	110,000	-	0.62	10/30/2018	-	-
	-	-	-	-	87,500(1)	$ 267,750
	-	-	-	-	350,000(2)	$ 1,071,000
Yaky Yanay	62,500	-	4.38	12/25/2017	-	-
	12,500	-	4.00	9/17/2016	-	-
	50,000	-	3.50	1/23/2017	-	-
	55,000	-	0.62	10/30/2018	-	-
	-	-	-	-	62,500(3)	$ 191,250
	-	-	-	-	250,000(4)	$ 765,000

(1) 87,500 restricted shares vest in two installments of 43,750 shares on each of September 21, 2013 and December 21, 2013.

(2) 350,000 restricted shares vest as follow: 87,500 shares vested as of December 27, 2013 and in six installments of 43,750 shares on each of March 27, 2014, June 27, 2014, September 27, 2014, December 27, 2014, March 27, 2015 and June 27, 2015.

(3) 62,500 restricted shares vest in two installments of 31,250 shares on each of September 21, 2013 and December 21, 2013.

(4) 250,000 restricted shares vest as follow: 62,500 shares vested as of December 27, 2013 and in six installments of 31,250 shares on each of March 27, 2014, June 27, 2014, September 27, 2014, December 27, 2014, March 27, 2015 and June 27, 2015.

Aggregated Option/Exercises in Last Fiscal Year

The following table presents the option exercises and stock vested awards during fiscal year 2013 by our executive officers:

	Option Exercises and Stock Vested			
	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Zami Aberman	-	-	290,000	992,013
Yaky Yanay	-	-	220,000	750,538

Long-Term Incentive Plans-Awards in Last Fiscal Year

We have no long-term incentive plans, other than the stock option plans described below under Item 12.

Compensation of Directors

The following table provides information regarding compensation earned by, awarded or paid to each person for serving as a director who is not an executive officer during Fiscal 2013:

Name	Fees Earned or Paid in Cash ($)	Stock-based Awards ($) (1)	Total ($)
Mark Germain	16,480	154,000	170,480
Nachum Rosman	26,284	261,800	288,084
Doron Shorrer	27,498	261,800	289,298
Hava Meretzki	22,456	154,000	176,456
Isaac Braun	23,282	154,000	177,282
Israel Ben-Yoram	27,387	261,800	289,187
Moria Kwiat	23,124	154,000	177,124

(1) The fair value recognized for the stock-based awards was determined as of the grant date in accordance with ASC Topic 718. Assumptions used in the calculations for these amounts are included in Note 2(l) to our consolidated financial statements for Fiscal 2013 included elsewhere in this Annual Report on Form 10-K.

We reimburse our directors for expenses incurred in connection with attending board meetings and provide the following compensation for directors: annual compensation of $12,500; meeting participation fees of $935 per in-person meeting; and for meeting participation by telephone, $435 per meeting. On May 17, 2007, the Board decided that the dollar rate would be not less then 4.25 NIS per dollar. The directors are also entitled to two and a half percent (2.5%) in cash based on amounts received by us from non diluting funding and strategic deals.

During Fiscal 2013 we paid a total of $166,717 to directors as compensation. This amount does not include compensation to Mr. Aberman in his capacity as a director which is reflected in the Summary Compensation Table for Fiscal 2013 above. As of June 30, 2013, the directors (not including the Chairman) held 2,882,145 options, restricted shares and RSUs of which 2,174,018 were exercisable or vested, as the case may be.

The vesting of directors' stock options, RSUs and restricted stock accelerates in the following circumstances: (1) termination of a director's position by the stockholders will result in the acceleration of 100% of any unvested options, RSUs and restricted stock and (2) termination of a director's position by resignation will result in the acceleration of 50% of any unvested options and, RSUs restricted stock.

Other than as described in the preceding three paragraphs, we have no present formal plan for compensating our directors for their service in their capacity as directors. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our Board. The Board may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director. Other than indicated above, no director received and/or accrued any compensation for his or her services as a director, including committee participation and/or special assignments during Fiscal 2013.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters.

The following table sets forth certain information, to the best knowledge and belief of the Company, as of August 12, 2013 (unless provided herein otherwise), with respect to holdings of our common stock by (1) each person known by us to be the beneficial owner of more than 5% of the total number of shares of our common stock outstanding as of such date; (2) each of our directors; (3) each of our executive officers; and (4) all of our directors and our executive officers as a group.

Name and Address of Beneficial Owner	Beneficial Number of Shares[1]	Percentage
Directors and Named Executive Officers		
Zami Aberman Chief Executive Officer, Chairman of the Board, President and Director	1,789,048[2]	3%
Moria Kwiat Director	-	-
Hava Meretzki Director	302,458[3]	*
Doron Shorrer Director	431,583[4]	*
Israel Ben-Yoram Director	311,359[5]	*
Isaac Braun Director	302,881[6]	*
Nachum Rosman Director	288,333[7]	*
Mark Germain Director	583,458[8]	1%
Yaky Yanay Executive Vice President, Chief Financial Officer and Secretary	918,366[9]	1.6%
Directors and Executive Officers as a group (9 persons)	4,927,486[10]	8.1%

_____

* = less than 1%

(1) Based on 59,168,922 shares of common stock issued and outstanding as of August 12, 2013. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants or right to purchase or through the conversion of a security currently exercisable or convertible, or exercisable or convertible within 60 days, are reflected in the table above and are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes options to acquire 517,500 shares.

(3) Includes options to acquire 93,500 shares.

(4) Includes options to acquire 114,500 shares.

(5) Includes options to acquire 66,776 shares.

(6) Includes options to acquire 93,923 shares.

(7) Includes options to acquire 63,750 shares.

(8) Includes options to acquire 307,500 shares.

(9) Includes options to acquire 180,000 shares.

(10) Includes options to acquire 1,437,449 shares.

Equity Compensation Plan Information

On November 25, 2003, our Board of Directors adopted our 2003 Stock Option Plan (the "2003 Plan"). Under the 2003 Plan, options may be granted to our officers, directors, employees and consultants or the officers, directors, employees and consultants of our subsidiary. Pursuant to the 2003 Plan, we reserved for issuance 20,500 shares of our common stock. As of June 30, 2013, there were 19,244 shares of our common stock still available for future grant under the 2003 Plan.

On November 21, 2005, our Board of Directors adopted our 2005 Stock Option Plan (the "2005 Plan"). Under the 2005 Plan, options may be granted to our officers, directors, employees and consultants or the officers, directors, employees and consultants of our subsidiary.

At our annual meeting of our stockholders held on January 21, 2009, our stockholders approved the adoption of the Amended and Restated 2005 Stock Option Plan of the Company, amending the 2005 Plan in order to: (i) increase the number of shares of common stock authorized for issuance thereunder from 1,990,000 to be equal to 16% of the number of shares of common stock issued and outstanding on a fully diluted basis immediately prior to the grant of securities; (ii) allow the issuance of shares of common stock and units for such shares of common stock; and (iii) set the termination date of the 2005 Plan to December 31, 2018.

The following table summarizes certain information regarding our equity compensation plans as of June 30, 2013:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plan approved by security holders	2,208,656(1)	$ 4.16	1,605,413
Equity compensation plan not approved by security holders	65,000(2)	$ 1.43	-
Total	2,273,656	$ 4.09	1,605,413

(1) Consists of (i) 2,207,400 options granted under 2005 plan; and (ii) 1,256 options granted under 2003 Plan, as of June 30, 2013, there were 19,244 shares of our common stock still available for future grant under the 2003 Plan.

(2) Consists of (i) 50,000 warrants granted in April 2009 to consultants for services rendered, with an exercise price of $1.28, monthly vesting at a rate of 8.33% from the issuance date, and a term of five years expiring in April 2014; and (ii) 15,000 warrants granted in September 2008 to a consultant for services rendered, with an exercise price of $1.91, immediate vesting, and a term of five years expiring in September 2013.

Item 13. Certain Relationships and Related Transactions and Director Independence.

No director, executive officer, principal shareholder holding at least 5% of our common shares, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction, during Fiscal 2013, in which the amount involved in the transaction exceeded or exceeds $120,000.

Item 14. Principal Accounting Fees and Services

The fees for services provided by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, to the Company in the last two fiscal years were as follows:

	Twelve months ended on June 30, 2013	Twelve months ended on June 30, 2012
Audit Fees	$ 95,000	$ 85,000
Audit-Related Fees	None	None
Tax Fees	$ 16,113	$ 11,726
All Other Fees	$ 119,883	$ 22,405
Total Fees	$ 230,996	$ 119,132

Audit Fees. These fees were comprised of professional services rendered in connection with the audit of our consolidated financial statements for our annual report on Form 10-K, the review of our quarterly consolidated financial statements for our quarterly reports on Form 10-Q and providing assistance with review of other documents filed with the SEC.

Tax Fees. These fees relate to our tax compliance, tax planning and fees relating to obtaining a pre-ruling with the Israeli Tax Authorities.

All Other Fees. These fees were comprised of fees related to assistance in preparation of OCS applications as well as fees related to the At The Market (ATM) and to the public offering we consummated in September 2013.

SEC rules require that before Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

1. Pre-approved by our Audit Committee; or

2. entered into pursuant to pre-approval policies and procedures established by the Audit Committee, provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each service, and such policies and procedures do not include delegation of the Audit Committee's responsibilities to management.

The Audit Committee pre-approves all services provided by our independent registered public accounting firm. All of the above services and fees were reviewed and approved by the Audit Committee before the services were rendered.

The Audit Committee has considered the nature and amount of fees billed by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, and believes that the provision of services for activities unrelated to the audit is compatible with maintaining Kost Forer Gabbay & Kasierer's independence.

PART IV

Item 15. Exhibits.

3.1	Composite Copy of the Company's Articles of Incorporation as amended on December 22, 2009 (incorporated by reference to Exhibit 3.1 of our quarterly report on Form 10-Q filed February 11, 2010).
3.2	Amended By-laws (incorporated by reference to Exhibit 3.1 of our quarterly report on Form 10-Q filed February 9, 2012).
4.1	Form of Common Stock Purchase Warrant dated October 18, 2010 (incorporated by reference to Exhibit 4.1 of our current report on Form 8-K filed on October 12, 2010).
4.2	Form of Warrant Agreement by and between Pluristem Therapeutics Inc. and American Stock Transfer & Trust Company, LLC (including the form of Warrant certificate) (incorporate by reference to Exhibit 4.2 of our quarterly report on Form 10-Q filed on February 9, 2011).
10.1	Consulting Agreement dated September 26, 2005 between Pluristem Ltd. and Rose High Tech Ltd. (incorporated by reference to Exhibit 10.25 of our quarterly report on Form 10-QSB filed February 9, 2006).+
10.2	Summary of Lease Agreement dated January 22, 2003, by and between Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd., as supplemented on December 11, 2005, June 12, 2007 and July 19, 2011 (incorporated by reference to Exhibit 10.2 of our annual report on Form 10-K filed September 12, 2011).
10.3*	Summary of Supplement to the Lease Agreement by and between Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd dated July 31, 2012.
10.4*	Summary of Supplement to the Lease Agreement by and between Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd dated December 31, 2012.
10.5	Assignment Agreement dated May 15, 2007 between Pluristem Therapeutics Inc. and each of Technion Research and Development Foundation Ltd., Shai Meretzki, Dr. Shoshana Merchav (incorporated by reference to Exhibit 10.1 of our current report on Form 8-K filed on May 24, 2007).
10.6	Assignment Agreement dated May 15, 2007 between Pluristem Therapeutics Inc. and Yeda Research and Development Ltd. in (incorporated by reference to Exhibit 10.2 of our current report on Form 8-K filed on May 24, 2007).
10.7^	Exclusive License Agreement dated June 19, 2011, between Pluristem Ltd. and United Therapeutics Corporation (incorporated by reference to Exhibit 10.5 of our annual report on Form 10-K filed on September 12, 2011).
10.8*	Exclusive License and Commercialization Agreement dated June 26, 2013, between Pluristem Ltd. and CHA Bio&Diostech.
10.9	Summary of Directors' Ongoing Compensation. (incorporated by reference to Exhibit 10.8 of our annual report on Form 10-K filed September 12, 2011). +
10.10	2003 Stock Option Plan (incorporated by reference to Exhibit 4.1 of our registration statement on Form S-8 filed on December 29, 2003) (Registration no. 333-111591). +
10.11	The Amended and Restated 2005 Stock Option Plan (incorporated by reference to Exhibit 10.1 of our current report on Form 8-K filed on January 23, 2009). +

10.12	Form of Stock Option Agreement under the Amended and Restated 2005 Stock Option Plan. (incorporated by reference to Exhibit 10.4 of our annual report on Form 10-K filed on September 23, 2009). +
10.13	Form of Restricted Stock Agreement under the Amended and Restated 2005 Stock Option Plan. (incorporated by reference to Exhibit 10.16 of our annual report on Form 10-K filed on September 23, 2009). +
10.14	Form of Restricted Stock Agreement (Israeli directors and officers) under the Amended and Restated 2005 Stock Option Plan. (incorporated by reference to Exhibit 10.17 of our annual report on Form 10-K filed on September 23, 2009). +
10.15	Summary of an Agreement for Design and Construction of a Manufacturing Facility of Bio-pharmaceutical Products dated October 30, 2011 (incorporated by reference to Exhibit 10.1 of our quarterly report on Form 10-Q filed on February 9, 2012).
21.1	List of Subsidiaries of the Company (incorporated by reference to Exhibit 21.1 of our annual report on Form 10-K filed on September 29, 2008).
23.1*	Consent of Kost Forer Gabbay & Kasierer, A member of Ernst & Young Global.
31.1*	Certification pursuant to Rule 13a-14(a)/15d-14(a) of Zami Aberman.
31.2*	Certification pursuant to Rule 13a-14(a)/15d-14(a) of Yaky Yanay.
32.1**	Certification pursuant to 18 U.S.C. Section 1350 of Zami Aberman.
32.2**	Certification pursuant to 18 U.S.C. Section 1350 of Yaky Yanay.
101 **	The following materials from our Annual Report on Form 10-K for the fiscal year ended June 30, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Statements of Changes in Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements, tagged as blocks of text and in detail.

* Filed herewith.

** Furnished herewith.

+ Management contract or compensation plan.

^ Confidential treatment granted as to certain portions.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pluristem Therapeutics Inc.

By: /s/ Zami Aberman
Zami Aberman, Chief Executive Officer

Dated: September 10, 2013

By: /s/ Yaky Yanay
Yaky Yanay, Executive Vice President and Chief Financial Officer

Dated: September 10, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Zami Aberman
Zami Aberman, Chief Executive Officer
(Principal Executive Officer)
Chairman of the Board and Director
Dated: September 10, 2013

By: /s/ Israel Ben-Yoram
Israel Ben-Yoram, Director
Dated: September 10, 2013

By: /s/ Isaac Braun
Isaac Braun, Director
Dated: September 10, 2013

By: _____
Mark Germain, Director
Dated: September 10, 2013

By: /s/ Moria Kwiat
Moria Kwiat, Director
Dated: September 10, 2013

By: /s/ Hava Meretzki
Hava Meretzki, Director
Dated: September 10, 2013

By: /s/ Nachum Rosman
Nachum Rosman, Director
Dated: September 10, 2013

By: /s/ Doron Shorrer
Doron Shorrer, Director
Dated: September 10, 2013

By: /s/Yaky Yanay
Yaky Yanay, Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)
Dated: September 10, 2013

Exhibit 10.3

Summary of Supplement to Lease Agreement Dated July 31, 2012

A supplement dated July 31, 2012 (the "Supplement") made to the existing lease agreement dated January 22, 2003, as supplemented on December 11, 2005, on June 12, 2007 and on July 19, 2011 (the "Lease Agreement").

1. Parties: Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd.

2. Signing Date: July 31, 2012.

3. Lease Period: September 1, 2012 until December 31, 2012.

4. The Premises: A certain area in Building 20, (approximately 1,280 square meters), MATAM Advanced Technology Park, Haifa, Israel.

Subject to the arrangements under this Supplement, all the provisions of the Lease Agreement shall apply to the Supplement.

Exhibit 10.4

Summary of Supplement to Lease Agreement Dated December 31, 2012

A supplement dated December 31, 2012 (the "Supplement") made to the existing lease agreement dated January 22, 2003, as supplemented on December 11, 2005, on June 12, 2007, on July 19, 2011, and on July 31, 2012 (the "Lease Agreement").

1. Parties: Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd.

2. Signing Date: December 31, 2012.

3. Lease Period: January 1, 2013, until December 31, 2013.

4. The Premises: A certain area in Building 20, (approximately 1,280 square meters), MATAM Advanced Technology Park, Haifa, Israel.

Subject to the arrangements under the Supplement, all the provisions of the Lease Agreement shall apply to the Supplement.

Exhibit 10.8

EXCLUSIVE LICENSE AND COMMERCIALIZATION AGREEMENT

Made this 24th day of June 2013 (the "**Effective Date**"), by and between:

Pluristem Ltd. an Israel corporation, having its principal place of business at MATAM Advanced Technology Park, Building No. 5, Haifa 31905 Israel ("**Pluristem**");and

CHA Bio&Diostech, of 606-16 Yeoksam-dong, Gangnam-gu, Seoul, Korea("**CHA**");

WHEREAS, Pluristem has developed certain proprietary technology, patents, patent applications, and know-how relating to Pluristem's proprietary PLX (PLacental eXpanded) cells;

WHEREAS, Pluristem is developing and seeking regulatory approval for, and seek to manufacture and sell, the Product under a separate Pluristem brand name for various indications, and owns or otherwise controls certain related intellectual property rights;

WHEREAS, CHA has developed proprietary methods and know-how regarding the development, marketing, promotion, and commercialization of pharmaceutical products in the Territory;

WHEREAS, Pluristem wishes to grant to CHA, and CHA has the capacity and capability and wishes to accept, certain rights to perform clinical trials of the Product in the Territory solely in connection with treatment in the Field; and

WHEREAS, upon receipt of Regulatory Approval to market the Products for the Field in the Territory, the Parties will establish a joint venture as detailed herein;

NOW THEREFORE THE PARTIES DO HEREBY AGREE AS FOLLOWS:

1. Interpretation and Definitions

1.1. The preamble and appendices annexed to this Agreement constitute an integral part hereof and shall be read jointly with its terms and conditions.

1.2. In this Agreement, unless otherwise required or indicated by the context, the singular shall include the plural and *vice-versa*, the masculine gender shall include the female gender, the use of the word "including" shall mean "including without limitation" and the use of the word "or" shall mean "and/or".

1.3. The headings of the sections in this Agreement are for the sake of convenience only and shall not serve in the interpretation of the Agreement.

1.4. In this Agreement, the following capitalized terms shall have the meanings appearing alongside them, unless provided otherwise:

1.4.1. "**Adverse Event**" shall mean any undesirable medical occurrence in a patient or clinical investigation subject administered a pharmaceutical product and which does not necessarily have to have a causal relationship with the treatment, including any variant of an "adverse drug experience" as those terms are defined at either 21 C.F.R. Section 312.32 or 21 C.F.R. Section 314.80 and the relevant non-FDA equivalents, whether arising in or outside of a clinical study.

1.4.2. "**Affiliate**" shall mean any person, organization or other legal entity which controls, or is controlled by, or is under common control with, a Party. "**Control**" shall mean the holding of more than fifty percent (50%) of (i) the equity (ii) the voting rights or (iii) the right to elect or appoint directors. Affiliate shall also include any CHA related party named in Schedule B to this Agreement.

1.4.3. "**Applicable Law**" shall mean all laws, statutes, ordinances, codes, rules, and regulations that have been enacted by a Regulatory Authority in any jurisdiction in the Territory and which are in force as of the Effective Date or come into force during the Term, in each case to the extent that the same are applicable to the performance by the Parties of their respective obligations under this Agreement.

1.4.4. "**Business Day**" shall mean any day that is not a Saturday, a Sunday, a public holiday in Israel or Korea.

1.4.5. "**Commercialize"** (and, with correlative meanings, the terms "Commercializing" and "Commercialization") shall mean any and all activities relating to the commercialization of the Product, including the Promotion, marketing, distribution, sale, offer for sale, and importation of the Product after Regulatory Approval of the Product, excluding any and all Manufacturing of the Product.

1.4.6. **"CMC"** shall mean chemistry, manufacturing and controls.

1.4.7. **"Control"** shall mean, with respect to any information or intellectual property right, possession by a Party of the ability (whether by ownership, license, or otherwise) to grant access, a license, or a sublicense to such information or intellectual property right without violating the terms of any agreement or other arrangement with any Third Party as of the time such Party would first be required hereunder to grant the other Party such access, license or sublicense.

1.4.8. "**Development**" (and, with correlative meanings, the terms "Develop" and "Developing") shall mean the pre-clinical development, clinical development, and regulatory activities with respect to seeking Regulatory Approval of the Product in the Field in the Territory excluding any and all Manufacturing of the Product.

1.4.9. "**Development Results**" shall mean the results of activities carried out by CHA or by Third Parties at the direction of CHA pursuant to the Development Plan or otherwise in fulfillment of CHA's obligations hereunder including, without limitation, any invention, patent or patent application, product, material, method, discovery, composition, process, technique, know-how, data, information or other result which do not form part of the Pluristem's Patents or Pluristem's Know-How, and further including any Regulatory Filing submitted, or Regulatory Approvals obtained, by CHA or an Affiliate in respect of the Products, as well as any information, data, material, results and know-how arising therefrom.

1.4.10. "**Field**" shall mean the indications set forth in Schedule A attached hereto.

1.4.11. "**Indemnitee**" shall mean, with respect to a Party, such Party and its Affiliates, and their respective directors, officers, employees, agents, representatives, contractors, licensees and sublicensees

1.4.12. "**Invention**" shall mean any invention, idea or discovery, whether or not patentable, made or acquired or controlled by either Party.

1.4.13. "**Know-How**" shall mean any proprietary, tangible or intangible, not patent-protected information, techniques, technology, practices, trade secrets, inventions, methods, knowledge, ancillary materials, results, devices, or know-how as set out in any invention disclosure, patent drafts, claims specifications, laboratory notes or notebooks, articles or otherwise.

1.4.14. "**Manufacture**" shall mean the production, assembly, fill, storage, handling, processing, labeling, testing, disposition, packaging and quality control of raw materials and components and the Product, and supply of the resulting Product.

1.4.15. "**Patents**" shall mean (a) unexpired letters patent (including inventor's certificates) that have not been held invalid or unenforceable by a court of competent jurisdiction from which no appeal can be taken or has been taken within the required time period, including any substitution, extension, term restoration, registration, confirmation, reissue, re-examination, renewal or any like filing thereof and (b) pending applications for letters patent, including any continuation, division or continuation-in-part thereof and any provisional applications.

1.4.16. "**PLX**" or "PLacental eXpanded cells" shall mean adherent stromal cells (ASCs) including but not limited to mesenchymal-like cells derived from placenta as existing as of the Effective Date and as may be improved, varied, updated, modified, or enhanced at any time after the Effective Date including all iterations of PLX and all mesenchymal-like adherent stromal cells derived from the placenta.

1.4.17. "**Pluristem Product Marks**" shall mean the certain, separate Pluristem brand name to be used in connection with marketing and sale of the Product.

1.4.18. "**Pluristem Technology"** shall mean all Patents and Know-How owned by Pluristem.

1.4.19. "**Product**" shall mean that pharmaceutical product of which the active ingredient of which includes PLX, in any finished form and formulation.

1.4.20. "**Promotion**" or "**Promote**" shall mean the marketing and advertising of the Product in the Field in the Territory, including medical education, information and communication, market development and medical liaison activities.

1.4.21. "**Regulatory Approval**" shall mean any approvals, licenses, registrations or authorizations of any Regulatory Authority, whether or not conditional, that are necessary for the Development of the Product in the Field in the Territory in accordance with Applicable Law and obtained as a result of activities under this Agreement, including receipt of pricing and reimbursement approvals, where applicable.

1.4.22. "**Regulatory Authority**" shall mean any and all supranational, national, or regional, state, provincial or other local government, court, governmental agency, authority, board, bureau, instrumentality, regulatory agency, department, bureau, commission, council or other government entity, whose approval or authorization is necessary for, or to whom notice must be given prior to, the Development of the Product in the Territory or the designation of the Product as an orphan drug (or equivalent designation) in the Territory.

1.4.23. "**Regulatory Filings**" shall mean all applications, filings, dossiers and the like (excluding routine Adverse Event expedited or periodic reporting), submitted to a Regulatory Authority in the Territory for the purpose of obtaining Regulatory Approval from that Regulatory Authority in the Territory with respect to the Product in the Field.

1.4.24. "**Sublicensee**" shall mean any third party to whom CHA or an Affiliate shall grant a Sublicense or option to obtain such Sublicense. For the sake of clarity, Sublicensee shall include any other third party to whom such rights shall be transferred or assigned, or who may assume control thereof by operation of law or otherwise.

1.4.25. "**Territory**" shall mean Republic of Korea.

1.4.26. "**Third Party**" shall mean any entity other than a Party or its Affiliates.

1.4.27. "**Valid Claim**" shall mean (i) a claim (a) of any issued, unexpired patent which has not been revoked or held unenforceable or invalid by a decision of a court or governmental agency of competent jurisdiction from which no appeal can be taken, or with respect to which an appeal is not taken within the time allowed for appeal, and which has not been disclaimed, denied or admitted to be invalid or unenforceable through reexamination, reissue, disclaimer or otherwise, or (b) of any patent application that has not been cancelled, rejected, withdrawn or abandoned without the possibility of appeal or re-filing. For the avoidance of doubt, the term "Valid Claim" shall include any extension of the exclusivity period under a claim of an issued patent included within the Pluristem Patents through patent term extension, European Supplementary Protection Certificate ("SPC"), US Patent Term Extensions (PTEs), or any other arrangement whereby the exclusivity period of any such patent or any part thereof is extended.

2. The License

2.1. Subject to the terms and condition of this Agreement, Pluristem hereby grants CHA an exclusive, non transferable (subject to the terms of this Agreement) license to Develop the Products, all within the Field in the Territory only, subject to and in accordance with the terms and conditions of this Agreement (the "**License**").

2.2. Restriction on Transfer. The License is not sublicenseable and shall not be sublicensed without the prior written consent of Pluristem (which consent shall not be unreasonably withheld). Any such permitted sublicense (A) if granted to a CHA's Affiliate, shall terminate, with respect to such Affiliate, upon such Affiliate ceasing to be an Affiliate of CHA; and (B) shall be consistent with and subject to the terms and conditions of this Agreement. CHA shall be liable to Pluristem for any breach of the terms of this Agreement by such sublicensees. CHA shall remain responsible for any breach of the terms of this Agreement by any such sublicense.

2.3. No Implied License. Except for the licenses and other rights granted to CHA herein, all right, title and interest in and to the Product and/or Pluristem's Patents, Pluristem's Know-How, Pluristem Product Mark and the PLX shall remain solely with Pluristem, whether developed or conceived prior, during or after the Term of this Agreement. Except as expressly provided in this Agreement, neither Party will be deemed by this Agreement to have been granted any license or other rights to the other Party's intellectual property rights, either expressly or by implication, estoppel or otherwise.

2.4. Non Compete. Except for the activities conducted pursuant to this Agreement during the Term, neither CHA nor any of its Affiliates shall, directly or indirectly, alone or in collaboration, partnership or any other form of engagement with any Third Party (including joint ownership or otherwise), Develop or Commercialize anywhere worldwide any competing product in the Field.

3. Governance; Steering Committee

3.1. Formation and Purpose. The Parties desire to establish a joint steering committee (the "Joint Steering Committee" or "JSC"), which shall oversee the Parties' activities under this Agreement and facilitate communications between the Parties. Within forty-five (45) days after the Effective Date, each Party shall appoint up to three (3) members of its management to be its JSC representatives. Each Party may replace its JSC representatives by written notice to the other Party. The purpose of the JSC shall be to provide a forum for joint discussion between the Parties in order to (i) coordinate the Development of the Product in the Field in the Territory, (ii) keep each Party generally advised of the other Party's activities in connection with this Agreement, and (iii) identify activities that would be of mutual benefit with respect to the Product. The JSC shall have the membership and shall operate by the procedures set forth herein.

3.2. Specific Responsibilities of the JSC. In addition to its overall responsibility for coordinating the Parties' activities under this Agreement, the JSC shall, in particular and in a timely manner: (i) monitor progress of the Development of the Product in the Field in the Territory as same may be made in accordance with this Agreement; (ii) review and comment upon plans for and results of any and all clinical trials conducted by CHA with respect to the Field, including clinical trial protocols, monitoring plans, and data disclosure plans included with each such protocol, and updates or amendments thereto; (iii) facilitate mechanisms for discussion between the Parties with respect to Development of the Product in the Field including the contents and submission of Regulatory Filings; (iv) facilitate communication between the Parties with respect to all serious adverse events or significant safety issues for Products in the Field and coordinate efforts of the Parties to ensure proper reporting of all Adverse Events for the Product in the Field in accordance with Applicable Law; (v) subject to any obligations of confidence owed to a Third Party, facilitate the flow of information with respect to any material new studies of which CHA becomes aware which relate to the Product; (vi) implement policies and procedures for providing Pluristem with copies of all correspondence and communications of CHA with Regulatory Authorities relating to Products; (vii) perform such other functions as the Parties may agree in writing.

3.3. Operating Principles. The Parties hereby acknowledge and agree that the deliberations and decision-making of the JSC, and any subcommittee established by the JSC, shall be in accordance with the following operating principles:

(i) Chairpersons. The JSC shall have co-chairpersons. Each of CHA and Pluristem shall select from their representatives a co-chairperson for the JSC. The co-chairpersons of the JSC shall be responsible for calling meetings, preparing and circulating an agenda in advance of each meeting of the JSC, and preparing and issuing minutes of each meeting within thirty (30) days thereafter. The JSC co-chairperson of a Party shall call a meeting of the JSC promptly upon the written request of the other co-chairperson to convene such a meeting. Such minutes will not be finalized until both chairpersons review and confirm the accuracy of such minutes in writing.

(ii) Meetings. The JSC shall hold meetings at such times as it elects to do so, but in no event shall such meetings be held less frequently than once every Calendar Quarter during the first twelve (12) months following the date hereof and thereafter at least twice per Calendar Year unless otherwise agreed by the JSC. The JSC shall meet at such locations as the Parties may mutually agree. Other employees of each Party involved in the Development of the Product in the Field may attend meetings of the JSC as nonvoting participants, and, with the consent of each Party, consultants, representatives, or advisors involved in the Development of the Product may attend meetings of the JSC as nonvoting observers; provided that such Third Party representatives are under obligations of confidentiality and non-use applicable to the Confidential Information of each Party and that are at least as stringent as those set forth in Section 10 below; and provided that the term of such obligations may be reduced by mutual agreement of the Parties so as to be commercially reasonable based on the circumstances. Each Party shall be responsible for all of its own expenses associated with participating in the JSC. Meetings of the JSC may be held by audio or video teleconference with the mutual consent of the Parties; provided that one (1) JSC meeting per Calendar Year shall be held in person.

(iii) Decision Making. The JSC is an advisory body only, and the rights and authorities of the Parties are set forth in this Agreement. The Parties shall use reasonable efforts to cause their respective members of the JSC to act in good faith and cooperate with one another. All decisions by JSC will be unanimous and no resolution will be made if any of the Parties disagrees. Any disagreement between the Parties shall be first submitted to the JSC in order to facilitate a resolution and then, if not resolved, at the election of either Party, be referred for resolution pursuant to Section 16 below.

(iv) Notwithstanding the foregoing, the explicit written consent of Pluristem(the "Consent") shall be required with respect to any modification to the Development Plan, however, to the extent certain Development activity may have an effect on the Product, the Pluristem Technology or Pluristem outside the Territory, such Development activity shall also require the Consent; provided that, if Pluristem chooses not to give the Consent, Pluristem will make a good faith effort to consult with CHA prior to making such decision that is reasonably likely to be material to CHA, and, if CHA requests, provide to CHA a reasonably detailed written explanation of the basis for such decision. Pluristem agrees, at CHA's request, to make available a member of its members to the JSC within ten (10) business days to discuss such matter; provided, however, that such a discussion will not affect Pluristem's right to give or refuse the Consent.

3.4. Meeting Agendas. Each Party shall disclose to the other Party proposed agenda items along with appropriate information at least ten (10) Business Days in advance of each meeting of the JSC; provided that, under exigent circumstances requiring JSC input, a Party may provide its agenda items to the other Party within a lesser period of time in advance of the meeting, or may propose that there not be a specific agenda for a particular meeting, so long as such other Party consents to such later addition of such agenda items or the absence of a specific agenda for such JSC meeting.

4. Development and Regulatory Activities.

4.1. Following the date hereof the Parties will discuss and set a development plan in order to carry out the Development of Products with respect to each indication in the Field in accordance with a written plan, timetable and milestones for the Development of the Product with respect to each indication in the Field within the Territory which plan should be approved by Pluristem (the "**Development Plan**") a copy of which will be attached to this Agreement. The Development Plan may be modified from time to time by resolution of the JCS. All terms and conditions of this Agreement shall apply to the modified Development Plan.

4.2. In the event that with respect to a certain milestone, any of the Parties does not timely meet the targets set in such milestone as will be agreed upon by the JCS (in case the JSC cannot reach a decision, it will be considered that such target was not timely met), such Party shall have additional three (3) months period for meeting such target milestone in the Development Plan ("**First Extension**"), and one additional three (3) months period if such target has not been met during the First Extension (the "**Second Extension**"). Either Party shall be entitled to terminate the Agreement if a certain target in a certain Development Plan has not been met until the completion of the Second Extension or in the event that the entire Development Plan is delayed by more than nine (9) months from the original approved schedule unless otherwise agreed by the JSC.

4.3. Development Activities.

(i) As between CHA and Pluristem, CHA shall be responsible for carrying out all activities relating to Development other than those limited activities set forth in Section 4.3(ii) as "Pluristem Development Activities" (the "CHA Development Activities") at CHA's sole cost and expense; provided however that Pluristem shall be involved in any and all CHA Development Activities and shall be entitled to receive at the beginning of each calendar quarter a schedule with respect to the CHA Development Activities for such calendar quarter in order to allow Pluristem to participate in any and all such activities. Any and all CHA Development Activities will be agreed in advance between the Parties including without limitation a timeframe and milestones for performing such CHA Development Activities. Pluristem, at its election, may participate in any such CHA Development Activities. For the avoidance of doubt the handling of the Products during the CHA Development Activities (including, use, transfer and storage) shall be made by CHA in strict compliance with the instructions received from Pluristem.

(ii) As between CHA and Pluristem, Pluristem shall be responsible for (i) supplying information to CHA as described in this Agreement; (ii) processing safety reports and notifying CHA of any Product withdrawals or recalls, and providing safety data to CHA, in each case as further described in this Agreement and to the extent relevant in the Field in the Territory; (iii) supplying reasonable amount of the Product to CHA for Development at Pluristem's expense, as further described below; (iv) guiding and assisting CHA in connection with the use and handling of the Products during the Term; (v) such other activities proposed by CHA and agreed to by Pluristem, acting reasonably (collectively, the "Pluristem Development Activities").

(iii) If the Parties agree in advance in writing that Pluristem shall conduct any Development activities on behalf of CHA in the Field, then the Parties, acting reasonably, shall agree upon a protocol and the remuneration for each such activity.

(iv) Any and all Regulatory Approval and Regulatory Filings in the Territory derived from the Development Results and/or created during the Development in the Territory shall be exclusively owned by the JV. The Parties shall have unlimited access to any and all data related to the Development Results.

4.4. Regulatory Matters in the Field within the Territory.

(i) As between Pluristem and CHA, CHA shall be responsible for regulatory activities with respect to Products in the Field, including filing of all Regulatory Filings for the Product in the Field, maintenance of all Regulatory Approvals, any reports or submissions required to be made to any non-governmental Third Party payers, and any and all regulatory matters arising after obtaining Regulatory Approval, including post-marketing inquiries and safety surveillance activities. Pluristem will be responsible for the CMC regulatory submission.

(ii) CHA will be solely responsible for all obligations with respect to providing pricing reports to government authorities in the Territory having responsibility for pricing matters.

(iii) CHA will provide Pluristem with prompt detailed written notice of all updates and revisions of any kind or nature to the Regulatory Filings in the Field. At Pluristem's request, CHA shall provide Pluristem with all information and documentation relating to any such regulatory activities. It is hereby clarified that any and all Regulatory Filings are subject to Pluristem's prior review and written approval.

(iv) As between the Parties, all Regulatory Approvals and Regulatory Filings relating to the Product in the Field in the Territory shall be held in the name of CHA or its designated Affiliates. The Parties may, in preparing the required Regulatory Filings in the Field in the Territory, as appropriate, include a cross-reference or cross-references to any Regulatory Filings related to PLX or Products.

4.5. Interactions with Authorities; Regulatory Inquiries.

(i) CHA shall provide to Pluristem reasonable written notice of all meetings and conference telephone calls with any Regulatory Authority related to the Product in the Field. Pluristem shall have the right to have one or more representatives attend each such meeting and each such call, in each case to the extent permitted by the relevant Regulatory Authority. The JSC shall implement policies and procedures for providing to each Party a copy of all correspondence or communications with Regulatory Authorities relating to the Product in the Field in the Territory.

(ii) If requested by Pluristem, CHA shall allow Pluristem to have one or more representatives designed by Pluristem attending any meeting or call with a Regulatory Authority in each case to the extent permitted by the relevant Regulatory Authority, at CHA's expense.

(iii) CHA shall promptly provide Pluristem with copies of all written or electronic correspondence or communications received by it from Regulatory Authorities related to the Product. If such correspondence or communication requires a response, the Parties shall consult with each other as appropriate to prepare a draft response, and the response shall be filed by the Party from whom the Regulatory Authorities requested a response.

(iv) CHA shall notify Pluristem within one (1) Business Day after it receives information about the initiation of any investigation or inquiry by any Regulatory Authority concerning the Development of the Product.

(v) If a Regulatory Authority desires to conduct an inspection or audit with regard to the Product of CHA's facility or a facility under contract with CHA with respect to the activities of CHA relevant to this Agreement, CHA shall permit and cooperate with such inspection or audit, and shall cause the contract facility to permit and cooperate with such Regulatory Authority during such inspection or audit.

(vi) If a Regulatory Authority including Korea Ministry of Food and Drug Safety desires to conduct an inspection or audit of Pluristem's facility or a facility under contract with Pluristem in connection with the Regulatory Approval, CHA shall immediately inform Pluristem of such fact and Pluristem shall permit and cooperate with such inspection or audit, and shall cause the contract facility to permit and cooperate with such Regulatory Authority during such inspection or audit.

4.6. Drug Safety.

(i) Adverse Event Reporting. Except as set forth below, Pluristem shall be responsible for all activities related to the timely processing, evaluation, and reporting of Adverse Events to appropriate authorities, in accordance with local requirements, for the Product in the Field in the Territory. CHA shall be responsible for the surveillance, receipt, evaluation, and reporting to Pluristem (or to the appropriate authorities in accordance with Pluristem's instructions) of Adverse Events for the Product in the Field in the Territory. CHA and Pluristem shall enter into a safety agreement setting forth a process regarding compliance with all Applicable Laws and both Parties' obligations related to such Adverse Event responsibilities for the Product.

(ii) Safety Database. CHA shall create and maintain and exclusively own a single safety database in the Territory relating to the Product and Pluristem shall have unrestricted access to such database.

(iii) Right to Audit. Pluristem shall have the right to perform audits of CHA's pharmacovigilance activities relating to CHA's activities under the terms of this Agreement including compliance by CHA with Applicable Law. The notification of Pluristem's intent to conduct such an audit will be provided in writing to CHA within a reasonable time period in advance, no less than three (3) days notice in advance, based upon the particular circumstances of the situation.

4.7. Development Supply.

(i) Pluristem Obligations. Subject to the terms set forth below, Pluristem shall supply to CHA all reasonable Product and placebo reasonably requested by CHA for Development. Pluristem warrants that all Product supplied by Pluristem hereunder shall be Manufactured in accordance with GMP and all other Applicable Laws. From time to time at JSC meetings, the Parties shall discuss availability and timing of delivery of clinical supplies of the Product and placebo hereunder. CHA warrants that it shall treat the Products in strict compliance with Pluristem's instructions.

(ii) Development Costs. Except for ex-factory delivery of Product by Pluristem, all other direct and indirect costs and expenses related to the Development shall be borne by CHA. Pluristem shall supply the Development supplies of the Product and placebo, only for approved development programs; provided that any supply of Products and placebo required due to loss of prior supply by CHA resulted from non-compliance with Pluristem's instructions shall not be free of charge.

5. Establishment of Joint Venture and Commercialization

5.1. Upon receipt of the first Regulatory Approval in the Territory for a Product in the Field in the Territory, the Parties will establish a joint venture which will be held by the Parties in equal portions (the "**JV**"). The structure of the JV shall be mutually agreed by the Parties to be most beneficial to both Parties from tax aspects. The JV agreement will be concluded by the Parties within six (6) months following the Effective Date and will include the rights and obligations of the Parties including without limitation provisions regarding adoption of resolution in a mechanism similar to the JCS.

5.2. The purpose of the JV shall be Commercializing in the Territory of any Product that received a Regulatory Approval in the Territory for a Product in the Field. The business terms of the engagement of each Party with the JV is set forth in Schedule B attached hereto.

5.3. Except as otherwise provided herein, CHA shall use reasonable efforts to Commercialize the Product in the Field in the Territory solely through the JV. The Commercialization costs and expenses shall be borne by the JV in accordance with a Commercialization plan to be approved by the Parties.

5.4. Without derogating from the foregoing, upon establishment of the JV:

5.4.1. Pluristem shall grant the JV an exclusive non transferable right to Commercialize the Product in the Field in the Territory for which CHA has obtained the required Regulatory Approvals.

5.4.2. CHA shall irrevocably transfer to the JV the sole and exclusive right and ownership in the Regulatory Approval received in the Territory for the Product in the Field.

5.4.3. Neither Party shall Commercialize any Product in the Field in the Territory other than through the JV.

5.5. The Parties will ensure that the JV will maintain accurate books and records accurately reflecting the JV's financial results and each Party shall be entitled to audit and review such books and records on an on-going basis.

6. Share Exchange

6.1. Upon reaching an agreed upon Development Plan in accordance with Section 4.1 of this Agreement, and the lifting of a clinical hold on Pluristem by the U.S. Food and Drug Administration, Pluristem Therapeutics, Inc., the parent company of Pluristem ("Parent") and CHA shall exchange shares in the value of $10,000,000 as follows: (i) CHA shall issue to Pluristem 1,011,504 shares of its common stock, which are eligible for trading and resale on the KOSDAQ, having been calculated based on the average closing price of CHA common shares over the immediately preceding 30 trading days (the "CHA Shares"); and (ii) Parent shall issue to CHA 2,500,000 shares of Parent's shares of common stock (the "Pluristem Shares"). The Parties agree to hold the CHA Shares and Pluristem Shares for 1 year before selling such shares in the open market. If any aspect of the issuances contemplated under this section 6.1, shall be in violation of any applicable laws, regulations and stock market rules, including but not limited to the Korean Financial Investment Services and Capital Market Act, the Parties shall, if feasible, mutually consult to modify the details of the said transaction to make it in compliance with the applicable laws while maintaining the essential elements of such transaction. CHA shall give an irrevocable proxy to the management of Parent with respect to the voting power of the CHA Shares. Pluristem shall give an irrevocable proxy to the management of CHA with respect to the voting power of the Pluristem Shares. Pluristem unconditionally and irrevocably guarantees the performance of the Parent of its obligations provided in this Section 6.1 and shall indemnify and hold harmless CHA and CHA Indemnitees against any Loss that any of them may suffer arising out of the Parent's failure to perform any of its obligations provided in this Section 6.1.

6.2. No taxes shall be deducted or withheld from any payment to be made by CHA to Pluristem pursuant to this Agreement, unless required by applicable law. CHA agrees to exercise reasonable efforts to inform Pluristem of any such requirement reasonably in advance and to cooperate with Pluristem in its efforts to obtain any available exemption from such requirement.

6.3. Notwithstanding anything contained in this Agreement, and for the avoidance of doubt, any payment obligations and tax matters relating to the operation of JV shall be separately provided and governed by the JV Agreement.

7. Reports and Accounting;

7.1. Pluristem shall be entitled to appoint representatives (the "**Representatives**") to inspect during normal business hours the CHA's and its Affiliates' non-financial records and documentation to the extent relevant or necessary for the sole purpose of verifying the performance of CHA's obligations under this Agreement, provided that Pluristem shall coordinate such inspection with the CHA or, Affiliate (as the case may be) in advance.

7.2. Sublicense. No sublicense shall be granted without first obtaining Pluristem's written approval regarding the identity of the sublicensee and all material terms and conditions of the sublicense.

8. Invention and Patents

8.1. Notwithstanding any other term of this Agreement, Pluristem shall retain exclusive ownership in any and all Pluristem's Patents and Pluristem's Know-How and Pluristem Product Marks, including without limitation any and all rights related to PLX, each Product and the Development Results whether developed or conceived prior, during or after the term of this Agreement. Pluristem shall own any and all Inventions invented, whether solely by itself, by CHA, jointly with CHA, with other Third Parties or otherwise related to each Product and/or PLX (which shall be deemed Pluristem Technology). Solely for the purpose of determining inventorship of Inventions under this Section 8.1, inventorship shall be determined in accordance with United States patent laws.

8.2. CHA undertakes, at Pluristem's expense, to take all reasonable measures, and execute all documents, in a timely fashion, that are, or will be, necessary to fulfill and protect and secure the ownership of Inventions by Pluristem, including the execution by CHA and/or its Representatives, of any written assignment of rights for the benefit of Pluristem. Such assignment of Invention shall be without any consideration to CHA. In the event that CHA does not execute the required documents for perfecting the assignment in a timely manner, CHA hereby irrevocably designates and appoints Pluristem hereunder and its duly authorized officers and agents as CHA's agent and attorney-in-fact, to act on behalf and instead to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of Patents or copyright registration thereon with same legal force and effect as if executed by CHA.

8.3. During the Term of this Agreement, CHA and its Affiliates hereby covenant and agree not to, directly or indirectly, commence any legal proceeding that challenges the validity, enforceability or ownership of any Pluristem Patents (a "**Patent Challenge**"). If CHA or its Affiliate directly or indirectly commences any Patent Challenge, Pluristem shall have the right to immediately terminate this Agreement by written notice effective upon receipt by CHA.

9. Patent Rights Protection

9.1. CHA and Pluristem shall each inform the other promptly in writing of any alleged infringements by a third party of Pluristem's Patents in the Territory, together with any available written evidence of such alleged infringement.

9.2. Pluristem shall retain control and ownership over, and bear all expenses associated with, the filing, prosecution, and maintenance of any Pluristem's Patents. In the event Pluristem decides not to file an application for a Patent covering the Product in the Field in the Territory, Pluristem shall promptly notify CHA of such decision and CHA shall have the right to file, prosecute, and maintain such Patent in Pluristem's name at CHA's sole expense and absolute discretion. Pluristem shall not abandon any patents or patent claims in the Pluristem's Patents covering the Product in the Field in the Territory without prior written notice to CHA and CHA, upon receipt of such notice from Pluristem, shall have the right to maintain such patent claim or patent in Pluristem's name at CHA's sole expense and absolute discretion.

9.3. Primary Right to Bring Action. Each Party shall have the primary right, but not the obligation, to institute, prosecute or control any action or proceeding, with respect to Third Party activity, by counsel of its own choice, in the Field in the Territory. If a Party brings an action or proceeding under this Section 9.3, the other Party shall have the right (at its own expense, which shall not be reimbursed out of any damages or monetary award recovered) to participate in such action and to be represented by counsel of its own choice and expense; furthermore, the other Party hereby agrees to be joined as a party to the action or proceeding, at the request and expense of the Party bringing such action or proceeding, and to provide reasonable assistance in any such action or proceeding, at the requesting Party's expense.

9.4. If either Party becomes aware of any Third Party activity in the Territory that is in violation of government-conferred exclusivity (e.g., an Orphan Drug designation) with respect to the Product in the Field (the "Regulatory Exclusivity Rights"), then that Party shall give prompt written notice to the other Party within ten (10) days after gaining knowledge of such infringement or violation.

9.5. Pluristem recognizes that CHA will have a legitimate business interest in obtaining and maintaining patent protection with respect in the Field in the Territory. As a result, Pluristem will timely keep the JSC informed as to such patent protection. In addition, on CHA's request, Pluristem will provide updates to the JSC regarding the status of Pluristem's efforts to obtain and maintain patent protection, and other patent-related activities, with respect to the Field in the Territory.

9.6. If a Third Party asserts that a Patent owned or otherwise controlled by it is infringed by the Development or Commercialization of the Product in the Field in the Territory, the Party first obtaining knowledge of such a claim shall immediately provide the other Party notice of such claim, along with the related facts in reasonable detail. Neither Party shall agree to any settlement of such an action or proceeding without the prior written consent of the other Party, which consent shall not be unreasonably withheld. If a Third Party asserts that a Patent owned or otherwise controlled by it is infringed by the Development, or Commercialization of the Product in the Field in the Territory, CHA will assume the defense and expense of defending such suit to the extent that the alleged infringement is not directed to the Product. In case the alleged infringement is directed to the Product, Pluristem shall assume the defense and expense of defending such suit.

9.7. Any award or settlement payment resulting from an action initiated by CHA pursuant to this Section 9 shall be utilized, first to effect reimbursement of documented out-of-pocket expenses incurred by both parties in relation to such legal action, and thereafter shall be equally divided between CHA and Pluristem.

9.8. If either party commences an action under this Section 9 and then decides to abandon it, such party will give timely notice to the other party. The other party may continue the prosecution of the suit after both parties agree on the sharing of expenses.

10. Confidentiality

10.1. Each Party warrants and undertakes that during the term of this Agreement and for a period of ten (10) years subsequent thereto, it shall maintain full and absolute confidentiality, and shall also be liable for its officers or employees or representatives maintaining absolute confidentiality, of all information, details, data, formulations, solutions, designs and inventions which is in, or comes to, its knowledge or that of its officers, employees, representatives or any person acting on its behalf directly or indirectly relating to the Development activities, Development Results, CHA, Pluristem and their employees, including but not limited to any information disclosed prior to the date of this Agreement and which was the subject matter of the Mutual Confidentiality Agreement entered between the Parties in January 2013 ("**Confidential Information**"). Each Party undertakes not to convey or disclose anything in connection with the foregoing to any entity or use in contravention of this Agreement without the prior written permission of the disclosing Party.

10.2. Information which is in the public domain as of the date of this Agreement or hereafter comes into the public domain through no fault of the receiving Party, its officers, employees, representatives or persons acting on its behalf will not be considered Confidential Information hereunder.

10.3. Either Party may disclose Confidential Information to its officers, employees, representatives or persons acting on its behalf ("**Representatives**"), Affiliates and Sublicensees, as necessary for the performance of its obligations pursuant to this Agreement and may disclose details and information to potential and actual investors, provided that any such parties in receipt of Confidential Information are bound by confidentiality terms substantially similar in content to those set out in this Section 10. Each Party shall be responsible and liable to the other for any breach by its Representatives, Affiliates and investors, and in the case of CHA only, any Sublicensee, of such undertakings of confidentiality as if such breach were a breach by the Party itself.

10.4. CHA warrants and undertakes that it shall use the Confidential Information solely for the purpose of this Agreement as provided in this Agreement.

10.5. The provisions of this section shall be subject to permitted publications pursuant to Section 11 below.

11. Publications

11.1. The Parties agree that Pluristem's and CHA's public announcement of the execution of this Agreement shall be agreed between the Parties and they shall cooperate in the issuance thereof as soon as practicable after the execution of this Agreement unless they agree otherwise. In addition, the Parties recognize that each Party may from time to time desire to issue additional press releases and make other public statements or disclosures regarding the subject matter of this Agreement. Such publication shall be permitted without the other Party's consent to the extent that such additional releases or statements that do not contain information beyond that which is included in the press release agreed between the Parties or in subsequent press releases approved by both Parties. Any other publication, news release or other public announcement relating to this Agreement or to the performance hereunder shall first be reviewed and approved by both Parties, which approval shall not be unreasonably withheld. Notwithstanding anything else in this Agreement, any disclosure which is required by law or the rules of a securities exchange, as advised by the disclosing Party's counsel, may be made without the prior consent of the other Party, although the other Party shall be given prompt written notice of any such legally required disclosure and to the extent practicable shall provide the other Party an opportunity to comment on the proposed disclosure.

11.2. Each Party agrees that it shall not publish or present to the public the results of any non-clinical scientific studies or clinical trials related to the Field in the Territory without the opportunity for prior review by the other Party. If a Party (the "Publishing Party") wishes to publish or to present to the public such results, then it shall provide the other Party (the "Non-Publishing Party") the opportunity to review any of the Publishing Party's proposed abstracts, manuscripts or presentations (including verbal presentations) regarding the Product at least thirty (30) days prior to the intended date of submission for publication. Neither Party shall have the right to publish or present to the public Confidential Information of the other Party.

11.3. The Parties shall abide by Applicable Laws concerning the confidentiality or protection of patient identifiable information and/or patients' protected health information as defined by U.S. C.F.R. Part 160 or personal data as defined by EU Directive 95/46/EC or any other applicable legislation in the Territory, in the course of their performance under this Agreement.

12. Representations and Warranties.

12.1. Each Party represents, warrants and covenants to the other Party the following:

(i) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(ii) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action;

(iii) this Agreement is legally binding upon it and enforceable in accordance with its terms. The execution, delivery, and performance of this Agreement by it does not conflict with any agreement, instrument, or understanding, oral or written, to which it is a Party or by which it is bound, nor violate any material law or regulation of any court, governmental body, or administrative or other agency having jurisdiction over it;

(iv) it has not granted and will not during the Term grant any right to any Third Party that would conflict with the rights granted to the other Party hereunder. It has (or will have at the time performance is due) maintained and will maintain and keep in full force and effect all agreements (including license agreements) and filings (including patent filings) necessary to perform its obligations hereunder;

(v) it shall comply and cause its employees and consultants who will be undertaking any activities related to this Agreement or the Product to comply, with all Applicable Laws respecting such activities; and

(vi) neither its name nor the name of any of its employees or consultants who will be undertaking any activities related to this Agreement or the Product are listed on the debarment list maintained by the FDA pursuant to 21 U.S.C. Sections 335(a) and Section 335(b) and published on the internet at the following address (or any successor address): http://www.fda.gov/ora/compliance_ref/debar/default.htm. In the course of the Development of the Product prior to or pursuant to this Agreement, it has not used, and during the Term will not use, any employee or consultant that is debarred by any Regulatory Authority or, to the best of its knowledge, is the subject of debarment proceedings by any Regulatory Authority. If it learns that its employee or consultant performing on its behalf under this Agreement has been debarred by any Regulatory Authority, or has become the subject of debarment proceedings by any Regulatory Authority, it shall so promptly notify the other Party and shall prohibit such employee or consultant from performing on its behalf under this Agreement.

12.2. Freedom to Operate Opinion

Pluristem shall within seven (7) days of the Effective Date provide CHA with a copy of a freedom to operate opinion regarding PLX covering areas including its manufacturing process previously issued by a Pluristem's intellectual property expert firm.

12.3. Disclaimer

CHA UNDERSTANDS THAT THE PRODUCT FOR USE BY CHA PURSUANT TO THIS AGREEMENT IS THE SUBJECT OF ONGOING CLINICAL RESEARCH AND DEVELOPMENT AND THAT PLURISTEM CANNOT ENSURE THE SAFETY OR USEFULNESS OF PRODUCT FOR USE BY CHA HEREUNDER. PLURISTEM MAKES NO WARRANTY OF ANY PRODUCT'S MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER PARTY MAKES ANY REPRESENTATION EXPRESSED OR IMPLIED EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT.

13. Indemnity and Insurance

13.1. CHA agrees to defend any and all Pluristem Indemnitees at CHA's cost and expense, and shall indemnify and hold harmless the Pluristem Indemnitees from and against any liabilities, losses, costs, damages, fees, or expenses (including reasonable legal expenses and attorneys' fees incurred by the Pluristem Indemnitees until such time as CHA has acknowledged and assumed its indemnification obligation hereunder with respect to a Claim) payable to a Third Party (collectively, "Losses") arising out of any claim, action, lawsuit, or other proceeding (collectively, "Claims") brought against any Pluristem Indemnitee by a Third Party to the extent resulting directly or indirectly from:

(i) the Development of the Product for use in the Field by the CHA Indemnitees;

(ii) any infringement of any Third Party intellectual property rights attributable solely to the action of CHA Indemnitees in connection with the Development;

(iii) the negligence or willful misconduct of CHA Indemnitees;

(iv) any material breach by CHA of any of its representations, warranties, covenants or obligations pursuant to this Agreement;

(v) any violation of Applicable Law by CHA Indemnitees; or
the breach of this Agreement, including the breach of the terms of any licenses granted by Pluristem and contained herein, by any Sublicensee of CHA.

13.2. Pluristem agrees to defend any and all CHA Indemnitees at Pluristem's cost and expense, and shall indemnify and hold harmless CHA Indemnitees from and against any Losses arising out of any Claims brought against any CHA Indemnitee by a Third Party to the extent resulting directly or indirectly from:

(i) the negligence or willful misconduct of Pluristem Indemnitees;

(ii) any infringement of any Third Party intellectual property rights attributable to the action of Pluristem Indemnitees;

(iii) any material breach by Pluristem of any of its representations, warranties, covenants or obligations pursuant to this Agreement;

(iv) any violation of Applicable Law by Pluristem Indemnitees; or

(v) any failure by the Parent to perform any of its obligations under Section 6.1 of this Agreement.

13.3. Insurance. During the Term and for five (5) years thereafter, each Party shall maintain, at its sole expense, such types and amounts of insurance coverage as are appropriate and customary in the pharmaceutical industry in light of the nature of the activities to be performed by such Party hereunder.

13.4. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, EXCEPT FOR DAMAGES FOR BREACHES OF OBLIGATIONS OF CONFIDENCE, NEITHER PARTY WILL BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, OR FOR LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES.

14. Term

Unless earlier terminated in accordance with the terms of Section 15 below, the term of this Agreement shall begin on the Effective Date and will continue until the later of the expiration, lapse, cancellation, abandonment or invalidation of the last Valid Claim covering the Development of the Product in the Field (the "**Term**").

15. Termination of the Agreement

15.1. Without prejudice to the Parties' rights pursuant to this Agreement or at law, either Party may terminate this Agreement by written notice to the other in any of the following cases:

15.1.1. Immediately upon such written notice, if: (i) the other Party passes a resolution for voluntary winding up or a winding up application is made against it and not set aside within sixty (60) days; or (ii) a receiver or liquidator is appointed for the other Party; or (iii) the other Party enters into winding up or insolvency or bankruptcy proceedings. Each of the Parties undertakes to notify the other within seven (7) days if any of the abovementioned events occur.

15.1.2. Upon breach of this Agreement, where such breach has not been remedied within thirty (30) days from the breaching Party's receipt of written notice from the non-breaching Party requiring such remedy.

15.2. In addition to the above, and without prejudice to Pluristem's rights pursuant to this Agreement or at law, Pluristem shall be entitled to terminate this Agreement immediately upon written notice to CHA in the following circumstances:

15.2.1. Unauthorized early termination by CHA of the Development Plan or failure to timely pay any payment under this Agreement.

15.2.2. Non-performance or a delay in the performance of the Development Plan or meeting any milestone thereof as set forth in Section 4.2 above in which case either Party shall be entitled to terminate this Agreement.

15.2.3. The parties do not reach an agreed upon Development Plan within sixty (60) days following the date hereof, unless an extension was agreed upon in writing between the parties.

15.2.4. If an attachment is made over CHA's assets or if execution proceedings are taken against CHA and the same are not set aside within thirty (30) days of the date the attachment is made or the execution proceedings are taken.

15.2.5. Uncured lapse of insurance coverage under Section 13.2 above in which case either Party shall be entitled to terminate this Agreement;

15.2.6. Failure to defend against third party claims as required under Section 9 above;

15.2.7. A claim by CHA, made in any forum, claiming that one or more of Pluristem's Patents are invalid or unenforceable; or

15.2.8. Acts or omissions by CHA, which indicate that CHA does not intend to continue to Develop or Commercialize the Product in the Field in the Territory.

15.3. Upon termination of this Agreement for any reason, the License shall terminate and all rights included therein shall revert to Pluristem including without limitation any and all Development Results and Regulatory Approvals, and Pluristem shall be free to enter into agreements with any other third parties for the granting of a license in or outside the Territory or to deal in any other manner with such right as it shall see fit at its sole discretion. For the avoidance of doubt, nothing contained in this Section 15 precludes or diminishes either party's right to seek all available remedies upon the termination of this Agreement for a cause attributable to the other party.

15.4. CHA shall return or transfer to Pluristem, within fourteen (14) days of termination of the License, all material, in soft or hard copy, relating to the PLX or Products, and it may not make any further use thereof. In case of termination as set out herein, CHA will not be entitled to any reimbursement of any amount paid to Pluristem under this Agreement. Pluristem shall be entitled to conduct an audit in order to ascertain compliance with this provision and CHA agrees to allow access to Pluristem or its representatives for this purpose.

15.5. In addition, Sections 6, 7, 8, 9, 10, 11, 13, 15, 16 and 17 shall survive the termination of this Agreement to the extent required to effectuate the intent of the parties as reflected in this Agreement.

16. Dispute Resolution; Governing Law

16.1. The Parties recognize that disputes as to certain matters may from time to time arise during the Term that relate to either Party's rights and/or obligations hereunder. It is the desire of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement in an expedient manner by mutual cooperation and without resort to arbitration or litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Section 16 if and when a dispute arises under this Agreement. Either Party may refer a dispute under this Agreement to the JCS. If the JCS is unable to resolve any such dispute within sixty (60) days after such dispute is submitted to it, either Party may, by written notice to the other Party, have such dispute referred to their respective executive officers designated below or their successors, for attempted resolution by good faith negotiations within forty-five (45) days after such notice is received. Such designated officers are as follows:

For Pluristem: Zami Aberman, Chief Executive Officer, or his direct report
For CHA: Won S. Yang or his direct report
In the event the designated officers are not able to resolve such dispute within such forty-five (45) day period after receipt of written notice, then such dispute (other than a matter within the final decision-making authority of a Party as set forth in Section 3.3(iv)) shall, at the election of either Party, be decided in accordance with the provisions of Section 16.2.

16.2. The provisions of this Agreement and everything concerning the relationship between the parties in accordance with this Agreement shall be governed exclusively by the laws of the State of New York of the United States of America without application of any conflict of law principles and jurisdiction shall be granted only to the appropriate court in Manhattan, New York. The Parties hereby expressly waives any immunity it may have against enforcement of any judgment obtained against it by the other Party and expressly waives any rights or claims that it might have with respect to *forum non conveniens*, or that the courts in Manhattan do not have jurisdiction over it.

16.3. Each Party agrees that any breach or threatened breach of the terms and conditions of this Agreement governing confidentiality or the exploitation and use of Product or PLX may cause irreparable harm, thereby entitling the non-breaching party to seek injunctive relief without proof of damages, this without derogating from any other remedies available under this Agreement.

17. Miscellaneous

17.1. Relationship of the Parties. It is hereby agreed and declared between the parties that they shall act in all respects relating to this Agreement as independent contractors and there neither is nor shall there be any employer-employee or principal-agent relationship or partnership relationship between CHA (or any of its employees) and Pluristem. Each party will be responsible for payment of all salaries and taxes and social welfare benefits and any other payments of any kind in respect of its employees and officers, regardless of the location of the performance of their duties, or the source of the directions for the performance thereof.

17.2. Assignment. The parties may not transfer or assign or endorse their rights or duties or any of them pursuant to this Agreement to another, without the prior written consent of the Party, which consent shall not be unreasonably denied, conditioned or delayed. Upon a 10 day advance notice to CHA, which shall be kept in strict confidence by CHA, Pluristem may assign this Agreement without the consent of CHA in case of merger or acquisition of Pluristem with another party in which Pluristem is not the surviving entity or in case of sale of business of Pluristem, to which the subject matter of this Agreement relates, to a third party.

17.3. No waiver. The failure or delay of a party to the Agreement to claim the performance of an obligation of the other party shall not be deemed a waiver of the performance of such obligation or of any future obligations of a similar nature. Expiration or termination of this Agreement shall not preclude either Party from (a) claiming any other damages, compensation or relief that it may be entitled to upon such expiration or termination, (b) any right to receive any amounts accrued under this Agreement prior to the expiration or termination date but which are unpaid or become payable thereafter and (c) any right to obtain performance of any obligation provided for in this Agreement which shall survive expiration or termination.

17.4. Representation by Legal Counsel. Each Party represents that it has been represented by legal counsel in connection with this Agreement and acknowledges that it has participated in drafting this Agreement. In interpreting and applying the terms and provisions of this Agreement, the Parties agree that no presumption shall exist or be implied against the Party which drafted such terms and provisions.

17.5. Legal Costs. Each party shall bear its own legal expenses involved in the making of this Agreement.

17.6. Expense Reimbursement. CHA shall reimburse Pluristem for it's out of pocket expenses spent in connection with the Development Plan at the request of CHA.

17.7. Taxes. Except as specifically provided otherwise in this Agreement, each Party shall bear and pay all of its own taxes arising under applicable laws in connection with the performance of this Agreement.

17.8. Force Majeure. Neither party shall be held liable or responsible to the other party nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of this Agreement to the extent, and for so long as, such failure or delay is caused by or results from causes beyond the reasonable control of the affected party including but not limited to fires, earthquakes, floods, embargoes, wars, acts of war (whether war is declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority provided that the nonperforming party uses commercially reasonable efforts to avoid or remove such causes of nonperformance and continues performance under this Agreement with reasonable dispatch whenever such causes are removed. The party affected by such circumstances shall promptly notify the other party in writing when such circumstances cause a delay or failure in performance and when they cease to do so.

17.9. Counterparts. This Agreement may be executed in two or more counterparts (including counterparts transmitted by fax or by email), each of which shall be deemed to be an original, but all of which taken together shall be deemed to constitute one and the same instrument.

17.10. Binding Effect. This Agreement shall be binding upon the parties once executed by both parties and shall enter into force and become effective as of the later of the signature dates.

17.11. Partial Invalidity. If any provision in this Agreement is found invalid or unenforceable, then the meaning of such provision will be construed, to the extent feasible, so as to render the provision enforceable while reflecting the intent of the Parties, and if no feasible interpretation would save such provision, the remainder of this Agreement shall will remain in full force and effect, and the invalid or unenforceable provision shall be replaced by a valid and enforceable provision that most nearly effects the Parties' intent in entering into this Agreement.

17.12. Entire Agreement. This Agreement constitutes the full and complete agreement between the parties and supersedes any and all agreements or understandings, whether written or oral, concerning the subject matter of this Agreement, and may only be amended by a document signed by both parties.

18. Notices

All notices and communications pursuant to this Agreement shall be made in writing and sent by facsimile or by registered mail or served personally at the following addresses:

Pluristem at:

Pluristem Ltd.
MATAM Advanced Technology Park, Building No. 20
Haifa 31905
Israel
Fax: +972- 74-710-8673 _____.
Email: Yaky@pluristem.com
Attn: Mr. Yaky Yanay, CFO

CHA Bio&Diostech at:
CHA Bio&Diostech
–606-16 Yeoksam-dong, Gangnam-gu, Seoul, Korea _
__Fax: +82 2 3468 3592__
Email: ykw@chamc.co.kr
Attn: _Kyung Wook Yoon, COO_____

or such other address furnished in writing by one party to the other. Any notice served personally shall be deemed to have been received on the day of service, any notice sent by registered mail as aforesaid shall be deemed to have been received seven days after being posted by prepaid registered mail. Any notice sent by facsimile shall be deemed to have been received by the next business day after transmission.

IN WITNESS THE HANDS OF THE PARTIES

PLURISTEM LTD	**CHA Bio&Diostech**
By: /s/ Zami Aberman	By: /s/ Won S. Yang
Name: Zami Aberman	Name: Won S. Yang
Title: CEO and Chairman	Title: President and CEO
Date: June 26, 2013	Date: June 26, 2013

Schedule A- list of clinical indications

1. Intermittent Claudication
2. Critical Limb Ischemia (CLI) targeting patients with poor or no options available.
3. Critical Limb Ischemia (CLI) targeting patients who have previously had thrombolysis treatment by pharmacological, mechanical and/or surgical means, or any combination thereof.

Schedule B- List of CHA Affiliates

Affiliate in the US
CHA Health Systems, Inc.
CHA Reproductive Managing Group
Stem Cell & Regenerative Medicine International, Inc.
CHA Biotech International, Inc.

Affiliates in Korea
CHA Vaccine Research Institute Co., Ltd
NEID Co., Ltd
Seoul CRO Co., Ltd
CHA CARES Co., Ltd
CMG Pharmaceutical Co., Ltd
CHA BIOMED Corp
SOLIDUS INVESTMENT Co., Ltd

Affiliates in China
HOLYOPTICS HOLDING Co., Ltd
DIOSTECH(Shanghai) Co., Ltd

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Registration No. 333-171334, 333-170859, 333-151761, and 333-177009) and in the Registration Statements on Form S-8 (Registration No. 333-173777, 333-162577 and 333-111591) of Pluristem Therapeutics Inc. of our reports dated September 11, 2013, with respect to the consolidated financial statements of Pluristem Therapeutics Inc., and the effectiveness of internal control over financial reporting of Pluristem Therapeutics Inc., included in this Annual Report of Pluristem Therapeutics Inc. (Form 10-K) for the year ended June 30, 2013.

/s/ Kost Forer Gabbay & Kasierer
Kost Forer Gabbay & Kasierer
A member of Ernst & Young Global

Haifa, Israel
September 11, 2013

Exhibit 31.1

CERTIFICATIONS

I, Zami Aberman, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended June 30, 2013, 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 13a-15(f) and 15d-15(f)) 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.

Dated: September 11, 2013

/s/ Zami Aberman
Zami Aberman
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Yaky Yanay, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended June 30, 2013, 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 13a-15(f) and 15d-15(f)) 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.

Dated: September 11, 2013

/s/ Yaky Yanay
Yaky Yanay
Executive Vice President, Chief Financial Officer and Secretary
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Pluristem Therapeutics Inc. (the "Company") for the period ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 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 result of operations of the Company.

Dated: September 11, 2013

/s/ Zami Aberman
Zami Aberman
Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Pluristem Therapeutics Inc. (the "Company") for the period ended June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 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 result of operations of the Company.

Dated: September 11, 2013

/s/ Yaky Yanay
Yaky Yanay
Chief Financial Officer