

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

Form 10-Q

(Mark One)

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

For the quarterly period ended **December 31, 2021**

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

For the transition period from _____ to _____

Commission file number **001-31392**

PLURISTEM THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

98-0351734

(IRS Employer
Identification No.)

MATAM Advanced Technology Park, Building No. 5, Haifa, Israel 3508409

(Address of principal executive offices)

011-972-74-7108600

(Registrant's telephone number)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registration was required to submit files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common shares as of the latest practicable date: 32,232,789 common shares issued and outstanding as of February 4, 2022.

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

As of December 31, 2021

(Unaudited)

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

As of December 31, 2021

U.S. DOLLARS IN THOUSANDS

(Unaudited)

INDEX

	<u>Page</u>
<u>Interim Condensed Consolidated Balance Sheets</u>	1-2
<u>Interim Condensed Consolidated Statements of Operations</u>	3
<u>Interim Condensed Consolidated Statements of Changes in Shareholders' Equity</u>	4-5
<u>Interim Condensed Consolidated Statements of Cash Flows</u>	8-9
<u>Notes to Interim Condensed Consolidated Financial Statements</u>	10-17

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

	<u>Note</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 18,715	\$ 31,241
Short-term bank deposits		39,468	33,709
Restricted cash		207	597
Prepaid expenses and other current assets		1,763	1,824
<u>Total current assets</u>		<u>60,153</u>	<u>67,371</u>
LONG-TERM ASSETS:			
Long-term deposits and restricted bank deposits		10,965	23,269
Severance pay fund		717	664
Property and equipment, net		890	1,499
Operating lease right-of-use asset	3g	8,441	728
Other long-term assets		18	7
<u>Total long-term assets</u>		<u>21,031</u>	<u>26,167</u>
<u>Total assets</u>		<u>\$ 81,184</u>	<u>\$ 93,538</u>

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

	<u>Note</u>	<u>December 31, 2021</u>	<u>June 30,2021</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade payables		\$ 2,606	\$ 2,526
Accrued expenses		3,713	5,941
Operating lease liability		669	634
Accrued vacation and recuperation		1,155	1,203
Other accounts payable		1,452	1,213
<u>Total current liabilities</u>		<u>9,595</u>	<u>11,517</u>
LONG-TERM LIABILITIES			
Accrued severance pay		980	920
Operating lease liability	3g	7,611	100
Loan from the European Investment Bank (EIB)	4	23,158	23,850
<u>Total long-term liabilities</u>		<u>31,749</u>	<u>24,870</u>
COMMITMENTS AND CONTINGENCIES	3		
SHAREHOLDERS' EQUITY			
Share capital:	5		
Common shares, \$0.00001 par value per share: Authorized: 60,000,000 shares Issued and outstanding: 32,225,102 shares as of December 31, 2021, 31,957,782 shares as of June 30, 2021		*	*
Additional paid-in capital		392,233	387,172
Accumulated deficit		(352,393)	(330,021)
<u>Total shareholders' equity</u>		<u>39,840</u>	<u>57,151</u>
<u>Total liabilities and shareholders' equity</u>		<u>\$ 81,184</u>	<u>\$ 93,538</u>

(*) Less than \$1

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

	Six months ended December 31		Three months ended December 31,	
	2021	2020	2021	2020
Operating expenses:				
Research and development expenses	\$ (12,932)	\$ (14,202)	\$ (6,541)	\$ (7,999)
Less: participation by the Israeli Innovation Authority (IIA), Horizon 2020 and other parties	72	287	34	22
Research and development expenses, net	<u>(12,860)</u>	<u>(13,915)</u>	<u>(6,507)</u>	<u>(7,977)</u>
General and administrative expenses	<u>(9,376)</u>	<u>(7,896)</u>	<u>(4,288)</u>	<u>(5,097)</u>
Operating loss	(22,236)	(21,811)	(10,795)	(13,074)
Financial income	419	947	156	646
Financial expenses	<u>(555)</u>	<u>(179)</u>	<u>(301)</u>	<u>(126)</u>
Financial income (expenses), net	<u>(136)</u>	<u>768</u>	<u>(145)</u>	<u>520</u>
Net loss	<u>\$ (22,372)</u>	<u>\$ (21,043)</u>	<u>\$ (10,940)</u>	<u>\$ (12,554)</u>
Loss per share:				
Basic and diluted net loss per share	<u>\$ (0.70)</u>	<u>\$ (0.82)</u>	<u>\$ (0.34)</u>	<u>\$ (0.49)</u>
Weighted average number of shares used in computing basic and diluted net loss per share	<u>32,068,271</u>	<u>25,599,008</u>	<u>32,136,352</u>	<u>25,662,752</u>

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

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

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

(*) Less than \$1

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

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

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

(*) Less than \$1

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

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

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholder' Equity
	Shares	Amount			
Balance as of July 1, 2021	31,957,782	\$ (*)	\$ 387,172	\$ (330,021)	\$ 57,151
Share-based compensation to employees, directors, and non- employee consultants	267,320	(*)	5,061	-	5,061
Net loss	-	-	-	(22,372)	(22,372)
Balance as of December 31, 2021	<u>32,225,102</u>	<u>\$ (*)</u>	<u>\$ 392,233</u>	<u>\$ (352,393)</u>	<u>\$ 39,840</u>

(*) Less than \$1

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

PLURISTEM THERAPEUTICS INC. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

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

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance as of October 1, 2021	32,096,927	\$ (*)	\$ 390,360	\$ (341,453)	\$ 48,907
Share-based compensation to employees, directors, and non- employee consultants	128,175	(*)	1,873	-	1,873
Net loss	-	-	-	(10,940)	(10,940)
Balance as of December 31, 2021	<u>32,225,102</u>	<u>\$ (*)</u>	<u>\$ 392,233</u>	<u>\$ (352,393)</u>	<u>\$ 39,840</u>

(*) Less than \$1

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Six months ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (22,372)	\$ (21,043)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	664	695
Share-based compensation to employees, directors and non-employee consultants	5,061	4,857
Decrease (increase) in prepaid expenses and other current assets and other long-term assets	50	(37)
Increase in trade payables	69	825
Increase (decrease) in other accounts payable, accrued expenses, accrued vacation and recuperation and other current liabilities	(2,036)	960
Decrease in operating lease right-of-use asset and liability, net	(168)	(88)
Increase in interest receivable on short-term deposits	(220)	(130)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,039	-
Linkage differences and interest on long-term deposits and restricted bank deposits	(54)	(29)
Long term interest payable and foreign exchange differences on the EIB loan	(692)	-
Accrued severance pay, net	7	6
Net cash used for operating activities	<u>\$ (18,652)</u>	<u>\$ (13,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (44)	\$ (207)
Proceeds from withdrawal of (investment in) short-term deposits	(5,539)	2,445
Proceeds from withdrawal of long-term deposits	12,658	9,533
Net cash provided by investing activities	<u>\$ 7,075</u>	<u>\$ 11,771</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. Dollars in thousands

	Six months ended December 31,	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds related to issuance of common shares, net of issuance costs	-	\$ 920
Proceeds related to exercise of warrants	-	364
Net cash provided by financing activities	\$ -	\$ 1,284
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(1,039)	-
Decrease in cash, cash equivalents and restricted cash	(12,616)	(929)
Cash, cash equivalents and restricted cash at the beginning of the period	31,838	9,229
Cash, cash equivalents and restricted cash at the end of the period	\$ 19,222	\$ 8,300

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

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

NOTE 1:-GENERAL

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

Pluristem Therapeutics’ common shares are traded on the Nasdaq Global Market and on the Tel-Aviv Stock Exchange under the symbol “PSTI”.

- b. The Company is a bio-technology company focused on the field of regenerative medicine and operates in one business segment. The Company is developing placenta-based cell therapy product candidates for the treatment of muscle trauma, hematological disorders, radiation damage and inflammation.

The Company has incurred an accumulated deficit of approximately \$352,393 and incurred recurring operating losses and negative cash flows from operating activities since inception. As of December 31, 2021, the Company’s total shareholders’ equity amounted to \$39,840. During the six-month period ended December 31, 2021, the Company incurred losses of \$22,372 and its negative cash flow from operating activities was \$18,652.

As of December 31, 2021, the Company’s cash position (cash and cash equivalents, short-term bank deposits and long-term bank deposits) totaled approximately \$68,848. The Company plans to continue to finance its operations from its current resources, by entering into licensing or other commercial agreements, from grants to support its research and development activities, from sales of its equity securities, as well as the potential additional draw down of funds from the Finance Agreement (as defined in Note 4) executed with the European Investment Bank (the “EIB”), assuming applicable milestones will be achieved. Management believes that its current resources, together with its existing operating plan, are sufficient for the Company to meet its obligations as they come due at least for a period of twelve months from the date of the issuance of these interim condensed consolidated financial statements. There are no assurances, however, that the Company will be able to obtain an adequate level of financial resources that are required for the long-term development and commercialization of its product candidates.

NOTE 2:-SIGNIFICANT ACCOUNTING POLICIES*a. Unaudited Interim Financial Information*

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair statement have been included (consisting only of normal recurring adjustments). For further information, reference is made to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2021. The year-end balance sheet data was derived from the audited consolidated financial statements as of June 30, 2021, but not all disclosures required by U.S. GAAP are included.

Operating results for the six-month period ended December 31, 2021 are not necessarily indicative of the results that may be expected for the year ending June 30, 2022.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)*b. Significant Accounting Policies*

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

c. Use of estimates

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

d. Fair value of financial instruments

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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.

The Company measures its liability pursuant to the Finance Agreement with the EIB based on the aggregate outstanding amount of the combined principal and accrued interest. The Company does not reflect its liability for future royalty payments pursuant to the Finance Agreement with the EIB since the royalty payments are to be paid as a percentage of the Company's future consolidated revenues, pro-rated to the amount disbursed, beginning in the fiscal year 2024 and continuing up to and including its fiscal year 2030, which cannot be measured at this time.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)*e. Recently Issued Accounting Pronouncements*

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

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. The amendments contained in ASU 2016-13 were originally effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years for the Company. In November 2019, the FASB issued ASU No. 2019-10, which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the U.S. Securities and Exchange Commission, "SRC") to fiscal years beginning after December 15, 2022, including interim periods. Early adoption is permitted. The Company meets the definition of a SRC and is adopting the deferral period for ASU 2016-13. The guidance requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on its consolidated financial statements but does not expect that the adoption of this standard will have a material impact on its consolidated financial statements.

ASU No. 2021-10- "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance" ("ASU 2021-10"):

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832)," which requires business entities to disclose information about transactions with a government that are accounted for by applying a grant or contribution model by analogy (for example, IFRS guidance in IAS 20 or guidance on contributions for not-for-profit entities in ASC 958-605). For transactions within scope, the new standard requires the disclosure of information about the nature of the transaction, including significant terms and conditions, as well as the amounts and specific financial statement line items affected by the transaction. The new guidance is effective for annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the effect the adoption of this ASU may have on our future disclosures.

NOTE 3: - COMMITMENTS AND CONTINGENCIES

- a. As of December 31, 2021, an amount of \$507 of cash and deposits was pledged by the Subsidiary to secure its credit line and bank guarantees.
- b. Under the Law for the Encouragement of Industrial Research and Development, 1984, (the "Research Law"), research and development programs that meet specified criteria and are approved by the IIA are eligible for grants of up to 50% of the project's expenditures, as determined by the research committee, in exchange for the payment of royalties from the sale of products developed under the program. Regulations under the Research Law generally provide for the payment of royalties to the IIA of 3% on sales of products and services derived from a technology developed using these grants until 100% of the dollar-linked grant is repaid. The Company's obligation to pay these royalties is contingent on its actual sale of such products and services. In the absence of such sales, no payment is required. Outstanding balance of the grants will be subject to interest at a rate equal to the 12 month LIBOR applicable to dollar deposits that is published on the first business day of each calendar year. Following the full repayment of the grant, there is no further liability for royalties.

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

NOTE 3: - COMMITMENTS AND CONTINGENCIES (CONT.)

Through December 31, 2021, total grants from the IIA obtained aggregated to approximately \$27,743 and total royalties paid and accrued amounted to \$169. As of December 31, 2021, the Company's contingent liability in respect to royalties to the IIA amounted to \$27,574, not including LIBOR interest as described above.

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

As of December 31, 2021, total grants obtained under this Smart Money program amounted to approximately \$112. As of December 31, 2021, the Company's contingent liability with respect to royalties for this "Smart Money" program was \$112 and no royalties were paid or accrued.

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

As of December 31, 2021, the aggregate amount of grant obtained from this Smart Money program was approximately \$178. As of December 31, 2021, the Company's contingent liability with respect to royalties for this "Smart Money" program is \$178 and no royalties were paid or accrued.

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

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

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

NOTE 3: - COMMITMENTS AND CONTINGENCIES (CONT.)

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

As of December 31, 2021, total grants obtained under the “Shalav” program amounted to approximately \$52. As of December 31, 2021, the Company’s contingent liability with respect to royalties for this “Shalav” program was \$52 and no royalties were paid or accrued.

- g. In December 2021, the Company signed an addendum to its facility operating lease agreement (the “Addendum”) with the lessor, which extended the lease period to December 2026 and the Company has the option to extend the term of the lease (the “Extension Option”) for an additional period of five years until December 2031. The monthly lease payments are approximately \$94 (291,000 NIS) and will increase by 10% with the Extension Option. As a result of the Addendum, the right of use asset in the amount of \$7,769 is presented in the long-term assets, and the operating lease liability in the amount of \$431 and \$7,338 is presented in the short-term and long-term liabilities, respectively. The appropriate discount rate for the Company’s operating lease as of December 31, 2021 was 9.2%. The Company recognizes lease expenses, on a straight-line basis over the lease term.

NOTE 4: - LOAN FROM THE EIB

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

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

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

During June 2021, Pluristem received the first tranche in an amount of \$24,449 (€20 million) of the Finance Agreement. The amount received is due on June 1, 2026 and bears annual interest of 4% to be paid with the principal of the Loan. As of December 31, 2021, the linked principal balance in the amount of \$22,636 and the interest accrued in the amount of \$522 are presented as part of the Loan as long-term liabilities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 5: - SHAREHOLDERS' EQUITY

Pursuant to a shelf registration on Form S-3 declared effective by the SEC on July 23, 2020, in July 2020 the Company entered into an Open Market Sale Agreement ("ATM Agreement") with Jefferies LLC ("Jefferies"), which provides that, upon the terms and subject to the conditions and limitations in the ATM Agreement, the Company may elect, from time to time, to offer and sell common shares having an aggregate offering price of up to \$75,000 through Jefferies acting as sales agent. During the year ended June 30, 2021, the Company sold 1,045,097 common shares under the ATM Agreement at an average price of \$8.50 per share for aggregate net proceeds of approximately \$8,506, net of issuance expenses of \$380. There were no sales under the ATM Agreement during the six months ended December 31, 2021.

a. Options to consultants:

A summary of the options to non-employee consultants under the Company's 2005 and 2016 equity incentive plans is as follows:

	Six months ended December 31, 2021			
	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value Price
Options outstanding at the beginning of the period	39,836	\$ -	6.99	\$ 158
Options granted	40,000	\$ 2.33		
Options forfeited	(1,291)	\$ -		
Options outstanding at the end of the period	<u>78,545</u>	<u>\$ 1.19</u>	<u>8.33</u>	<u>\$ 56</u>
Options exercisable at the end of the period	<u>36,045</u>	<u>\$ -</u>	<u>6.68</u>	<u>\$ 53</u>
Options unvested	<u>42,500</u>	<u>\$ 2.19</u>		
Options vested and expected to vest	<u>78,545</u>	<u>\$ 1.19</u>	<u>8.33</u>	<u>\$ 56</u>

Compensation expenses recorded in general and administration expenses related to options granted to consultants for the six and three months ended December 31, 2021 and 2020 were \$10 and \$6, \$8 and \$3, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 5: - SHAREHOLDERS' EQUITY (CONT.)

b. Restricted Shares units ("RSUs") to employees, directors and consultants:

1. RSUs to employees and directors:

The following table summarizes the activity related to RSUs granted to employees and directors under the Company's 2005, 2016 and 2019 equity incentive plans for the six-month period ended December 31, 2021:

	Six months ended December 31,	
	2021	2020
	Number	
Unvested at the beginning of the period	2,404,415	415,194
Granted	75,000	2,600,120
Forfeited	(32,480)	(5,649)
Vested	(233,570)	(161,268)
Unvested at the end of the period	2,213,365	2,848,397
Expected to vest after the end of the period	2,172,615	2,800,315

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

	Six months ended December 31,		Three months ended December 31,	
	2021	2020	2021	2020
Research and development expenses	\$ 418	\$ 564	\$ 209	\$ 472
General and administrative expenses	4,494	4,168	1,587	3,346
	\$ 4,912	\$ 4,732	\$ 1,796	\$ 3,818

Unamortized compensation expenses related to RSUs granted to employees and directors is approximately \$9,420 to be recognized by the end of December 2025.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 5: - SHAREHOLDERS' EQUITY (CONT.)

2. RSUs to consultants:

The following table summarizes the activity related to unvested RSUs granted to consultants under the Company's 2005, 2016 and 2019 equity incentive plans for the six-month period ended December 31, 2021 and 2020:

	Six months ended December 31,	
	2021	2020
	Number	
Unvested at the beginning of the period	76,249	6,250
Granted	-	110,000
Forfeited	-	(25,000)
Vested	(33,750)	(1,250)
Unvested at the end of the period	<u>42,499</u>	<u>90,000</u>

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

	Six months ended December 31,		Three months ended December 31,	
	2021	2020	2021	2020
	Research and development expenses	\$ 45	\$ 68	\$ 13
General and administrative expenses	94	51	56	35
	<u>\$ 139</u>	<u>\$ 119</u>	<u>\$ 69</u>	<u>\$ -</u>

NOTE 6:- SUBSEQUENT EVENTS

On January 5, 2022, the Subsidiary entered into definitive agreements (collectively, the "Agreements") with Tnuva Food Industries – Agricultural Cooperative in Israel Ltd., through its fully owned subsidiary, Tnuva Food-Tech Incubator (2019), Limited Partnership ("Tnuva") (together, the "Parties"). Pursuant to the Agreements, the Parties established a new company ("NewCo") with the purpose of developing cultured meat products of all types and kinds. NewCo will receive exclusive, global, royalty bearing licensing rights to use Pluristem's proprietary technology, intellectual property and knowhow, to be used in the field of cultured meat. Tnuva will invest \$7.5 million in NewCo, according to a pre-money valuation of \$40 million, with the option to invest up to an additional \$7.5 million over a period of 12 months following the closing.

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

Forward-Looking Statements

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

- the expected development and potential benefits from our products in treating various medical conditions;
- our entering into certain contracts with third parties;
- the prospects of entering into additional license agreements, or other forms of cooperation with other companies, research organizations and medical institutions, including, without limitation Tnuva (as defined below);
- our pre-clinical and clinical trials plans, including timing of initiation, expansion, enrollment, results, and conclusion of trials;
- achieving regulatory approvals, including under accelerated paths;
- receipt of future funding from the Israel Innovation Authority, or IIA, the European Union’s Horizon programs, as well as grants from other independent third parties;
- the receipt of additional funds pursuant to our finance agreement, or the EIB Finance Agreement, with the European Investment Bank, or the EIB, and whether we will achieve further milestones necessary to receive additional funds thereunder;
- developing capabilities for new clinical indications of placenta expanded, or PLX, cells and new products;
- the progress of our multinational Phase III trial program for the potential use of PLX cells in the treatment of muscle injury following arthroplasty for hip fracture;
- our expectation to demonstrate a real-world impact and value from our pipeline, technology platform and commercial-scale manufacturing capacity;
- the possible impacts of cybersecurity incidents on our business and operations;
- our expectations regarding our short- and long-term capital requirements;
- our outlook for the coming months and future periods, including but not limited to our expectations regarding future revenue and expenses;
- information with respect to any other plans and strategies for our business; and
- our expectations regarding the impact of the COVID-19 pandemic, including on our clinical trials and operations.

Our business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report.

In addition, historic results of scientific research, clinical and preclinical trials do not guarantee that the conclusions of future research or trials would not suggest different conclusions. Also, historic results referred to in this periodic report would be interpreted differently in light of additional research, clinical and preclinical trials results. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business is described under the heading “Risk Factors” in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, or the 2021 Annual Report, as well as Item 1A of this Quarterly Report. Readers are also urged to carefully review and consider the various disclosures we have made in that report.

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

Overview

We are a biotechnology company with an advanced cell-based technology platform. We have developed a unique three-dimensional, or 3D, technology platform for cell expansion with an industrial scale in-house GMP cell manufacturing facility. We are utilizing our technology in the field of regenerative medicine and plan to utilize it in other industries and verticals that have a need for our mass scale and cost-effective cell expansion platform.

Our operations are focused on the research, development and manufacturing of cells, conducting clinical studies and the business development of cell therapeutics and cell based technologies, such as our recent collaboration with Tnuva Food Industries – Agricultural Cooperative in Israel Ltd., through its fully owned subsidiary, Tnuva Food-Tech Incubator (2019), Limited Partnership, or Tnuva, to use our technology to establish a cultured food platform.

We use our advanced cell-based technology platform in the field of regenerative medicine to develop placenta-based cell therapy product candidates for the treatment of multiple inflammatory, muscle injuries and hematologic conditions. We develop, and intend to commercialize, cell therapy production technologies and products that are derived from the human placenta after a full-term delivery of a healthy baby. Our placental expanded, or PLX, cells are adherent stromal cells that are expanded using our 3D platform. Our PLX cells can be administered to patients off-the-shelf, without blood or tissue matching or additional manipulation prior to administration. PLX cells are believed to release a range of therapeutic proteins in response to the patient’s condition.

We intend to enhance the global reach of our cell expansion technology and PLX product portfolio, enabling the development of various new cell-based products for multiple applications, based on our innovative technology and manufacturing capabilities.

Our goal is to make significant progress with our clinical pipeline and clinical studies to ultimately bring innovative, potent therapies to patients who need new treatment options. In addition, we plan to continue leveraging our proprietary technology for other industries and verticals that have a need for our mass scale and cost-effective cell expansion platform, such as the food tech industry. We expect to demonstrate a real-world impact and value from our cell based technology platform and PLX pipeline. Our business model for commercialization and revenue generation includes, but is not limited to, licensing deals, joint ventures, direct sale of our products and partnerships.

Clinical Studies

We are conducting several multinational clinical studies which consist of a Phase III clinical study in muscle recovery following surgery for hip fracture and two Phase II clinical studies in Acute Respiratory Distress Syndrome, or ARDS, associated with COVID-19 in the United States, Europe and Israel. In addition, we are focusing on other clinical programs in the hematological field such as a Phase I clinical study for incomplete recovery following bone marrow transplantation in the United States and Israel, an investigator-led Phase I/II Chronic Graft versus Host Disease study in Israel, and Acute Radiation Syndrome, or ARS, under the U.S. Food and Drug Administration, or FDA, animal rule. We believe that each of these indications is a severe unmet medical need.

On November 15, 2021, we announced that we fully completed the enrollment of 240 patients for our Phase III clinical study in muscle recovery following surgery for hip fracture. The multinational clinical study includes patients from the U.S., Europe, and Israel, and we expect to announce topline results in the third calendar quarter of 2022.

On December 27, 2021, we announced topline results for our COVID-19 studies based on 89 patients enrolled. The primary efficacy endpoint was the number of ventilator free days, or VFD, from day 1 through day 28 of the studies. VFD at day 60 and all-cause mortality at days 28 and 60 were part of the secondary efficacy endpoints in the studies. The studies did not meet the primary efficacy endpoint of statistically significant improvement of VFD at 28 days. Taking into consideration the baseline risk factors of the ARDS patients, no differences in the safety profile were observed between PLX-PAD and placebo.

We have completed enrollment in our first in human Phase I clinical study in incomplete hematopoietic recovery following hematopoietic cell transplantation, or HCT, in the United States and Israel. The study has completed enrollment of 21 patients and is designed to assess the safety of PLX-R18. We completed one year follow up for all patients during September 2021. In April 2021, we announced positive topline results of this study and we plan to announce final results following a one year follow up during the first calendar quarter of 2022.

Our manufacturing facility complies with the European, Japanese, Israeli, South Korean and the FDA's current Good Manufacturing Practice, or cGMP, requirements and has been inspected and approved by the European Qualified Person, or QP, and Israeli MoH for production of PLX cells for late stage trials. We have also been granted manufacturer/importer authorization and cGMP Certification by the Israeli Ministry of Health. If we obtain FDA and other regulatory approvals to market PLX cells, we expect to have in-house production capacity to grow PLX cells in commercial quantities.

Food Tech

On January 5, 2022, we entered a joint venture with Tnuva and through our fully owned subsidiary Pluristem Ltd. Under the joint venture agreement, we established a new company, Plurinuva Ltd. (which name may be changed from time to time), an Israeli company, or NewCo, with the purpose of developing cultured meat products of all types and kinds. NewCo is intended to be engaged in the development, manufacturing and commercialization of technology, know-how and products that will be based on licensed products relating to the field of cultured meat, or the Field.

Pursuant to the joint venture, Tnuva entered into a Share Purchase Agreement, or the SPA, with NewCo and Pluristem Ltd., pursuant to which NewCo shall issue, on the closing date of the SPA, 15.79% of its share capital to Tnuva, as well as a warrant to purchase additional shares of NewCo, in consideration of an aggregate of \$7,500,000 in cash. In addition, pursuant to the SPA, in the event the Company decides to use its technology for the development of cultured milk or fish products, Tnuva shall also have the right, for a period of seven (7) years following the Closing Date, to participate in the formation of additional separate joint ventures for the development of those products.

Prior to the Closing Date, the Subsidiary and NewCo also agreed to execute a Technology License Agreement, or the License Agreement, and at the Closing, the Subsidiary and NewCo shall execute a Transitional Services Agreement, or the Services Agreement. Pursuant to the License Agreement, the Subsidiary shall grant NewCo an exclusive, royalty bearing, perpetual and irrevocable, worldwide, non-transferable (except under specific circumstances specified thereunder), sublicensable license to its technology for the use in the development of the Licensed Products. In addition, NewCo shall grant the Subsidiary, pursuant to the License Agreement, an exclusive, perpetual and irrevocable, worldwide, sublicensable, royalty-free, license to use, make, exploit and develop the improvements made by NewCo to the licensed technology outside of the Field. In consideration for the license, NewCo agreed to grant the Subsidiary royalties in the mid-single digits. Pursuant to the terms of the Services Agreement, the Subsidiary shall provide NewCo transitional services to support its commercial efforts on a cost basis, for an initial term of eighteen (18) months, subject to mutual extension for an additional six (6) months.

Pursuant to the SPA, Tnuva and NewCo agreed to enter into a Commercialization Agreement within twelve (12) months pursuant to which Tnuva shall be granted exclusive marketing, distribution and sale rights of the Licensed Products in Israel. Tnuva's exclusivity in the region will be subject to achieving and maintaining specific milestones. NewCo shall retain exclusive worldwide marketing, distribution, and sale rights for the Licensed Products worldwide, except in Israel.

RESULTS OF OPERATIONS – THREE AND SIX MONTHS ENDED DECEMBER 31, 2021 COMPARED TO THREE AND SIX MONTHS ENDED DECEMBER 31, 2020.

Revenues

We had no revenues for either the six or three-month periods ended December 31, 2021 and December 31, 2020.

Research and Development Expenses, Net

Research and development expense, net (costs less participation and grants by the Horizon 2020 program, the IIA and other parties) for the six-month period ended December 31, 2021 decreased by 8% from \$13,915,000 for the six-month period ended December 31, 2020 to \$12,860,000. The decrease is mainly attributed to a decrease in clinical trial subcontractor expenses following the termination of our prior study relating to the use of our PLX-PAD cells for the treatment of critical limb ischemia, or CLI, and the progress of our Phase II studies of ARDS associated with COVID-19. The decrease was partially offset by higher payroll expenses related to payroll adjustments and the strength of the New Israel Shekel, or NIS, against the U.S. dollar and a decrease in participation by the EU with respect to the Horizon 2020 program, as a result of our utilizing the entirety of the grant under such program during the six-month period ended December 31, 2020.

Research and development expense, net (costs less participation and grants by the Horizon 2020 program, the IIA and other parties) for the three-month period ended December 31, 2021 decreased by 18% from \$7,977,000 for the three-month period ended December 31, 2020 to \$6,507,000. The decrease is mainly attributed to a decrease in clinical trial subcontractor expenses following the termination of the CLI and the progress of our Phase II studies of ARDS associated with COVID-19. The decrease was partially offset by higher payroll expenses related to payroll adjustments and the strength of the NIS against the U.S. dollar.

General and Administrative Expenses

General and administrative expenses for the six-month period ended December 31, 2021 increased by 19% from \$7,896,000 for the six-month period ended December 31, 2020 to \$9,376,000. The increase is mainly attributed to an increase in share-based compensation expenses related to granted restricted stock units, or RSUs, an increase in payroll expenses related to payroll adjustments, an increase in head count in general and administrative departments and the strength of the NIS against the U.S. dollar.

General and administrative expenses for the three-month period ended December 31, 2021 decreased by 16% from \$5,097,000 for the three-month period ended December 31, 2020 to \$4,288,000. The decrease is mainly attributed to a decrease in share-based compensation expenses related to granted RSUs. The decrease was partially offset by an increase in payroll expenses related to new employees and payroll adjustments, and provision for losses due to cyber event as mentioned in the Risk Factors below.

Financial Income

Financial income decreased from a financial income of \$947,000 for the six-month period ended December 31, 2020 to a financial income of \$419,000 for the six-month period ended December 31, 2021. This decrease is mainly attributable to a decrease in income from exchange rate differences on deposits linked to the NIS, partially offset by an increase in interest income on deposits linked to the Euro.

Financial income decreased from a financial income of \$646,000 for the three-month period ended December 31, 2020 to a financial income of \$156,000 for the three-month period ended December 31, 2021. This decrease is mainly attributable to a decrease in income from exchange rate differences on deposits linked to the NIS, partially offset by an increase in interest income on deposits linked to the Euro.

Financial Expenses

Financial expenses increased from financial expense of \$179,000 for the six-month period ended December 31, 2020 to financial expenses of \$555,000 for the six-month period ended December 31, 2021. This increase is mainly attributable to interest expenses related to the EIB loan provided to us pursuant to the EIB Finance Agreement.

Financial expenses increased from a financial expense of \$126,000 for the three-month period ended December 31, 2020 to financial expenses of \$301,000 for the three-month period ended December 31, 2021. This increase is mainly attributable to interest expenses related to the EIB loan provided to us pursuant to the EIB Finance Agreement.

Net Loss

Net loss for the six and three-month periods ended December 31, 2021 was \$22,372,000 and \$10,940,000 respectively, as compared to net loss of \$21,043,000 and \$12,554,000 for the six and three-month periods ended December 31, 2020. For the six-month period, the increase was mainly due to increases in general and administrative expenses, and for the three-month period the decrease was due to a decrease in general and administrative expenses and research and development expenses, as described above. Net loss per share for the six and three-month periods ended December 31, 2021 was \$0.70 and \$0.34 as compared to \$0.82 and \$0.49 for the six and three-month periods ended December 31, 2020.

For the six and three-month periods ended December 31, 2021 and December 31, 2020, we had weighted average common shares outstanding of 32,068,271, 32,136,352, and 25,599,008, 25,662,752, respectively, which were used in the computations of net loss per share for the six and three-month periods.

The increase in weighted average common shares outstanding reflects the issuance of additional shares mainly related to the issuances of shares pursuant to a securities purchase agreement with certain institutional investors in February 2021, issuances of shares pursuant to our Open Market Sale AgreementTM, or the ATM Agreement, that we entered into with Jefferies LLC, or Jefferies, on July 16, 2020, issuances of additional shares upon the settlement of RSUs issued to directors, employees and consultants, and shares issued as a result of exercises of outstanding warrants and options.

Liquidity and Capital Resources

As of December 31, 2021, our total current assets were \$60,153,000 and total current liabilities were \$9,595,000. On December 31, 2021, we had a working capital surplus of \$50,558,000, shareholders' equity of \$39,840,000 and an accumulated deficit of \$352,393,000.

Our cash and cash equivalents as of December 31, 2021 amounted to \$18,715,000, compared to \$7,824,000 as of December 31, 2020, and compared to \$31,241,000 as of June 30, 2021. Cash balances changed in the six months ended December 31, 2021 and 2020 for the reasons presented below.

Operating activities used cash of \$18,652,000 in the six months ended December 31, 2021, compared to \$13,984,000 in the six months ended December 31, 2020. The increase is mainly attributed to payments made to our suppliers, an increase in payments to our employees and the strength of the NIS against the U.S. Dollar. Cash used in operating activities in the six months ended December 31, 2021 and 2020 consisted primarily of payments of fees to our suppliers, subcontractors, professional services providers and consultants, including the costs of our clinical studies, and payments of salaries to our employees, partially offset by grants from the IIA, the EU's Horizon 2020 program, Israel's Ministry of Economy and other research grants.

Investing activities provided cash of \$7,075,000 in the six months ended December 31, 2021, compared to cash provided of \$11,771,000 for the six months ended December 31, 2020. The investing activities in the six-month period ended December 31, 2021 consisted primarily of the withdrawal of \$12,658,000 of long-term deposits, partially offset by the investment of \$5,539,000 in short-term deposits and payments of \$44,000 related to investments in property and equipment. The investing activities in the six-month period ended December 31, 2020, consisted primarily of the withdrawal of \$2,445,000 of short-term deposits and the withdrawal of \$9,533,000 of long-term deposits, partially offset by payments of \$207,000 related to investment in property and equipment.

Financing activities did not generate cash during the six months period ended December 31, 2021, compared to \$1,284,000 for the six months ended December 31, 2020. The cash generated in the six months ended December 31, 2020 from financing activities was related to net proceeds of \$920,000 related to issuances made under the ATM Agreement and net proceeds of \$364,000 from the exercise of warrants.

On July 16, 2020, we entered into the ATM Agreement with Jefferies, pursuant to which we may issue and sell our common shares having an aggregate offering price of up to \$75,000,000 from time to time through Jefferies. Upon entering into the ATM Agreement, we filed a new shelf registration statement on Form S-3, which was declared effective by the SEC on July 23, 2020. During the year ended June 30, 2021, we sold 1,045,097 of our common shares under the ATM Agreement at an average price of \$8.50 per share for aggregate net proceeds of approximately \$8,506,000. During the six-months ended December 31, 2021, we did not sell any of our common shares under the ATM Agreement.

In April 2020, we and our subsidiaries, Pluristem Ltd. and Pluristem GmbH, executed the EIB Finance Agreement for funding of up to €50 million in the aggregate, payable in three tranches. The proceeds from the EIB Finance Agreement are intended to support our research and development in the European Union to further advance our regenerative cell therapy platform, and to bring the products in our pipeline to market. The proceeds from the EIB Finance Agreement are expected to be deployed in three tranches, subject to the achievement of certain clinical, regulatory and scaling up milestones.

During June 2021, we received the first tranche in the amount of \$24,449,000 (€20 million) pursuant to the EIB Finance Agreement. The amount received is due to be repaid on June 1, 2026 and bears annual interest of 4% to be paid together with the principal of the loan. As of December 31, 2021, the interest accrued was in the amount of \$522,000 (€462,000).

According to the IIA grant terms, we are required to pay royalties at a rate of 3% on sales of products and services derived from technology developed using this and other IIA grants until 100% of the dollar-linked grants amount plus interest are repaid. In the absence of such sales, no payment is required. Through December 31, 2021, total grants obtained from the IIA aggregated to approximately \$27,743,000 and total royalties paid and accrued amounted to \$169,000.

In June 2020, we announced that we were selected as a member of the CRISPR-IL consortium, a group funded by the IIA. CRISPR-IL brings together the leading experts in life science and computer science from academia, medicine, and industry, to develop Artificial Intelligence, or AI, based end-to-end genome-editing solutions. These next-generation, multi-species genome editing products for human, plant, and animal DNA, have applications in the pharma, agriculture, and aquaculture industries. CRISPR-IL is funded by the IIA with a total budget of approximately \$10,000,000 of which, an amount of approximately \$480,000 was a direct grant allocated to us, for the initial period of 18 months. During October 2021, we received an approval for an additional grant of approximately \$583,000 from the IIA pursuant to the CRISPR-IL consortium program, for an additional period of 18 months.

Through December 31, 2021, we received total grants of approximately \$646,000 in cash from the IIA pursuant to the CRISPR-IL consortium program, out of which an amount of \$245,000 was received during the six-months ended December 31, 2021.

The currency of our financial portfolio is mainly in U.S. dollars and we use options contracts in order to hedge our exposures to currencies other than the U.S. dollar. For more information, please see Item 7A. - “Quantitative and Qualitative Disclosures about Market Risk” in the 2021 Annual Report.

We have an effective Form S-3 registration statement (File No. 333-239890), filed under the Securities Act of 1933, as amended, with the SEC using a “shelf” registration process. Under this shelf registration process, we may, from time to time, sell our common shares, preferred shares and warrants to purchase common shares, and units of two or more of such securities in one or more offerings up to a total dollar amount of \$250,000,000. As of February 4, 2022, other than the \$75,000,000 of common shares we are eligible to sell pursuant to the ATM Agreement, and the \$30,000,000 of common shares we sold in a registered direct offering in February 2021, no securities have been sold pursuant to our effective Form S-3 registration statement.

Outlook

We have accumulated a deficit of \$352,393,000 since our inception in May 2001. We do not expect to generate any significant revenues from sales of products in the next twelve months. Our cash needs may increase in the foreseeable future. We expect to generate revenues, from the sale of licenses to use our technology or products, but in the short and medium terms will unlikely exceed our costs of operations.

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

We are continually looking for sources of funding, including non-diluting sources such as the EIB Finance Agreement, grants from the IIA, EU's Horizon 2020 program, Israel's Ministry of Economy and other research grants, collaboration with other companies and sales of our common shares.

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

Item 4. Controls and Procedures.

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

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

Changes in Internal Control Over Financial Reporting - During November 2021, we experienced a cybersecurity incident in which one or more third parties were able to impersonate one of our vendors by using a falsified email domain account and asked to wire a payment to a false bank account. As a result of this cybersecurity incident, we implemented certain changes to our internal control procedures with respect to payments to suppliers that seek to provide alternate bank account information to us. We have also updated our information technology procedures and hired the services of a cybersecurity consultant to assist with exploring and implementing a range of steps to enhance our security protections in order to prevent future cybersecurity incidents. In addition, we have enhanced our organizational awareness of cybersecurity and information security within our organization.

Except as set forth above, there has been no change in our internal control over financial reporting during the second quarter of fiscal year 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our 2021 Annual Report, which could materially affect our business, financial condition or future results.

There have been no material changes from the risk factors previously disclosed in our 2021 Annual Report, except as noted below.

We suffered a cybersecurity incident which resulted in the loss of funds. While we have protocols to prevent future incidents, these protocols may not prevent future incidents and any significant similar future incidents could have a negative impact on our business.

During November 2021, we experienced a cybersecurity incident in which one or more third parties were able to impersonate one of our vendors by using a falsified email domain account and asked to make a payment to a false bank account. As a result of this incident, the third parties managed to extract a sum of approximately \$616,000 from us. As a result of this incident, we immediately launched an investigation into the incident, hired the services of a cybersecurity investigation firm to fully access the incident and notified the appropriate government authorities, including the banks involved in the transaction. We are constantly exploring new and advanced security protection measures to prevent future cybersecurity incidents. These steps may include working with a cybersecurity consultant as well as potential additional measures.

To date, the cybersecurity incident has not had any effect on our ability to meet our financial obligations, including our ability to carry out our operations and business activities. In addition, our investigation has confirmed that, other than the funds referenced above, none of our information or data was stolen or damaged. Nonetheless, our security protections, including the steps we have taken in response to the November 2021 incident, may not prevent future incidents of a similar nature or other cyber-attacks.

We continually assess cybersecurity threats and make investments to increase internal protection, detection, and response capabilities, as well as ensure our third party providers have required capabilities and controls, to address this risk. To date, we have not experienced any material impact to the business or operations resulting from information or cybersecurity attacks, including the incident mentioned above; however, because of the frequently changing attack techniques, along with the increased volume and sophistication of the attacks, there is the potential for us to be adversely impacted. This impact could result in reputational, competitive, operational or other business harm as well as financial costs and regulatory action. We also maintain cybersecurity insurance in the event of an information security or cyber incident; however, the coverage may not be sufficient to cover all financial losses.

Item 6. Exhibits.

10.1	Consulting Agreement by and between Pluristem Ltd. and Mr. Zalman (Zami) Aberman, dated January 1, 2022 (incorporated by reference to Exhibit 10.1 of our current report on Form 8-K filed on January 3, 2022).
10.2*	Summary of Supplement to the Lease Agreement by and between Pluristem Ltd. and MTM – Scientific Industries Center Haifa Ltd dated December 31, 2021.
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101*	The following materials from our Quarterly Report on Form 10-Q for the quarter ended December 31, 2021 formatted in inline XBRL (eXtensible Business Reporting Language): (i) the Interim Condensed Consolidated Balance Sheets, (ii) the Interim Condensed Consolidated Statements of Operations, (iii) the Interim Condensed Statements of Changes in Shareholders’ Equity, (iv) the Interim Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Interim Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.
104*	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

^ Certain identified information in the exhibit has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to Pluristem if publicly disclosed.

SIGNATURES

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

PLURISTEM THERAPEUTICS INC.

By: /s/ Yaky Yanay
Yaky Yanay, Chief Executive Officer and President
(Principal Executive Officer)

Date: February 7, 2022

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

Date: February 7, 2022

English Summary of Supplement to Lease Agreement Dated December 31, 2021

A supplement dated December 31, 2021 (the "Supplement") made to the existing lease agreement dated January 22, 2003 (the "Lease Agreement")

1. **Parties:** Pluristem Ltd. ("Pluristem") and MTM – Scientific Industries Center Haifa Ltd. ("MTM").
2. **Signing Date:** December 31, 2021
3. **The Premises:** Certain areas in Building 5.1 (approximately 4,389 square meters in total of office space – "Office Space") and a certain areas in Building 5.1 (approximately 191 square meters in total – "Area"), and 87 parking spots in different locations, all in MATAM Advanced Technology Park, Haifa, Israel (the "Premises"). The Parties agree that the Area will be measured again, and in the case of measurement inaccuracy, the fees will be retroactively adjusted to the correct measures.
4. **Lease Period:** The Supplement extends the rent period with respect to the Premises until December 31, 2026 (the "Lease Period"). Notwithstanding the foregoing, Pluristem has a right to extend the Lease Agreement for an additional sixty (60) more calendar months until December 31, 2031 upon providing 6 months' advanced written notice prior to the end of the Lease Period, and as long as Pluristem is not in material breach of the Lease Agreement (the "Option Period").
5. **Lease Fees:** Lease fees are payable monthly in the following amounts (linked to the Israeli Consumer Price Index as of September 2014):
 - 5.1 For the leased Office Space in Building 20, 65 New Israeli Shekel (NIS) per one square meter (plus applicable taxes);
 - 5.2 For the leased Area space in Building 20, 33 New Israeli Shekel (NIS) per one square meter (plus applicable taxes);
 - 5.3 During the Option Period, the fees for the Office Space will be increased by 10% to 71.5 NIS per one square meter, and 36.3 NIS per one square meter of the Area (plus applicable taxes);
 - 5.4 During the Lease Period, the fees for each parking spot will differ: (1) during the period between January 1, 2022 to December 31, 2022 – 300 NIS (plus applicable taxes) per parking spot, (2) during the period between January 1, 2023 to December 31, 2024 – 350 NIS (plus applicable taxes) per parking spot, (3) during the period between January 1, 2024 to December 31, 2026 – 400 NIS (plus applicable taxes) per parking spot. During the Option Period, the price per parking spot will increase by 10% from the last paid price, to 440 NIS per parking spot;
 - 5.5 Management fees during the extended Lease Period will be calculated using the cost+15% mechanism. The estimated management fees on the date of signing of this Supplement are 4 NIS for each 1 square meter of the Office Space, not including the Area (plus applicable taxes);
 - 5.6 All fees will be linked to the base index as defined in the Supplement, and will include VAT.
6. **Leasehold Improvements:** Pluristem will make improvements to the pump room on the Premises, and MTM will participate in the payment of these improvements in an amount that would not exceed 100,000 NIS plus applicable taxes.
7. **Guarantees:** In order to secure its undertakings under this agreement, Pluristem shall provide MTM within no more than 30 days from signing this Supplement, an updated unconditional autonomic bank guarantee in an amount equal to 6 months lease fees (calculated for the new fees) (plus applicable taxes). If the option to extend the lease is exercised, the guarantee amount should be increased to include the applicable fees.
8. **Transfer of Rights:** Pluristem will be allowed to rent out parts of the Premises, only on the second floor of the building, following 21 days' notice to MTM, and provided that the sublessor accepts all of the obligations under the original Lease Agreement. The sublessor must also sign a guarantee in favor of MTM and is only allowed to use the Premises for permitted purposes.
9. **Management and Services:** MTM will provide building management services through MTM or a management company.

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

CERTIFICATION

I, Yaky Yanay, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2022

/s/ Yaky Yanay

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

CERTIFICATION

I, Chen Franco-Yehuda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pluristem Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15d-15(f)) of the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2022

/s/ Chen Franco-Yehuda

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

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

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof, I, Yaky Yanay, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. 1350, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2022

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

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

In connection with the Quarterly Report (the "Report") of Pluristem Therapeutics Inc. (the "Company") on Form 10-Q for the period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof, I, Chen Franco-Yehuda, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, that to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2022

By: /s/ Chen Franco-Yehuda
Chen Franco-Yehuda
Chief Financial Officer