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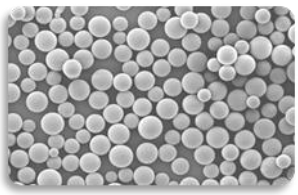
COLLPLANT HOLDINGS LTD.

Annual Report 2014



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As of the date of this report, the Company is considered a "small corporation" in accordance with the terms set out in Regulation 5c of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970 (the "Regulations").[1]

Pursuant to the Regulations, the Company adopts and implements (as far as the said application is relevant or will be relevant to the Company) a number of concessions provided in the Regulations, that in essence state as follows:

1. **The enclosing of material valuations is done only when exceeding a material threshold of 20%;[2]**
2. **Statements of companies included in a material manner will be added to the Interim Financial Statements only when exceeding a material threshold of 40% (the threshold for inclusion in the annual financial statements is (remains) 20%);[3]**
3. **An exemption from the implementation of the second schedule of the Regulations (Details about the exposure to market risks and their management (Detection Report));[4]**
4. **Non-publication of a report on the internal control and the Auditor's report on the internal control, while enclosing only limited managers' declarations.[5]**

[1] See the Company's immediate report dated March 11rg 2014 [reference no. 2014-01-011652], and March 23rd 2014 [reference no.2014-01-021213], included herein by way of reference.

[2] Regulation 5d (b)(1) of the Regulations. In according with legal ruling SLB 105-23 of the Securities Authority Staff, as updated on March 13th 2014, regarding the parameters got the examination of materiality of valuations, "A material valuation in a small corporation" is defined as a valuation which :

(a) The valuation topic constitutes at least 20% of the total assets of the company; **or**

(b) The impact of changes in the value as a result of the valuation on the net income or total income, respectively, constitutes at least 20% of the net income or total income, respectively, **as well as** the impact of said change constitutes at least 10% of the equity of the corporation.

[3] Regulation 5d (b)(2) of the Regulations.

[4] Regulation 5d (b)(3) of the Regulations.

[5] Regulation 5d (b)(4) of the Regulations.

CollPlant Holdings Ltd.

Chapter A – Description of the Corporation's Business

We are pleased to hereby present the description of CollPlant Holdings Ltd. (the "**Company**") and CollPlant Ltd., a wholly owned subsidiary of the Company ("**CollPlant**"; unless stated otherwise, whenever the Company is indicated, it shall mean including CollPlant), and the development of the Company's business in 2014 (the "**Report Year**") according to the directives of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970 (the "**Periodic Report**" or the "**Report**").

Sincerely,

CollPlant Holdings Ltd.

Date: March 22nd 2015

Signatories on this report and their position:

Yaron Yaniv, Chairman of the Board

Yehiel Tal, CEO

In view of the nature of the Company as a research and development company for medical products and in view of the lack of certainty in the success of a development of any of the Company's various products and/or their introduction into the relevant market, in the event of failure of the technological development of any of the Company's products and/or failure to obtain the necessary permits from the competent regulatory bodies for the marketing and the sale of any of the Company's products and/or their introduction into the relevant market, the Company's investment in the development of any of its products may be for naught. Furthermore, as a research and development company the Company must raise capital until a permanent positive cash flow is generated from the sale of its medical products (or any of them) to finance its expenditures.

This chapter contains estimates, forecasts and valuations, whose realization is uncertain as they are not within the control of the Company. In view of the nature of the Company's business there is a risk regarding the Company's forecasts and projections in connection with its activity. In view of the Company's business field, it wishes to emphasize that there is no certainty regarding the Company's success in developing its various products and/or success in their commercialization and/or significant sales of the various development products, and it is possible that all or part of the required permits for the products will not be obtained and/or their marketing will fail and/or will not occur on the planned dates. In addition, the Company cannot guarantee that certain results which are projected and/or predicted by the Company will indeed occur and to what extent.

1. **<u>Definitions</u>**

1.1 For the sake of convenience, following are definitions for key terms used in this chapter:

"CE Mark" (conformity mark)	-	Uniform labeling of a product, designed to facilitate the supervision and control of the European Community concerning manufacturers' compliance with the various regulations and directives of the European Community and to clarify the obligations imposed in the various legislative provisions in the EU. Using a uniform product labeling means compliance with all of the provisions of the directives and regulations requiring the application of such labeling.
"collage®" (collage rh-Collagen -	-	Recombinant human collagen type I, developed and manufactured by CollPlant with genetically engineered tobacco plants

recombinant human collagen type I)		according to CollPlant's unique patent. The collagen passed compatibility tests (Bio-compatibility) and safety tests.
"EMA" (European Medicines Agency)	-	The European Medicines Agency, an authority of the European Union whose task is to audit and regulate the development and registration of medicine products, and the entity authorized to grant marketing approval for a drug in the European Union countries.
"FDA" (US Food and Drug Administration)	-	The US Food and Drug Administration. A federal regulatory authority in the US whose task is to monitor and regulate the development and registration of medical devices (and drugs) in the US and the entity authorized to grant approval to market a medical device (or drug) in the US.
"cGMP/ GMP" (Current/ Good Manufacturing Practice)	-	Standards, procedures and guidelines for product quality control. Companies that manufacture drugs and/or medicinal products must comply with these standards, defined by various regulatory authorities, such as the - FDA.
"ISO" (International Organization for Standardization)	-	An international entity that determines standards. ISO is the representative of national standards authorities around the world, which sets international industrial and commercial standards.
"NP" / "RP" (National Phase / Regional Phase)	-	A patent application filed at the Patents Registration Office of a particular country or a particular region, and the patent, if registered, shall be effective only in that country (National) or in every one of the countries within that region (Regional) (respectively).
"Notified Body"/ "NB"	-	An entity operating in the European Union authorized by the European Union to grant a CE Mark permit to market a medical device in accordance with the European Directive concerning medical devices.
"PCT" (Patent Cooperation Treaty)	-	The Patent Cooperation Treaty, which deals with the filing of international patent applications, and managed by the World Intellectual Property Organization WIPO (Israeli is member in the convention).
"**Provisional**" (Provisional Patent Application)	-	A patent application filed in the United States that is not under review by the US Patent Office, and which expires after one year from the date of its filing. It is possible to obtain in

		the US a date that protects the invention for a very low fee. If by the end of a year from the filing of the provisional application the patent registration process continued, the date of the provisional application is considered the priority date of the application. In the event the patent registration process was not continued, the application is deleted and is not published.
"510(k)/510(k) De Novo"	-	A notification procedure before marketing (usually an abbreviated procedure without the need for preliminary clinical trials) under section 510(k) of the American Federal Food, Drugs & Cosmetics Act – FFD&C (the "**American Drug Law**"), under which FDA approval is received for the manufacture and marketing of a medical device, similar in a material manner to another medical device, for which FDA approval has been granted previously. A De Novo procedure is a procedure in which the product is examined in respect of the need for preliminary clinical trials, and it is requested when the product for which the FDA approval is sought does not have a product that is materially similar to it, and therefore may be longer than the abbreviated procedure.
"**PMA**" (Pre-Market Approval)	-	A pre-marketing approval procedure, under which the FDA approves the marketing of a medical device in accordance with section 515 of the American Drug Law, which unlike the products referred to the procedure in section 510(k), is not similar in a material manner to another product which has been approved by the FDA in the past, and whose safety and effectiveness of use have not yet been proven. Therefore, it is required to undergo clinical trials to prove such level of safety and efficacy.
"Dollar"	-	US dollar
The "Stock Exchange"	-	The Tel Aviv Stock Exchange Ltd.
The "Financial Statements"	-	The annual consolidated audited financial statements of the Company for December 31st 2014, enclosed herein to this report.
The "Company"	-	CollPlant Holdings Ltd. and CollPlant, unless stated explicitly otherwise, whenever the Company is indicated, it shall mean including

		CollPlant.
"Chief Scientist"	-	The Chief Scientist at the Ministry of Economy, in charge of implementation government policy for the support of industrial research and development.
The "Authority"	-	The Securities Authority
The "Helsinki Committee"	-	The approval committee, operating in medical institutions in Israel under the Public Health Regulations (Clinical Trials in Human Subjects) – 1980 and pursuant to Procedure no. 14 of the Pharmaceutical Division at the Ministry of Health – Clinical Trials in Human Subjects.
The "Companies Law"	-	The Companies Law, 5759 – 1999, as may be amended from time to time.
The "Securities Law"	-	The Securities Law, 1968, as may be amended from time to time.
"Medical Device"	-	Device, tool, apparatus or material used for medical treatment of people's health or for diagnostic purposes, and is not primarily intended to act as a drug.
"Pre-Clinical Trial"	-	Trial not conducted on human subjects.
"Clinical Trial"	-	Trial conducted on human subjects whose aim is examining the efficacy or safety of drugs and medical devices.
"Collagen"	-	Collagen is the most common protein in the human body and the bodies of many animals, and it accounts for about 25% of all proteins in the body. Collagen is a structural protein constituting the main component of connective tissue fibers (connective tissue such as tendons, ligaments, skin, bone and cartilage). Collagen has great tensile strength, which is why it is usually combined with another fiber protein – elastin – that provides flexibility. The percentage of collagen compared to elastin in various tissues varies according to the tissue function. Tissue designed to provide mechanical strength, such as tendons, contain large amounts of collagen and a little elastin, while tissue that must maintain maximum flexibility, such as arteries and especially the aorta, as well as lungs and skin, contains a large amount of elastic fibers. There are more than 25 different types of collagen, and the most common of which is collagen type I, which is the collagen produced by the Company, and

		found in a greater quantity in the human body.
:CollPlant"	-	CollPlant Ltd., the subsidiary fully owned by the Company
"Recombinant"	-	A genetic engineering process, where the gene of one organism is inserted into another organism and creating artificial DNA using genetic engineering technology.
"ILS"	-	New Shekel
"Report Date"	-	March 22nd 2015
"Balance Date"	-	December 31st 2014
The "Report Period"	-	A period of twelve months ending on December 31st 2014.
The "Financial Statements Regulations"	-	The Securities Regulations (Financial and Annual Statements), 2010
The "Reporting Regulations"	-	The Securities Regulations (Periodic and Immediate Reports), 5730 – 1970

1.2. Various descriptions of the Company's operations often include data based on surveys, studies and/or various articles. The Company is not responsible for the content of said surveys, studies and/or articles.

This Chapter A (Description of the Company Business) of the periodic report should be read together with the other parts, including the notes to the financial statements.

2. <u>The Company's operations and a description of the development of its business</u>

2.1. <u>General</u>

2.1.1. The Company is a medical devices company focused on the promotion of regenerative medicine through the use of technologies for the processing of recombinant human collagen extracted from tobacco plants, and other recombinant proteins, which are proprietary to CollPlant. CollPlant develops a wide range of biomaterials-based products with uses in numerous medical markets, and focuses on the areas of orthopedics, wound management, and general surgery. The Company's business model is based on strategic partnerships with leading companies for the joint development of products and bringing them to the market as well as self-development and marketing of products through distributors.

2.1.2. CollPlant Holdings Ltd. was incorporated in Israel on November 9th 1981 under the Companies Ordinance [New Version], as a private company limited by shares. In 1993, the Company went public, with its shares listed on the stock exchange. The

Company's name was changed several times, and on May 30th 2010 immediately after the closing of the merger transaction (by way of exchange of shares)[6] with CollPlant Ltd., the Company's name was changed to its current name.

2.1.3. At the Reporting Date, CollPlant Holdings Ltd. holds all of the issued and outstanding shares of CollPlant Ltd. (including fully diluted). Other than that, as of the date of this report, CollPlant Holdings Ltd. has no holdings in other companies.

2.1.4. CollPlant Ltd. was established and incorporated in Israel on August 12th 2004 as a private company limited in shares under the Companies Law, 5759 – 1999 (the "**Companies Law**"), and began its operations as a technology incubator company under the Chief Scientist's technology incubators program.

2.1.5. As of the date of this report, the Company focuses on the various stages of research and development, manufacturing and marketing of collagen-based medical products and solutions, for use in medicine in general and in orthopedics and wound management in particular (the "**Collagen-Based Products Field**" or the "**Field of Operations**").

2.1.6. CollPlant products are developed based on a unique patent for the production of recombinant human collagen in transgenic tobacco plants that have been genetically engineered to produce human collagen. The Company's raw material product is pure recombinant human collagen called – Collage® and is in the beginning stage of commercial scale production. Under this framework, the Company produces the collagen in tobacco leaves (the Collage®), and purifies it to a level of cleanliness suited for use in medical products, as well as in the biological research and development market. On the basis of the Collage® production, the Company focuses independently on the development of collagen-based end products as well as in collaboration with international companies for the joint development of products. For details on the Company's products under development see section 10 below. For more details on Collage® see section 8.1 below.

2.1.7. As part of its ongoing business management, the Company is evaluating options for creating commercial partnerships with leading international entities and companies for the joint development of collagen-based products, while engaged in the self-development of collagen-based end products. For details on the product for the orthopedic field under joint development with an American company, see section 26.1 below.

[6] For details of the merger described see section 25.2 below, as well as the Company's merger report, on its appendices, dated February 11th 2010 [reference no. 2010-01-381033], and its amending financial statements [reference no.2010-01-411990 and 2010-01- 413 172] (the "**Merger Transaction**"). The Merger Transaction was completed on May 20th 2010 (see the Company's immediate report dated May 20th 2010 [reference no.2010-01-486873], included herein by way of reference.

2.1.8. CollPlant has an extensive portfolio of registered patents in connection with the production of collagen, as well as cooperation agreements with research institutions overseas. For more details on the Company's intangible assets, see section 17 below.

2.1.9. The majority of the research and development work is carried out at the Company offices and its research laboratories in the Science Park - Kiryat Weizmann in Ness Ziona. The plant research process and production of the Collage® are carried out at a CollPlant site in the north of the country, while the growing of the tobacco plants and collagen purification is carried out in Israel.

3. Investments in the Company's equity and transactions in its shares

Following are the investments made in the Company's equity over the past two years as well as any other material transactions effected by a stakeholder in the Company's shares outside the stock exchange:

3.1. On November 10th 2013 an investment transaction in the Company on the part of a Chinese investor was completed, according to which Company issued the Chinese investor 16,856,173 ordinary shares of the Company in consideration for 2.5 million US dollars, gross.[7] For further details on the investment agreement and completion of the transaction, see section 25.6 below.

On February 20th 2012, the Company published a shelf prospectus, which was amended on November 22nd 2012 and on November 19th 2013 (the "**Prospectus**" or "**Shelf Prospectus**", as applicable), allowing the Company to offer thereunder and in accordance with the shelf offering reports, and according to the terms to be determined, shares and warrants (Series E – H).

3.2. On December 17th 2013, the Company published a shelf offering report[8] and on December 18th 2013 the Company has completed a capital raising by way of a non-uniform offering of 116,666 units (each unit consisted of 500 shares and 500 warrants (Series F), at a price of 150 ILS per unit) to institutional investors only. In this offering the Company raised capital in the total amount (gross) of approximately 17.5 million ILS.[9] On February 5th 2014, the Company granted 6,831,300 stock options (Series F) to the underwriters, as part of the consideration for the services provided under said issue.[10]

[7] For additional details on said investment, see the Company's immediate reports dated October 3rd 2013 [reference no. 2013-01-155952], and dated November 11th 2013 [reference no. 2013-01-187899], included herein by way of reference.

[8] For the Shelf Offering Report, see the Company's immediate report dated December 17th 2013 [reference no. 2013-01-099241], included herein by way of reference.

[9] For details on the results of the issue, see the Company's immediate report dated December 18th 2013 [reference no. 2013-01-099994], included herein by way of reference.

[10] For additional details on said private offering see the immediate reports dated January 16th 2014 [reference no. 2014-01-017983 and its amendment reference no. 2014-01-030535], and February 5th 2014 [reference no. 2014-01-032737], included herein by way of reference.

3.3. On December 22nd 2013, the Company published a shelf offering report[11] and on December 23rd 2013 the Company has completed a capital raising by way of a uniform offering to the public of 19,960 units by means of a uniform tender for the unit price (each unit consisted of 500 shares and 500 warrants (Series F), at a selling price determined in the tender of 185 ILS per unit). In this offering the Company raised capital in the amount (gross) of about 3.7 million ILS, of which, to the best knowledge of the Company, stakeholders have invested a cumulative amount of 0.4 million ILS.[12]

3.4. On November 24th 2014 the Company published a Shelf Prospectus according to the permit it received from the Securities Authority.[13] According to the Shelf Prospectus the Company may issue various securities, under the scope and terms to be determined according to the Shelf Offering Reports, if published by it in the future.

3.5. According to the Company's business model, it continues to take steps to identify additional strategic partnerships with leading companies to jointly develop products and to bring them to market, while continuing to examine alternative means for financing its business development and continued activities in accordance with the Company's work plans.

3.6. <u>ADR listing at the OTC Stock Exchange in the US</u>

As part of the Company's plan to increase the accessibility of foreign investors to the Company's activities and the technology it develops, the Company completed in the beginning of March 2015 the listing process of ADR1 type securities (American Depository Receipts level 1), that will be traded OTC (over the counter) at the US OTC Stock Exchange. Such listing should, among other things, facilitate the investment on the part of private and institutional investors from abroad in the Company's share capital. Each ADR is comprised of 100 ordinary shares of the Company, which will be traded during the over the counter (OTC) trading in the USA under the symbol CQPTY.

3.7. On May 20th 2014, November 25th 2014 and December 31st 2015 the options (Series B and C), options (Series D) and options (Series E) of the Company expired, and from said dates they are null and void and do not confer any right with respect to the Company or therein.[14]

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[11] For the Shelf Offering Report, see the Company's immediate report dated December 22nd 2013 [reference no. 2013-01-104311], included herein by way of reference.

[12] For details of the results of the issue, see the Company's immediate report dated December 24th 2013 [reference no. 2013-01105913, and its amendment reference no. 2013-01-105961], included herein by way of reference.

[13] See the Company's immediate report dated December 24th 2013 [reference no. 2013-01-105913 and its amendment reference no. 2013-01-105961], included herein by way of reference.

[14] The Company's immediate reports dated April 22nd 2014 [reference no.2014-01-048255], October 30th 2014 [reference no.2014-01-184557], November 25th 2014 [reference no.2014-01-204336], December 2014 [reference no. 2014-01-215919], included herein by way of reference.

4. Distribution of Dividends

Over the last two years the Company did not announce a distribution of dividends and has not distributed dividends; As of the date of this report, the Company has not adopted a dividend distribution policy; To the Company's knowledge, there are no restrictions applying to it that have affected and/or may affect its ability to distribute dividends in the future, subject to the provisions of the Companies Law regarding meeting the distribution terms.

5. Financial information concerning the Company's Field of Operations

5.1 For details about the Company's financial results and balance sheets, see the financial statements attached to this report.

5.2 For explanations on developments in connection with the financial data in connection with the Company's Field of Operations, including the adjustments to the amounts in the Financial Statements and their nature, see the Board of Directors' notes regarding the state of the Company's business in Part B of this report.

6. General environment and impact of external factors on the Company's operations

In addition to the trends and developments in the Field of Operations, there are macroeconomic environment factors which could materially affect the Company's operations and future demand for its products which are under development, and may depend on the factors listed below (see also the discussion of the risk factors applicable to the Company in section 30 below):

6.1 Macroeconomic trends

Recession and economic uncertainty in the Israeli and international market could adversely affect the Company's ability to raise additional capital necessary for its operations and its ability to sell its products designated for the various markets.

6.2 The security situation in Israel

Changes in the political and security situation in Israel affect the Company's operations. The deterioration of the security and political situation may, among other things, lead to a decline in the Company's ability to raise additional capital necessary for its operations, or sell its products.

6.3 Policies for product approval by regulatory authorities

The Company's operations are affected by the policy of the regulatory authorities in various countries regarding the approval of its products. A toughening and/or hardening in the policy of such authorities may, among other things, affect the ability of the Company to continue the process of developing, manufacturing and/or marketing of products and/or significantly delay such processes. As a result, revenues from sales of products in the Field of Operation may be delayed, and that may have a significant impact on its ability to fund its operations from the sale of such products.

6.4 Development and production of alternative or competing products to CollPlant products

The development of competing and/or alternative products by competitors of the Company, which constitute an effective alternative to its existing products and/or products that are and/or will be under development which the Company is involved and/or will be involved in, could adversely affect the Company's potential share in target markets. For details on the competition, see section 13 below.

7. General information on the Company's Field of Operations

Following is a description of trends of events and developments in the Company's macroeconomic environment that have, or may have, a material impact on the financial results or developments in the Company or in its Field of Operations, and the anticipated effects on the Company in respect thereof.

7.1 General information on the Field of Operations; the structure of the Field of Operations and changes therein

The biotechnology field is comprised of many different sub-categories, including orthopedics (implants got the treatment of hard and soft tissue), wound treatment, plastic surgery, aesthetics etc. The growing tendency of the biotechnology industry is to focus on manufacturing more effective and safe products for use by and on human subjects. Technological breakthroughs and improvements in manufacturing and processing methods, together with the increase in life expectancy, are generating a steady growth in the biotechnology market.

Collagen is often the material selected from amongst a variety of biologically appropriate materials (biocompatible) for use as an implant for tissue repair or healing, due to its unique characteristics and its diverse profile in human body functions.[15] In the field of development and production of collagen and collagen-based products, the growing tendency of the biotechnology industry is to move to the production of collagen from safe sources, i.e. non-animal and/or from cadavers.[16]

The main area of the Company's activities focuses on research and development, manufacturing and marketing of collagen-based medical products and solutions, for use in medicine. The Company's products under development are based on a unique patent for the production of recombinant human collagen in transgenic tobacco plants, for the production of human collagen for use in the Field of Operations.

7.2 Restrictions, legislation, standards and special constraints applicable to the Field of Operations

The Field of Operations is mainly subject to international standards, including the European CE standards, the FDA in the US, ISO, and GMP standards to ensure the quality of its products. For further information about the legislative provisions and restrictions applying to the Field of

[15] Biocompatible Materials, Freedonia Group, Inc. Sept 2006.
[16] Caloma Information, World Wound Care Markets, May 2008.

Operations, see section 24 below.

7.3 Changes in the scope of operations and its profitability

The market volume of products based on biological materials for applications of treatment and wound healing, drug delivery and soft (tendons, ligaments, muscles, cartilage, meniscus) and hard tissue repair (bone, spine, skull) is estimated at tens billions of dollars a year. The orthopedic market in 2015 is expected to achieve sales of 46.8 billion US dollars. This market has a current annual growth rate of about 5% per annum in the United States and 10% in Asia.[17] The wound healing market size in 2011 was about 18.6 billion dollars, when the industry expects an annual growth of 6% per annum for six consecutive years, to the scope of about 26 billion dollars in 2018.

7.4 Developments in the Field of Operations markets or changes in its customer characteristics

It is estimated that the bio-collagen market (collagen derived from animals and human cadavers) is likely to encounter competition from alternative products and even to diminish in scope, given the risks inherent in use of animal collagen. In its statement of January 12th 2007, the FDA recommended that the use of certain cattle-derived products for drugs and biological and medical devices intended for human use be prohibited.

To the Company's best estimate, global trend indicates a search for collagen not derived from animal sources for use in medical products, a trend which is expressed in the statements made by global regulatory bodies recommending searching and identifying alternatives, such bodies from China who rarely approve products based on collagen from animal sources. However, the Company believes that the penetration and use of non-animal collagen, including the Company's collagen, will be gradual and over a number of years.

In its statement made on January 12th 2007, the FDA recommended prohibiting the use of certain cattle products for drugs and biological and medical devices intended for human use.

In addition, to the Company's knowledge, the authorities in Japan and China refrain from approving new materials derived from animal for medical uses.

7.5 Technological changes that may have a material impact on the Field of Operation

Technological development is at the foundation of the Company's operations, investing resources in it. Technological improvements or new inventions developed by the Company allow it to develop innovative products in various medical fields in order to meet the needs of the market, needs that in part have yet to have a solution based on the Company's human collagen.

7.6 Critical success factors in the Field of Operation and changes therein

[17] Orthopedic Contract Manufacturing Industry Overview November 30, 2012, Harris Williams & Co.

Within the Company's Field of Operation one can point to a number of critical success factors, which influence the Company's activity and status, including:

7.6.1 Expertise, knowledge and technology, based on which it will be possible to develop additional products that can compete successfully with existing products on the market.

7.6.2 Concentration of professional and skilled staff devoting itself to developing the Company's products.

7.6.3 Fundraising at a significant scale and over time, to allow the Company's operations including achieving the required regulatory goals for the approval and registration of the products as medical products, and their manufacture and commercial marketing to the target audience.

7.6.4 Obtaining recognition for the effectiveness and safety of the Company's products (compared to other alternatives) among professionals and potential clients in the Field of Operations.

7.6.5 The receipt of approval from the relevant regulatory authorities, the registration and marketing of the Company's products in the US market, the European market and other markets.

7.6.6 Protection of the intellectual property rights in the fruit of the research development, including through the filing of additional patent applications, and completing the registration of patents that have already been submitted for registration.

7.6.7 The Company's ability to reach the target audience of its products, including through contractual arrangements with distributors to market the products worldwide.

7.6.8 The ability to sell the products to consumers at a competitive price, and at the same time at a profitable enough price for the Company.

7.7 Changes to array of suppliers and raw materials for the Field of Operations

7.7.1 The raw material used by the Company in its production is the tobacco plant, which underwent a process of genetic engineering. The growing of the tobacco plant requires a certain level of expertise, and takes about eight weeks. CollPlant's tobacco growing in Israel is carried out in various growth regions, such as the Arava, the center and the north of Israel.

7.7.2 CollPlant has entered into various agreements with sub-contractors, for the various growth and production stages of Collage®, according to the specification provided by CollPlant.

7.7.3 CollPlant is assisted according to its needs by the providers of synthetic genes for its research and development activities and for the engineering of the tobacco plants used to manufacture the Collage®.

7.8 The main entry and exit barriers in the Field of Operation

7.8.1 One can point to a number of entry barriers, affecting the ability

to enter the Company's Field of Operations, particularly:

(a) The uniqueness of the technology and the Company's intellectual property rights that are protected by patents; the extensive knowledge and experience required for the genetic engineering process of the various genes for the tobacco plant and achieving the ability to control actions at the cellular level, including a complicated process of growing, sorting and scanning plants, for the production of quality collagen, as well as the knowledge and the complex process required for isolating the protein from the plant.

(b) The medical products market is characterized by a high standard of entry, requiring large amounts of financial resources. This is, inter alia, in view of the approval and registration process companies operating in the field are required to undergo with the regulatory authorities in the different countries, from the stages of research and development to the production and marketing stages.

7.8.2 One can point to a number of exit barriers, affecting the ability to exit the Company's Field of Operations, particularly:

(a) Responsibility for the product's nature and quality. The Company promises to the various users of its products a nature and quality meeting international standards. This commitment often depends on the shelf life of its products and the different uses of its products.

(b) Long-term contracts. CollPlant may enter into long-term agreements and/or commit to produce large quantities of products to its customers, an undertaking that may impede CollPlant's ability to leave the Field of Operations in the short term and/or without significant costs.

7.9 <u>Substitutes for the products in the Field of Operation and the changes therein</u>

7.9.1 The Company's activity is unique and breakthrough in the field of collagen production, as at the reporting date most of the collagen produced and sold on the world market is produced from animals (cattle and pigs) and some is produced from yeast or human cell cultures and human cadavers.

7.9.2 CollPlant's key advantages in the production of human recombinant collagen from plants compared to competing products include better biological functionality that is manifested in the reproduction and differentiation of cells, the control over the physical properties of the products, and the ability to manufacture safer products for human use, as follows:

(a) **A quality product, a "clean" technique** – the human collagen produced from genetically engineered plants does not induce an immunogenic response. In addition, due to the fact that the collagen produced from plants is comprised of pure molecules, is more homogenous that collagen extracted from animals and human cells grow

faster on it, and therefore the recovery time of damaged tissue treated by CollPlant's human collagen-based products is expected to be shorter. Furthermore, due to the Company's control over the protein on the molecular level, it is possible to produce from CollPlant's collagen products with many unique physical features, using technology that is not available when the collagen is extracted from animal sources.

(b) **Safety** – with the Company's collagen there is no fear of transmitting diseases and pathogens, such as the risk in connection with animal collagen, due to the possibility that the animal from which the collagen was produced is infected with some virus or disease.

(c) **Tobacco plants are within easy reach** – the tobacco plant can be grown in very large volumes and its growth time until reaching the desired size is relatively short (about eight weeks).

7.10 The competitive environment in the Field of Operation and changes therein

7.10.1 In the production of human collagen from plants, to the Company's knowledge, CollPlant currently has no competitor anywhere in the world. The Company's collagen is derived using unique, patented technology, developed in Israel.[18] For details on the European patent opposition proceedings initiated by CollPlant see section 27.1 below.

7.10.2 However, CollPlant has several competitors that offer alternative products to its products, competing for a share of the relevant market. For details of the competition in the Field of Operations, see section 13 below.

8. Products and Services

8.1 Collage® – the raw material developed by CollPlant is the Collage®, a type I human recombinant collagen protein rich in Hydroxyproline, with high thermal stability, produced in genetically engineered tobacco plants.

The Collage® production process includes the insertion of five different genes into the tobacco plant cells, when eventually a new tobacco plant is created, which produces plant collagen with features that are compatible with human collagen. The cultivation of the engineered plant is done using a multiple plants culture technique, common in modern

[18] To CollPlant's best knowledge, a French company called Meristem Therapeutics SA ("**Meristem**") reported that it managed to produce recombinant human collagen from tobacco plants. In its report, Meristem claimed that it is concentrating on the production of complex proteins for medical care, and mostly for the treatment of multiple sclerosis. On August 2nd 2006, CollPlant filed an opposition to the patent registered in Europe in Meristem's name. To CollPlant's best knowledge, Fibrogen Inc. has technology that allows the expression of collagen in a single cell, and it too opposed the registration of the patent in Meristem's name. For details on the said opposition procedure and the expiry of Meristem's patent see section 27.1 below.

agriculture.

The production of Collage® begins with the creation of engineered cultures and the transfer to greenhouses across the country, it continues with the cutting and collection of tobacco leaves, grinding and extraction for the initial extract, which undergoes additional processing and cleaning processes until receiving the final product.

The Collage® is a raw material (passive protein) which must meet, and which has met, for the purpose of its development, production and commercial marketing, only bio compatibility tests and safety.

As of the date of this report, the Company is unable to estimate its share in the relevant markets in connection with sales of this product, as the Company has not yet commenced its sale on a significant commercial scale. The Company elected to focus at first on promoting is products in the orthopedics and wound healing fields, to the commercialization stage.

8.2 Vergenix®WD (wound dressing matrix) – on December 2012, the Company received CE Mark approval (marketing approval in the European Union) in connection with the Vergenix®WD product. This product is a collagen-based bandage for the treatment of chronic wounds (such as diabetic ulcers, venous ulcers, bedsores, trauma wounds, surgical wounds, and burns). The licensing of this product was obtained after successfully completing clinical trials in humans in Israel.[19] To the Company's best knowledge, this is the first product in the world based on plant-derived collagen, receiving such licensing.

8.3 For details about the competition in the Company's Field of Operations, see section 13 below.

8.4 In addition, the Company is developing new products (collagen-based), as detailed in section 10 below.

9. Breakdown of revenues and profitability of products and services

CollPlant has yet to generate commercial revenue and/or significant profits from the sale of its products.

10. New Products

The following table, to the best knowledge of the Company, details the products under development by the Company, including, among other things, details of the expected dates for reaching the nearest milestone in any such product under development and estimated costs for the completion of the next milestone in its respect.

It should be clarified that the Company has yet to receive the necessary approvals and has yet to begin commercial sales of the new medical products it

[19] For further information about the success of the above trial, see the Company's immediate report dated August 7th 2012 [reference no. 2012-01-203937]. Additional information about the clinical trials and its expected length was provided under section 5 in chapter A of the Company's quarterly report for the third quarter of 2011, as well as in the Company's immediate report dated January 4th 2012 [reference no. 2012-01-004986], included herein by way of reference.

is developing. Except for products under development in the table below, the Company has additional products which are in the most preliminary stages of development, and it periodically checks to see, among other things, on the basis of the business plan, the existing business opportunities and the strategic objectives set out, the continued development of other collagen-based products.

For further information on description of the characteristics of the Company's products and their various development stages, see sections 13 (competition) and 16 (R&D) below.

	Name of product under development	**The indication for the product under development**	**The stage of development of the product at the report date**	**Milestones expected in the next 12 months from the date of the report[20]**	**The next milestone and the expected date for reaching it**	**The estimated cost of completing the upcoming milestone**	**The size of the target market (no. of patients, treated or procedures) and annual financial scope of the potential target market of the product under development at the report date**	**The Corporation's assessment on the date of commencement of marketing of the product under development[21]**	**The Corporation's assessment with respect to expected market share for the product under development, assuming the receipt of marketing approval**
1.	Product for the treatment of tendon inflammation Collagen/ PRP **Vergenix®STR**	Healing tendon inflammation, using the Company's collagen-based implant and blood platelet concentrate derived from the patient	The product completed development, completed pre-clinical trials and is in the stage of clinical trials of the product[22]	Execution and completion of clinical trials by the end of the second quarter of 2015 and application for CE Mark in the third quarter of 2015	Completing clinical trials by the beginning of the third quarter of 2015	Approximately 100 thousand dollars	The size of the target market is estimated at 3 million procedures per year and at an annual financial volume of about two billion dollars.	The Company is at the stage of examination of the market in its estimate sales will begin in the last quarter of 2015	The Company estimates that the market share of the product can reach 20% within a few years from the beginning of its marketing
2.	Wound treatment gel **Vergenix®FG**	Treatment of chronic wounds (such as diabetic ulcers, venous ulcers,	The product completed development, completed pre-clinical trials and is	Execution and completion of clinical trials and application	Completing clinical trials in the second quarter of 2015	Approximately 100 thousand dollars	The size of the initial target market of patients with diabetic ulcers is	The Company is at the stage of examination of the market in its estimate sales will begin in the third	The Company estimates that the market share of the product can reach 50%

[20] The Company's evaluation in respect of the dates associated with the milestones expected in connection with products 1-2 in the table above, have lengthened, with respect to the Company's estimates cited in the previous annual report, amongst other reasons in light of the products testing conducted by the Company through a subcontractor from abroad, that has taken longer than planned (and more time was required to replace one of the parts (syringe) in the product kit).

[21] The Company's evaluation in respect of the dates associated with the dates for the beginning of marketing of products 1-4 in the table above, have lengthened, with respect to the Company's estimates cited in the previous annual report. The extension of the dates is partly due to the need to complete the trials in order to obtain CE approvals for products 1-2. In respect of product 4 as a result of the entry into the market of products 1-2, the Company's estimates are that the beginning of the commercial use of medical products based on product 4 will begin in 2016. As for product 3, the entry of another American company into an agreement with Pfizer and the joint development work with the Company, led to the extension of the schedules and to an update of the date of the release.

[22] See the Company's immediate report dated January 12th 2015 [reference no. 2015-01-009316], included herein by way of reference.

	Name of product under development	The indication for the product under development	The stage of development of the product at the report date	Milestones expected in the next 12 months from the date of the report[20]	The next milestone and the expected date for reaching it	The estimated cost of completing the upcoming milestone	The size of the target market (no. of patients, treated or procedures) and annual financial scope of the potential target market of the product under development at the report date	The Corporation's assessment on the date of commencement of marketing of the product under development[21]	The Corporation's assessment with respect to expected market share for the product under development, assuming the receipt of marketing approval
		bedsores, traumatic wounds, surgical wounds, and burns)	in the stage of clinical trials of the product[23]	for CE Mark by the end of the second quarter of 2015. Beginning of sales in Europe in the course of 2015			estimated at 300 thousand patients and at an annual financial volume of about 500 million dollars[24]	quarter of 2015	within a few years from the beginning of its marketing
3.	Bone healing implant Moldable (**Vergenix®BVF**)	Bone healing: fusing spinal vertebrae, the completion of missing bone in the extremities, crush fractures (the product is not designed to bear loads)	This product's development began with Pfizer and as of the date of this report the Company is continuing the development with an American company that has the rights to Pfizer's relevant protein. The product is in the pre-clinical trials stage[25]	1. Completion of the development of the product composition; 2. Completion of pre-clinical trials; 3. Additional development agreement and a trade agreement with the development partners	Completion of the development of the product composition and a development agreement and a trade agreement with the partners, by the end of the second quarter of 2015.	Approximately 200 thousand dollars (all of the development expenditures are incurred by the partner)	The size of the target market for the described indications is estimated at one million procedures per year and at an annual financial volume of about 3 billion dollars.	The Company cannot at this early stage and prior to submitting IDE by the American company to the FDA and before determining the regulatory route, estimate the date of beginning of sales of the product, if at all	The Company estimates that the product will be marketed through the strategic partner, and that the product's market share could reach up to tens of percentages within a few years from the beginning of its marketing
4.	Raw-material protein **Collage®**	Raw material (passive protein) for the manufacture of products for tissue repair in the human body, this raw material does	Development and optimization of the production process, in cooperation with subcontractors	Continued development and optimization of the production process (increasing production capacity and	An additional significant reduction of production cost	Costs that are immaterial to the Company	The size of the target market is estimated at 2 million units per year and at an annual financial volume of about two	At the reporting date the product is in stages of development and mass production processes and is not sold commercially, but rather individually to different	The product is a raw material and as such does not need approval for its marketing. The Company estimates that the market share of the

[23] See the Company's immediate report dated November 26th 2014 [reference no. 2014-01-204609] and dated January 12th 2015 [reference no. 2015-01-009316], included herein by way of reference.
[24] Royal Bank of Canada, Healthcare Conference, February 27, 2013
[25] Additional information about said product development with the US Corporation can be found under section 27.1 below.

	Name of product under development	The indication for the product under development	The stage of development of the product at the report date	Milestones expected in the next 12 months from the date of the report[20]	The next milestone and the expected date for reaching it	The estimated cost of completing the upcoming milestone	The size of the target market (no. of patients, treated or procedures) and annual financial scope of the potential target market of the product under development at the report date	The Corporation's assessment on the date of commencement of marketing of the product under development[21]	The Corporation's assessment with respect to expected market share for the product under development, assuming the receipt of marketing approval
		not require regulatory indication, but the medical products it serves, do.		lowering costs)			billion dollars.[26]	consumers in the R&D market. The Company believes that commercial scale sales will begin in the course of 2016	product in a few years is likely to reach 3% of the market

<u>A warning about forward-looking information</u> – the Company's information and estimates as stated in the table above, in connection with the various products and products under development, milestones expected in the coming year, estimated costs of completion of the milestones, target market size, dates for the start of production and/or marketing of products under development and the Company's estimates of its expected relevant market share, including forecasts, deadlines, estimates and/or plans of the Company in connection therewith, are forward-looking statements, as defined in the Securities Law, involving a high degree of uncertainty, and which is based, in part, on third parties and on many variables over which the Company does not necessarily have control, and therefore it is possible that the completion of the development of the products under development, the meeting of milestones and/or anticipated cost, deadlines and timetables for marketing, as well as assumptions regarding the size of the relevant market, are not realized in practice and/or will not be realized in full and/or be realized in a different manner than that anticipated or expected in the first place. Among the factors that could cause the Company's information and evaluation of such information not to be realized in the desired manner, one can specify, among other things, a delay in recruiting patients, requirements for repeated trials, trials failure or a disagreement with the regulatory authorities on their results, a change and/or harsher approval policy of the regulatory authorities with respect to products under development, the termination of material agreements for strategic cooperation (including the failure to continue development agreements or their renew with existing or new strategic partners) and/or delays in the development of products developed thereunder [including the need and/or elongation for conducting pre-clinical and clinical trials to be performed by the entities

[26] Based on international articles related to Collagen and HA-based Biomaterials market, which were published in 2010, 2011 by Global Industry Analysts, Inc.

involved (if any) among other things, to prove their clinical efficacy or their failure, failure to meet the objectives of further such trials and/or schedules and/or failure to obtain funding required by the parties involved on time and in the necessary scope for their continued development (if any)], the entry of additional competitors in the areas of the products under development, and the materialization of any of the risk factors as described in section 30 in this report. It is further emphasized that there is no certainty that trials are successful, and the failure of the trial may require an update of the research and development plans, the budgets and schedules, and the Company is exposed to other risks as described in section 30 in this report, which may have a significant impact, jointly and severally, on these estimates.

11. Customers; Potential Customers

11.1 As of the report date the Company has no regular customers or customers with fixed characteristics making commercial acquisitions, and accordingly, the Company has no order backlog.

11.2 CollPlant's end products will be marketed both to medical institutions and to commercial companies in the medical field and to companies developing collagen-based products.

11.3 The Company directs its products to international markets in the medical field in general, and in the field of orthopedics and wound healing in particular.

11.4 However, the identity of customers will ultimately be determined based on many different factors and considerations, some of which are not related to or under the control of the Company, including developments in the markets the Company is directing its activities to, various technological developments and the Company's distribution channels.

12. Marketing and Distribution

12.1 The Company's marketing and distribution plan pertaining to the Vergenix®STR product and the Vergenix®FG product is through large distribution companies in Europe. To this end, the Company is examining agreements with distributors in Europe for the start of sales after receiving CE approvals for these products.

12.2 It will be noted that in the course of 2013, the Company entered into an agreement with a Chinese investor (as provided in section 25.6 below) who as if the date of this report is a stakeholder in the Company by virtue of its holdings. According to the memorandum of understanding (non-binding) between the parties, the Chinese investor will distribute the Company's products in China (excluding orthopedic products), once the Company completes its CE approval process in Europe and subject to receipt of approval from the regulatory authority in China. Until the date of this report, the memorandum of understanding has not resulted in a binding agreement.

12.3 The Sigma-Aldrich Company distributes CollPlant's Collage® product in the global research market, which includes, among others, academic

institutions and hospitals worldwide. The Collage® sold by CollPlant to Sigma-Aldrich under this framework is intended only for research laboratories (in vitro) and not for pre-clinical or clinical (in-vivo) uses. In the Report Year, the Company's sales to Sigma-Aldrich were in an immaterial scope and amounts.

12.4 In respect of the Vergenix®WD product – as of this report, and mainly for commercial and branding reasons, the Company does not have and does not see fit to promote a specific and detailed marketing strategy of this product by it. However, the Company does not rule out the possibility that in the future it shall contract distributors and/or business partners for marketing and sales of the product on their part.

13. **Competition**

13.1 In the production of human collagen from plants, to the Company's knowledge, as of the report date there is no competitor to CollPlant anywhere around the world.

13.2 However, there are competitors in the Company's Field of Operations that offer alternative solutions to its products.

13.3 Below, to the best knowledge of the Company, are details regarding said main competitors:

13.3.1 DePuy Orthopedics (the orthopedics division of Johnson & Johnson) – a US company, specializing in orthopedic devices and equipment, with more than 200 products already on the market helping in the solution of knees problems, hips problems, and trauma injuries.

13.3.2 TEI Bioscience Inc. – an American company developing and manufacturing products for the restoring and healing of soft tissue.

13.3.3 Integra Lifesciences – a US company engaged, among other things, in the production of animal collagen, as well as the development, manufacture and marketing of medical equipment and systems, biological products, equipment and tools for neurological, plastic, reconstructive and general surgery. In the field of devices and tools for surgery it manufactures products used in tissue regeneration, spine, nervous system regeneration and the treatment of wounds, as well as basic surgery tools and various medical supplies.

13.3.4 Wright Medical Technology Inc. – an American company which manufactures and markets animal collagen and sells collagen products (sponges, sheets, gel) produced from skin donations for a wide range of medical treatments from curing ulcers, wounds and orthopedics, and focuses on the design, production and international distribution of implants and orthopedic equipment.

13.3.5 Kensey Nash – an American company (acquired in 2012 by Royal DSM NV) engaged in the development, manufacture and marketing of technologies, products, equipment, biomaterials

and medical solutions for the medical industry. Its flagship product (Angioseal) is used to seal open perforations in the vascular system during surgical procedures, and has other products for the treatment of orthopedic injuries, polymers and coating materials for dental care.

13.3.6 Fibrogen Inc. – an American company developing a product for dermal augmentation, based on type III collagen.[27] In addition, it owns a patent in connection with the manifestation of type I collagen in cells.

13.4 The following table, to the best knowledge of the Company, details the features of the products and the products developed by the Company compared to the alternative products on the market at the reporting date.

The table below describes a brief comparative analysis only, according to the opinion of the Company's management's only, of the main solutions available on the market, the competitors/ alternatives for the Company products and for its products under development, as of the date of the report.

Note that as of the date of this report, except for one of the Company's products (Vergenix®WD), the Company has not yet received approvals to market its products and has yet to begin commercial sales of any of its products.

Name of the Company's product (completed or under development)	**Properties of the product under development**	**The Company's product under development**	**Product A** **(a substitute product based on animal-derived collagen) ***	**Product B** **(a substitute product based on collagen derived from human cadavers) ***
Vergenix®FGWound Filler	**Description**	Gel intended for injection and the treatment of deep wounds and deep surgical incisions, including chronic wounds with healing problems	Gel intended for injection and the treatment of deep wounds and deep surgical incisions, including chronic wounds with healing problems	Gel intended for injection and the treatment of deep wounds and deep surgical incisions, including chronic wounds with healing problems
	a. Manner of use of the product (invasive, non-invasive, independently, with the assistance of another person, only by a physician, etc.);	The product is injected into a diabetic ulcer by a doctor or nurse	The product is injected into a diabetic ulcer by a doctor or nurse	The product is injected into a diabetic ulcer by a doctor or nurse
	b. Side effects and the dangers in use of the product;	To the best knowledge of the Company dangerous side effects from the use of the product are not likely	There may be an inflammatory response as well as the risk in the transfer of disease	There may be an inflammatory response as well as the risk in the transfer of disease

[27] The Company manufactures collagen type I. For the differences between various collagen types, see footnote 1 above.

Name of the Company's product (completed or under development)	Properties of the product under development	The Company's product under development	Product A (a substitute product based on animal-derived collagen) *	Product B (a substitute product based on collagen derived from human cadavers) *
	c. Cost of use of the product;	The Company estimates that the cost of use will be comparable to the cost of use of alternative products.	2,000 dollars per product	2,000 dollars per product
	d. Characteristics of product use (treatment time, the number of treatments to be performed, etc.);	The product is easy to use. Projected treatment time is about two weeks	The product is easy to use. Projected treatment time is about two weeks. In some cases, more than one course will be required.	The product is easy to use. Projected treatment time is about two weeks. In some cases, more than one course will be required.
	e. Possibility of receiving reimbursement from medical insurers, insurance companies or any other party.	To the best knowledge of the Company, the possibility exists as there already exists an indemnity code in respect of alternative products	To the best knowledge of the Company, there already exists an indemnity code	To the best knowledge of the Company, there already exists an indemnity code
	f. Product advantages and disadvantages compared to competing products (existing or those that are under development), to the best knowledge of the Corporation	Initial healing process is very fast (Jump start) of the healing process and a faster rate of wound closure. No fear of transmitting diseases as a result of the use	There may be an inflammatory response. The rate of wound closure may be slower. Fear of transmitting diseases arising from use of the product	There may be an inflammatory response. The rate of wound closure may be slower. Fear of transmitting diseases arising from use of the product
Collage®	**Description**	Recombinant human Type I collagen protein rich in Hydroxyproline, with high thermal stability, produced from genetically modified tobacco plants	Animal-derived collagen	Animal-derived collagen
	a. Manner of use of the product (invasive, non-invasive, independently, with the assistance of another person, only by a physician, etc.);	Raw materials for end products	Raw materials for end products	Raw materials for end products
	b. Side effects and the dangers in use of the product;	There is no risk of dangerous side effects using recombinant collagen originating from plants	The possibility of transferring diseases through end products based on this collagen	The possibility of transferring diseases through end products based on this collagen
	c. Cost of use of the product;	The Company has not yet commenced commercial sales, and therefore cannot assess whether the cost of use will be cheaper/ more expensive than the alternative products or identical to them.[28]	From hundreds to a thousand dollars per gram depending on the quality of collagen	From hundreds to a thousand dollars per gram depending on the quality of collagen
	d. Characteristics of product use (treatment time, the number of treatments to be performed, etc.);	Irrelevant (raw material)	Irrelevant (raw material)	Irrelevant (raw material)
	e. Possibility of receiving reimbursement from medical insurers, insurance companies or any other	Irrelevant (raw material)	Irrelevant (raw material)	Irrelevant (raw material)

[28] Based on international articles related to Collagen and HA-based Biomaterials market, which were published in 2010, 2011 by Global Industry Analysts, Inc.

Name of the Company's product (completed or under development)	Properties of the product under development	The Company's product under development	Product A (a substitute product based on animal-derived collagen) *	Product B (a substitute product based on collagen derived from human cadavers) *
	party.			
	f. Product advantages and disadvantages compared to competing products (existing or those that are under development), to the best knowledge of the Corporation	Better biological functionality with respect to alternative products expressed in the cell reproduction and differentiation, control over the physical properties of the products, and the ability to produce safer products for human use	Inconsistency between products with the same indication, it is possible to transfer diseases	Inconsistency between products with the same indication, it is possible to transfer diseases
Vergenix®WD Wound Dressing Matrix	**Description**	Collagen-based dressing for the treatment of surgical incisions, burns, bedsores, ulcers etc.	Collagen-based dressing for the treatment of surgical incisions, burns, bedsores, ulcers etc.	Collagen-based dressing for the treatment of surgical incisions, burns, bedsores, ulcers etc.
	a. Manner of use of the product (invasive, non-invasive, independently, with the assistance of another person, only by a physician, etc.);	Non-invasive, by a doctor or nurse	Non-invasive, by a doctor or nurse	Non-invasive, by a doctor or nurse
	b. Side effects and the dangers in use of the product;	To the best knowledge of the Company dangerous side effects from the use of the product are not likely	There is risk of transmission of disease	There is risk of transmission of disease
	c. Cost of use of the product;	The Company is at the stage of market testing and evaluating the financial feasibility of producing and marketing the product	Dozens of dollars per sheet	Dozens of dollars per sheet
	d. Characteristics of product use (treatment time, the number of treatments to be performed, etc.);	The product is easy to use. Projected treatment time is about two weeks. In some cases, more than one course will be required.	The product is easy to use. Projected treatment time is about two weeks. In some cases, more than one course will be required.	The product is easy to use. Projected treatment time is about two weeks. In some cases, more than one course will be required.
	e. Possibility of receiving reimbursement from medical insurers, insurance companies or any other party.	To the best knowledge of the Company, the possibility exists as there already exists an indemnity code in respect of alternative products	To the best knowledge of the Company, there already exists an indemnity code	To the best knowledge of the Company, there already exists an indemnity code
	f. Product advantages and disadvantages compared to competing products (existing or those that are under development), to the best knowledge of the Corporation	Initial healing process is very fast (Jump start) of the healing process and a faster rate of wound closure.	There may be an inflammatory response. The rate of wound closure may be slower.	There may be an inflammatory response. The rate of wound closure may be slower.
Tendon Repair Vergenix®STR	**Description**	Implant made of the Company's collagen and platelet concentrate produced from the patient's blood, has biological capabilities to release a cocktail of growth factors in a controlled manner, and controlled biodegradation time for the treatment of soft tissue such as tendons, and cartilage	Animal collagen implant and platelet concentrate produced from the patient's blood, has biological capabilities to release a cocktail of growth factors, for the treatment of soft tissue such as tendons, and cartilage	---
	a. Manner of use of the product (invasive, non-invasive, independently, with the assistance of another person, only by a	The treating doctor injects a solution that includes the Company's collagen with platelet concentrate produced from the	The treating doctor injects a solution that includes the animal collagen with platelet concentrate produced from	---

Name of the Company's product (completed or under development)	Properties of the product under development	The Company's product under development	Product A (a substitute product based on animal-derived collagen) *	Product B (a substitute product based on collagen derived from human cadavers) *
	physician, etc.);	patient's blood	the patient's blood	
	b. Side effects and the dangers in use of the product;	To the best knowledge of the Company dangerous side effects from the use of the product are not likely	There is a risk of transfer of diseases originating from animal-collagen	---
	c. Cost of use of the product;	The Company estimates that the cost of use will be comparable to the cost of use of alternative products.	Approximately 800 dollars - 600 dollars per product	---
	d. Characteristics of product use (treatment time, the number of treatments to be performed, etc.);	The product is easy to use. Treatment is a one-time	The product is easy to use. Treatment is a one-time	---
	e. Possibility of receiving reimbursement from medical insurers, insurance companies or any other party.	---	---	---
	f. Product advantages and disadvantages compared to competing products (existing or those that are under development), to the best knowledge of the Corporation	The platelet concentrate remains in place at the injured area for a controlled time, and releases the proteins in a controlled manner, creating optimal healing.	Platelet release is not controlled, product is effective for a short-term	---
Bone Void Filler Vergenix®BVF	**Description**	Implant containing recombinant human collagen, protein stimulating bone growth and synthetic minerals that mimic bone structure for orthopedic uses such as fusion and healing fractures of limbs, spine and skull	Cattle-collagen implant containing synthetic minerals that mimic bone structure for orthopedic uses such as fusion and healing fractures of limbs, spine and skull	Cadaver-collagen implant containing synthetic minerals that mimic bone structure for orthopedic uses such as fusion and healing fractures of limbs, spine and skull
	a. Manner of use of the product (invasive, non-invasive, independently, with the assistance of another person, only by a physician, etc.);	The orthopedic doctor usually implants the product in an open surgery	The orthopedic doctor usually implants the product in an open surgery	The orthopedic doctor usually implants the product in an open surgery
	b. Side effects and the dangers in use of the product;	To the best knowledge of the Company dangerous side effects from the use of the product are not likely	There is risk of transmission of disease	There is risk of transmission of disease
	c. Cost of use of the product;	The Company has yet to complete product development and has not yet obtained the necessary approvals for marketing, and therefore cannot assess whether the cost of use will be cheaper/ more expensive than alternative products or identical to them.	Ranges from 500 dollars and 3,000 dollars depending on the type of use and product configuration	Ranges from 500 dollars and 3,000 dollars depending on the type of use and product configuration
	d. Characteristics of product use (treatment time, the number of treatments to be performed, etc.);	The product is easy to use. Treatment is a one-time	The product is easy to use. Treatment is a one-time	The product is easy to use. Treatment is a one-time
	e. Possibility of receiving	To the best knowledge of the	To the best knowledge of	To the best knowledge of

Name of the Company's product (completed or under development)	Properties of the product under development	The Company's product under development	Product A (a substitute product based on animal-derived collagen) *	Product B (a substitute product based on collagen derived from human cadavers) *
	reimbursement from medical insurers, insurance companies or any other party.	Company, the possibility exists as there already exists an indemnity code in respect of alternative products	the Company, there already exists an indemnity code	the Company, there already exists an indemnity code
	f. Product advantages and disadvantages compared to competing products (existing or those that are under development), to the best knowledge of the Corporation	Product is safe to use, able to release proteins stimulating none growth and tissue growth in a controlled manner	Not safe for use due to the source of collagen, that was not designed to release therapeutic proteins in a controlled manner	Not safe for use due to the source of collagen, that was not designed to release therapeutic proteins in a controlled manner

* To the best knowledge of the Company, said alternative products are produced, among others, by well-known international companies, such as DePyu Orthopedics, Kensey Nash, Fibrogen Inc., Integra LifeSciences, and more.

Note for the table above*: the characteristics of the products in the table above are for presentation in the table only and reflect management's subjective estimates only. It is possible that any of the various competitors in the market have a different position with respect to the characterization and the data presented. The Company's management's estimates in the above tables do not constitute a professional opinion on the quality of the competition/ alternative, and refer to the date of this report only. It is possible that in practice these evaluations by the Company's management regarding the products of competitors/ alternative as mentioned in the above tables do not accurately reflect reality or reflect only a part of it*.

14. Production Capacity

14.1 The Company works with subcontractors with greenhouses for growing the tobacco plant containing human collagen found in the Arava region and in the center and north of the country, where it is possible to grow the quantity of tobacco plants required by the Company. The Company has to cope with climatic changes and the effects on the growth of the tobacco, *inter alia*, through distribution in said greenhouses and by technological means. In addition to these greenhouses, a greenhouse for tobacco containing human collagen was established in the Yesod Ha'maala region in the north of the country.[29] This greenhouse also includes a production facility for the production of collagen.

14.2 As of this report, the Company has the ability to produce initial commercial quantities of quality recombinant human collagen.

14.3 The Group is preparing for demands according to the work plan predefined by the Company's management.

[29] For details on this facility, see sections 26.5 and 26.6 in this report below.

15. **Fixed assets, real estate and facilities**

15.1 The Group's management offices and research labs

15.1.1 According to the rental agreement dated June 19th 2008 (in this section: the "**Rental Agreement**"), between CollPlant and a third party[30] (the "**Renter**"), CollPlant has rental rights in part of a building located in Kiryat Weizmann – the Science Park in Ness Ziona (the "**Building**"), used by CollPlant for offices and laboratories for research and development activities. The rent period is until August 30th 2015 (the "**Rent Period**"). In return CollPlant undertook to pay the Renter rent per square meter plus maintenance fees as was determined, linked to the index according to the mechanism provided in the Agreement, plus VAT. In order to secure the rent pursuant to the Rental Agreement, CollPlant deposited with the Renter a bank guarantee (linked to the index).

15.1.2 In accordance with the supplements to the Rental Agreement dated August 6th 2008 and May 20th 2010 (in this section: the "**Supplements to the Rental Agreement**"), between CollPlant and the Renter, CollPlant has rental rights in another part of the Building (in this section: the "**Additional Area**"). The Rent Period under the Supplements to the Rental Agreement is until August 30th 2015 (in this section: the "**Additional Rent Period in the Additional Area**"). In return for the rental rights in the Additional Area CollPlant undertook to pay the Renter rent per square meter plus maintenance fees as was determined, linked to the index according to the mechanism provided in the Agreement, plus VAT.

15.1.3 The total monthly rent payable by the Company in respect of the rental fees of the above mentioned properties is not material to the Company. The Company is taking steps to extend the terms of the lease by another year.

The bank guarantees provided by CollPlant under the Rental Agreements (including for the Additional Area) referred to in sections 15.1.1 – 15.1.2 were given against a mortgage at CollPlant's expense in an amount, which at the reporting date, totals approximately 564 thousand ILS.

15.2 **Greenhouse** for growing tobacco – according to the lease agreement dated April 30th 2007 (the "**Lease Agreement**"), between CollPlant and a third party[31] (the "**Lessor**"), CollPlant has lease rights in area of several square kilometers in the Yesod Ha'maala region in the north of the country (the "**Leased Area**"), used by CollPlant for the operation of the greenhouse for growing CollPlant tobacco plants, and other service structures. The lease period is April 30th 2017, including an option period that began on April 30th. In return for the leasing of the area CollPlant

[30] To the best knowledge of the Company, this third party is not a stakeholder in the Company and/or in CollPlant.

[31] To the best knowledge of the Company, this third party is not a stakeholder in the Company and/or in CollPlant.

undertook to pay the Lessor for every Lease year an amount that immaterial to the Company. In order to secure the Lease CollPlant deposited an autonomous bank guarantee renewable annually in the amount of 5,500 US dollars.

15.3 For details on the Company's fixed assets and on the Company's expenses for material fixed assets, see Note 7 to the financial statements.

16. **Research and Development; Clinical and Pre-Clinical Trials**

CollPlant invests considerable resources in order to continue research and development of complementary products on the basis of Collage®. Below is a list of the Company's products in the various research and development stages, as of the date of this report. For more details, see also section 10 (New Products) above.

16.1 Flowable Gel – Wound Filler – Vergenix®FG

Gel based on the Company's recombinant human collaged, intended for injection and for the treatment of deep wounds and deep surgical incisions, diabetic ulcers, burns, bedsores, including chronic wounds healing difficultly especially for diabetics. This product is found on the market but is based on animal collagen and cadaver donations. As of the date of this report, the product is in the stage of clinical trials.

As part of the Company's product development for the treatment of skin wounds, in the course of 2011 – 2013 pre-clinical trials (animal testing) were conducting according to the classic model by an external laboratory under GLP (Good Laboratory Practices), whose findings demonstrated that the Vergenix®FG product showed great efficacy in healing the tested areas and showed marked better results compared to the competing product on the market produced from animal collagen (cattle). The purpose of the trials was to investigate the potential impact of Vergenix®FG on the treatment of affected areas and in comparison with a corresponding product on the market. In the course of the trial it was found that treatment with Vergenix®FG has jump-started the healing process in the tested areas, and wound closure was significantly accelerated compared to the control treatment. The histo-pathological evaluation, allowing a closer examination of the skin tissue healing process, showed that Vergenix®FG caused a lesser inflammatory response than the corresponding product, accelerated the creation of blood vessels that are essential to any healing process and caused a faster closing of the outer layer of skin (epidermis). In the trials' summary it was determined that Vergenix®FG is more efficient than the corresponding product that was tested as part of the trial for healing skin wounds in animals.[32]

On 10 May 2014 the Company received all the necessary permits (Authorization from the Director of the Israeli Ministry of Health and approval of the Helsinki Committee of the medical facility), to start an

[32] For more details see the Company's immediate report dated December 27th 2011 [reference no. 2011-01-375447] and dated January 30th 2014 [reference no. 2014-01-027421], included herein by way of reference.

open (visible) clinical trial (meaning that there is no control group in the clinical trial) (hereinafter in this section: the "**Clinical Trial**" and the "**Medical Product**"). On November 25th 2014 the trial began, aiming to prove the safety of the gel treatment and to evaluate its performance on patients with chronic wounds in the foot. According to the clinical trial protocol, approved by the competent bodies (the Ministry of Health), patients receive a one-time treatment with the Medical Product (single-arm) which will be accompanied by a follow-up of four weeks. The efficacy of treatment will be examined according to several indicators, the chief of which is the percentage of wound closure.

On March 18th 2015, the company reported successful interim results in respect of the Medical Product. As of the report date, the Company completed the recruiting of 11 patients out of 20 patients participating in the trial. An analysis of the interim results of the trial in ten patients demonstrates wound closure in excellent rates of 80% to 100% in the majority of patients, within four weeks of the beginning of treatment. In addition, it was demonstrated that the Company's product is safe for use on human subjects. The Clinical Trial is expected to last a few months, it was held in three leading HMO wound clinics.[33]

The size of the first target market of patients with diabetic ulcers is estimated at an annual financial volume of 500 million dollars.[34] The wound healing market size the product is designed for is estimated at 5 billion dollars[35] and according to the plans for the beginning of sales in 2015, CollPlant is holding meetings and discussions with international distributors for the product's distribution in Europe.

16.2 Product for the treatment of inflammation and partial tears in the tendon – Vergenix®STR

The Company is developing an implant based on human collagen and Plasma Rich Platelets produced from the patient's blood (PRP). The implant is injected into the infection site or the tendon's injury and solidifies to a thick gel within minutes at the injection site. This is followed by a healing process of the tendon using growth factors secreted by the platelets. As of the date of this report the product is at the stage of clinical trials.

As part of the Company's development of a product for the treatment of tendon injuries, the Vergenix™®STR[36], on August 27th 2013 the pre-clinical trial in animals was completed. The purpose of the pre-clinical trial was to demonstrate the healing ability of the Product in the treatment of injured and inflamed tendons. The control group participating in the Product testing was treated with an injection of

[33] See the Company's immediate report dated November 26th 2014 [reference no. 2014-01-204609], included herein by way of reference. In addition, for full details on the clinical trial of this product, see the Company's immediate reports dated May 18th 2014 [reference no. 2014-01-065919], and dated November 9th 2014 [reference no. 2014-01-190449], and dated March 18th 2015 [reference no. 2015-01-053488] which are included herein by way of reference.

[34] Royal Bank of Canada, Healthcare Conference, February 27, 2013.

[35] Wound Management Products: United States, May 2012, Freedonia Focus Reports, www.freedoniafocus.com.

[36] Such as the Achilles tendon, elbow tendon, shoulder tendon and hamstring.

Plasma Rich Platelets (PRP)[37] to the subject. The Trial findings clearly demonstrated that the Company's Product accelerated the healing of the tendons compared to the control product.[38] The Product's approval process for use on human subjects has other requirements in addition to the above Trial, including a clinical trial.

In the course of 2014 the Company has completed all of the trials, tests and received the permits, including from the Ministry of Health, required for the start of a clinical trial in this product. The purpose of the clinical trial in this product is to prove the safety of the treatment with the Medical Product and assess its performance in people suffering from tendinitis in the elbow. According to the clinical trial protocol, approved by the competent officials, patients receive a one-time treatment with the Medical Product, without a control group. The efficacy of the treatment will be examined according to several indicators, the main of which is the level of pain indicator. In the clinical trial that is expected to take several months, and will be held in three hospitals in the country, 40 patients will be treated. On January 12th 2015, the Company updated that it has recruited and treated the two first patients as part of the clinical trial for this product.[39] As of this report the trial is progressing as planned.

The size of the target market for the product for treating tendonitis is estimated at 2 billion dollars and according to the plans for beginning of sales in 2015, over recent months CollPlant has been holding meetings and discussions with an international distributor for the product's distribution in Europe.

16.3 Implant bone healing – Vergenix®BVF

The Company has developed, in collaboration with Pfizer, a product containing collagen, a protein encouraging bone growth and synthetic minerals that mimic the bone structure for orthopedic uses. As of mid-2013 the Company is continuing with the development of the product with another American company that has commercialization rights in Pfizer's protein. The product is designed to fuse and heal spinal bones and treat crush fractures. It is designed to help build bone tissue by encouraging the construction of the bone together with the collagen protein. For further information about the progress in the collaboration with the American company instead of Pfizer, see section 26.1 below.

16.4 Wound dressing – Vergenix®WD

A collagen-based dressing for the treatment of surgical incisions, burns,

[37] Plasma Rich Platelets (PRP) is rich in growth factors and is extracted from the patient blood. The PRP is produced during the treatment in order to be placed on or in the injured area. The PRP is extracted by the physician and created from the patient's own platelets when in this operation a small blood sample of the patient's blood is separated using a special centrifuge to its components: red blood cells, platelets and white cells and plasma. The platelet concentrate immediately responds in any hurt / injured site it reaches, undergo self-activation, and create a "stopper" sealing said area from continuing to bleed and releasing the growth factors therein. PRP injection into the affected area is one of the common methods currently uses in the world of treatments.

[38] For more details about the Product, see the tables in sections 10, 13.10, 16.1.4 and 28.4 in Chapter A (Description of the Corporation's Business) of the Annual Report.

[39] The Company's immediate report dated January 12th 2015 [reference no. 2015-01-009316], included herein by way of reference.

bedsores, ulcers and so on. The dressing is designed for the existing wound treatment markets. This product has received CE approval in December 2012, and its development has been completed.[40]

16.5 Following the above, below is a table summarizing the clinical trials the Company is carrying out or intends to carry out in the next 12 months, as of this report.

Trial name	**Development phase in which the trial is included (if relevant)**	**Was an IND or IDE opened for the trial**	**The purpose of the clinical trial**	**The number of sites the trial is conducted in**	**The countries/ geographic locations of the sites where the trial will be conducted**	**Planned number of subjects under the trial**	**Number of subjects joining the trial as of the publication of the report**	**Nature and status of the trial**	**The trial schedule**	**Estimated overall cost for the trial (in thousand ILS)**	**Accrued cost from the beginning of the clinical trial until the date of the report (in thousand ILS)**	**Results of the clinical trial (interim results or final results)**
Research, one arm treatment, open, with the Vergenix® FG	Clinical trials	Irrelevant to this product	Safety and performance using the product on patients with ulcers in the lower extremities	The trial will be conducted in three sites	Israel	20	11	Safety and performance using the product	Projected conclusion in the second quarter of 2015	400	200	As of the date of the report, interim results of the trial have been received showing wound closure of 80% - 100% in the majority of patients treated and it was demonstrated that the product is safe for use on human subjects.

[40] For more information about the clinical trials of the Vergenix®WD product and their successful completion, see the Company's immediate reports dated August 7th 2012 [reference no. 2012-1-203937] and dated December 16th 2012 [reference no. 2012-01-310806] included herein by way of reference.

Prospective research, one arm treatment, open, with the Vergenix® FG	Clinical trials	Irrelevant to this product	Safety and performance using the product on epicondylitis patients with soft tissue injuries	The trial will be conducted in three sites	Israel	20	11	Safety and performance using the product	Projected conclusion in the third quarter of 2015	600	150	The trial began on January 12th and as of the date of this report the trial is in progress and no results for reporting have been received yet.

16.6 As for the date of execution and completion of the two products under development by the Company (the Vergenix®STR and the Vergenix®FG), the Company estimates that the dates of completion of the clinical trials, filing the applications, receiving CE Marking approval and assessments for the beginning of sales in Europe, will occur in the course of 2015.[41]

<u>A warning about forward-looking information</u> – the Company's information and estimates as stated above in connection with the Company's research and development activities, including product development, their purpose and duration of the completion of the development (if at all), the safety of products, types of additional trials that will be needed for further development and approval of products, dates of commencement of clinical trials of any of the products in human subjects and/or their completion, including the continued development of products and proof of safety and/or efficacy in human subjects, the effects of clinical data gathered in trials on obtaining regulatory permits for other products of the Company, date of completion of the trials in the various products and their results, the dates of receipt of permits for product marketing and date of the beginning of product sales and estimates as to the size of the relevant markets, as well as the projection and the dates for submission of applications for approval of various products and receiving permits accordingly, cost estimates regarding the trials, their location (if they have not begun), including forecasts, deadlines, estimates and/or plans of the Company in connection with them, are "forward-looking information" as this term is defined in the Securities Law involving a high degree of uncertainty, and which is based, in part, on third parties and on many variables over which the Company does not necessarily have control, and therefore it is possible that the completion of the development of the products under development, the meeting of deadlines and timetables for

[41] The reason for updating the projections with respect to the dates set forth in the previous periodic report lies in testing of the products carried out by the Company through a subcontractor from abroad, that took longer than planned (and additional time was required to replace one of the parts (syringe) in the product kit). To the Company's best estimate, this is not a delay arising from a significant development problem but rather a delay arising from the detection of a defect in a plastic component (syringe) which was replaced accordingly. As of the date of this report, the aforementioned testing has been concluded and clinical trials had begun near the end of 2014.

development, as well as assumptions regarding future use and the relevant markets, are not realized in practice and/or will not be realized in full and/or be realized in a different manner than that anticipated or expected in the first place.. Among the factors that could cause the Company's information and evaluation of such information will not be realized in the desired manner, one can specify, among other things, delay in the rate of recruiting patients, delay and/or failure to complete the required pre-clinical and/or clinical trials, trials failure or a disagreement with the regulatory authorities on their results, a change and/or harsher approval policy of the regulatory authorities (or denial of approval) with respect to products under development, the termination of material agreements for strategic cooperation and/or delays in the development of products developed thereunder [including the need and/or elongation for conducting pre-clinical and clinical trials to be performed by the entities involved (if any) among other things, to prove their clinical efficacy or their failure, failure to meet the objectives of further such trials and/or schedules and/or failure to obtain funding required by the parties involved on time and in the necessary scope for their continued development (if any)], the entry of additional competitors in the areas of the products under development, cancelation of material agreements the Company is party to, and the materialization of any of the risk factors as described in section 30 in this report. It is further emphasized that there is no certainty that trials are successful, and the failure of the trial may require an update of the research and development plans, the budgets and schedules, and the Company is exposed to other risks as described in section 30 in this report, which may have a significant impact, jointly and severally, on these estimates.

16.7 Amounts incurred in research and development activities

In the course of 2014, the Company invested 14.8 million ILS in research and development activities for its various products.

Research and development grants from the Chief Scientist

16.7.1 From the start of its operations in 2004 and until January 31st 2007 CollPlant worked under the technological incubators program, in accordance with the Directives of the Director General of the Ministry of Industry, Trade and Labor.[42] As part of the technological incubator program the Chief Scientist participated in the funding of CollPlant's activity. As of the date of this report CollPlant returned and completed all of its obligations to the Chief Scientists in respect of said greenhouse period.

16.7.2 At the end of incubation period CollPlant received grants in

[42] The directives of the Director General of the Ministry of Economy regarding technology incubators, as may be from time to time (including Director General Directive 8.2, Director General Directive 8.3 and Director General Directive 8.4, as applicable (**Director General Directives**). For a comprehensive list of the Director General Directives please review the official website of the Chief Scientist in the Ministry of Economy.

accordance with the requests submitted to the Ministry of Industry, Trade and Labor under the Chief Scientist's Industrial R&D support program pursuant to the Encouragement of Industrial Research and Development Law, 5744 – 1984 and the regulations promulgated thereunder (the "**R&D Law**") under the approval letters and approved applications for grants it has submitted. For further information about instructions and restrictions under the R&D Law, see section 24.2 below.

16.7.3 On May 12th 2013 the Company received approval from the Chief Scientist for the R&D program of CollPlant for the year 2013. The approval is for the plans for the production of collagen in transgenic plants and its use in medical products being developed by CollPlant Ltd. (hereinafter in this section: the "**Approval Letter**"). The Approval Letter is pursuant to the Encouragement of Industrial Research and Development Law, 5744 – 1984, and subject to certain obligations, restrictions and stipulations, as is customary in this type of approval letters, including the payment of royalties to the country from any income received by CollPlant. The scope of the research and development expenses that were approved is in the amount of 7 million ILS, the approved grant rates are 50% and they amounted to a grant of 3.5 million ILS.[43]

16.7.4 On April 24th 2014 the Company received approval from the Chief Scientist for the R&D program of CollPlant for the year 2014. The approval is for the plans for the production of collagen in transgenic plants and its use in medical products being developed by CollPlant Ltd. (hereinafter in this section: the "**Approval Letter**"). The Approval Letter is pursuant to the Encouragement of Industrial Research and Development Law, 5744 – 1984, and subject to certain obligations, restrictions and stipulations, as is customary in this type of approval letters, including the payment of royalties to the country from any income received by CollPlant. The scope of the research and development expenses that were approved is in the amount of 9.2 million ILS, of which the approved grant amounted to a 4.4 million ILS and is at a rate of 50% (in respect of the R&D expenditure in Israel, which are the majority of the R&D expenses) and 30% in respect of R&D carried out abroad.[44]

16.7.5 In the course of 2014 CollPlant received grants under the R&D Law in the amount of 3.3 million ILS and these were recorded as a reduction of the R&D spending.

16.7.6 To realize its goals, the R&D Law limits the benefits to an Israeli corporation whose research and development activity is conducted in Israel by Israeli residents. In addition, the R&D Law requires that the product that will be developed as a result

[43] See the Company's immediate report dated May 12th 2013 [reference no. 2013-01-059539], included herein by way of reference.
[44] See the Company's immediate report dated April 27th 2014 [reference no. 2014-01-050460], included herein by way of reference.

of research and development will be produced exclusively in Israel, unless the Ministry of Industry, Trade and Labor Research Committee approved the transfer of the production rights of the product overseas. The amendment to the R&D from 2005, limited the sweeping ban that existed prior to the amendment on the transfer of know-how abroad, including through the sale of knowledge and/or activity of the corporation to a foreign entity that is not Israeli and authorized the Chief Scientist's Research Committee to approve, in special cases, the transfer of such know-how. However, the Committee's approval is contingent on the fulfillment of conditions regarding increasing the amount of the payment to the state, on the participation of the proceeds of the sale based on a formula determined in the R&D Law or the import of alternative know-how into Israel in return, and subject to certain conditions specified in the R&D Law (including the regulations promulgated thereunder). As a result of the provisions of the R&D Law, in the event an enterprise will seek to carry out production abroad or to sell its knowledge or part thereof to a party outside of Israel, including through the sale of shares in said corporation or its assets, it will require the approval of the Research Committee and will involve additional payments to the state. For further information about the provisions of the R&D Law and the restrictions pursuant to it, see section 24.2 below.

As of the report date, the Company is in compliance with the restrictions set out above by the R&D Law, and is not required to make special payments to the state for the transfer of CollPlant know-how and/or the sale of its assets.

Thus far, CollPlant paid the state royalties in immaterial amounts, which were due from revenues received from the sale of raw materials it produces, and for monies received from the strategic partnership to develop some of the Company's products.

The royalties are calculated based on proceeds from the sale of products in whose research and development the government participated by way of grants.

Under the terms of participation, royalties are paid at a rate of 3% of the sales of the products in whose research and development the government participated in the first three years, from the start of the return, 4% of the sales of the subsequent three years sales and 5% of the sales from the seventh year up to 100% of the grants received by the Company, linked to the dollar, plus interest at LIBOR.

For details on the conclusion of the management on the prospects of repayment of grants through royalty payments, see Note 1g of the financial statements.

16.7.7 For details on the various development stages of the Company's products under development as of the date of this report, see this section above and section 10 (New Products) above.

16.7.8 The total grants listed in the table below are the actual amounts of the grants received for the years indicated. As of the date of this report the Company has no further grants from state entities other than the Chief Scientist.

Name of the medical product for which a grant was received from the Chief Scientist	**Grant received in 2012 (thousands ILS)**	**Grant received in 2013 (thousands ILS)**	**Grant received in 2014 (thousands ILS)**	**The balance of grants received from the Chief Scientist as of the reporting date (thousands ILS)**	**Terms for the return of the grants, including repayment schedules**	**Special conditions prescribed by the Chief Scientist in connection with the grants and/or the conditions of their repayment**
Human collagen production in transgenic plants	3,302	3,283	3,377	23,600	Under the terms of participation, the Chief Scientist will be paid royalties in the scope of 3% of revenues from the sale of products in whose research and development the Chief Scientist took part, up to a maximum of 100% of the grants received by the Company. As of the date of this report, the Company is unable to estimate the expected timeframes for the return of the grants.	For income from the sale of products manufactured by the Company abroad, the Company will pay increased royalties at a rate of 4%

* As of the Report Period and the Report Date, the Company has not yet recognized in its financial statements the liability to the Chief Scientist. For details on accounting standards and the Company's position regarding failure to recognize a liability as stated above see Note 3b(1) of the Financial Statements.

16.7.9 Research grants from external sources

16.7.10 On January 20th 2010, a consortium with CollPlant's participation received funding under the Seventh Program of the European Union, and ranked first among all the competing projects in the category. The research subject is "Regeneration of tendons". The program is expected to last 4 years, during which joint research will be carried out, and exchange of personnel between CollPlant and other partners in Europe.

16.7.11 On August 17th 2010, a consortium with CollPlant's participation received additional funding under the Seventh Program of the European Union. This study is designed for the development of a net for the repair of hernias, which combines human recombinant collagen. The total funding for CollPlant as part of this research program is approximately 274 thousand Euros.

17. **Intangible assets**

17.1 Payment of royalties to a third party in respect of the milestones, marketing and/or sale of medical products and the provision to another party of rights to use intellectual property

To the best knowledge of the Company, in the course of 2014 and as of the date of this report, the Company is not ties in significant cooperation agreements under which it is obligated to pay royalties to a third party in respect of the milestones, marketing and/or sale of medical products and the provision of rights of use of intellectual property to another party.

Without limiting the foregoing, for details regarding CollPlant's obligation to pay royalties to the Chief Scientist calculated on the basis of proceeds from sales of products in whose research and development the Chief Scientist participated by way of grants, see section 3b(1) above.

For details on the payment of royalties on sales in the medical field according to a joint patent (not related to the patents for the collagen protein), see section 17.7 below.

17.2 Approval of the assignment of intellectual property rights to CollPlant from the developers

According to the approval of assignment of rights ("**Approval of Assignment of Rights**"), which is an annex to the founders' agreement (as defined in section 25.1 below), the developers (as defined in section 25.1 below) have signed a letter of assignment of rights to CollPlant, under which they assigned all intellectual property rights (IP) owned by them to CollPlant, including in connection with their rights in the development of the production method for quality human collagen in plants, all under certain conditions. According to the founders' agreement, the company Yissum – Research Development Company of the Hebrew University of Jerusalem Ltd. ("**Yissum**") is entitled to ownership of certain intellectual property rights, developed with the university staff, apart from Professor Shoseyov (the company's chief scientific officer and a director thereof) and his laboratory staff. In addition, upon the termination of CollPlant's activity and/or its dissolution, all rights in the patents and trade secrets pass on to Yissum. To this end, according to the founders' agreement, all intellectual property rights in that can be registered should be registered with a 1% ownership in Yissum's name. Notwithstanding the above, as of the date of the report all of the Company's patents are registered (or about to be registered) in CollPlant's name only, except for a patent (that is not a patent connected to the Company's core/ collagen activity),[45] which is registered under the joint ownership with Yissum, all as specified in the Company's registered patents table and the patents application table in sections 17.4.1 and 17.4.2 below. The above also applies in connection with the provision of services by Yissum under agreements for the provision of services by Yissum the Company enters into from time to time, as provided in section 25.4 below.

17.3 Obligations towards the State/ the Chief Scientist

Any licensing or assignment of rights and/or licensing to third parties of

[45] Refers to a joint patent application filed by the Company and Yissum together, that does not pertain to the core operations of the Company in the field of recombinant collagen, but relates to preparations containing fibrous and polysaccharides proteins (such as Resilin), and for which the Company and Yissum signed a development and regulation of rights in a patent agreement, as described in section 17.7 of this report.

any intellectual property owned by CollPlant, including the receipt of royalties, is subject to the restrictions and to CollPlant's obligations towards the Chief Scientist, pursuant to the General Director's Directives and/or in accordance with the R&D Law.

17.4 Patents

Following in separate tables, to the best knowledge of the Company, are details of essential registered patents and substantive patent applications. At the report date, according to the advice received by the Company, as of the date of this report, the Company is unaware of the existence of a material preclusion from using its substantial technology, in the main countries in which it operates and/or plans to operate in the future.

17.4.1 Registered patents

Granted/ allowed patent number	Patent description	Description of the rights in the patent	Expected expiration date of the patent	Countries the patent was approved in
US 8455717 Australia 2007201384 Australia 2011211341 Europe 1809751 Europe 2357241 Hong Kong 12100629.5 HK1114405 Hong Kong Japan 5100386 Japan 5517309 Mexico 286364 ZL200580040821.7 China South Africa 2007/03369 Singapore (WO2006/035442) 131315 India 248497 New Zealand 554787	Plants producing collagen and method for creating and using them	Full ownership (*)	September 28th 2025	United States Australia Europe South Africa China India Mexico New Zealand Japan Hong Kong Singapore
Israel 205270 US 8,759,487 Europe 08841256.4	Method for processing recombinant pro-collagen to collagen when the pro-collagen source is not animal cells.	Full ownership (*)	October 26th 2028 in the US May 19th 2029	Israel US Europe
US 8,431,158 US 8,906,651 Australia 20083311099	Formulations containing polysaccharides fibrous protein.	Joint ownership with Yissum – Research Development Company of the Hebrew University of Jerusalem Ltd.[46]	November 26th 2028 US NP April 14th 2029	Australia US

(*) For details on the patent opposition filed by Fibrogen Inc., and which was

[46] For details on the division of rights of use arising from the ownership of this patent under the agreement between CollPlant Ltd. and Yissum, see section 17.7 below.

rejected by the European Patent Office, see section 27.2 below.

17.4.2 Patent registration applications (I) (II)

Stage of patent application	Name and description of the requested patent	The expected rights in the patent (if registered)	Priority date	Date of filing the application	Countries the application was filed in - Pending
NP	Method for the production of functional collagen in plants WO 2006/035442	Full ownership	September 29th 2004	September 28th 2005 (III)	Europe United States India Brazil Israel Canada
NP	WO 2009/069123 formulations containing fibrous and polysaccharides proteins	Joint ownership with Yissum – the Research and Development Company of the Hebrew University of Jerusalem[47]	November 26th 2007	November 26th 2008	Japan United States Israel Europe
NP	Method for creation and use of pro-collagen as an active molecule WO2009/128076	Full ownership	April 18th 2008	April 16th 2009	USA Canada China India Israel Europe
NP	Method for the production of collagen fibers WO 2011/064773	Full ownership	November 24th 2009	November 24th 2010	US Europe Hong Kong
NP	Resilin based biological glue and its uses W02013 / 030840	Joint ownership with Yissum – the Research and Development Company of the Hebrew University of Jerusalem[48]	August 8th 2011	August 30th 2012	US Europe Israel
PCT	Materials containing crossed Resilin molecules. IL2014 / 050963	Full ownership	November 5th 2013	November 5th 2014	

[47] For details on the division of rights of use arising from the ownership of this patent under the agreement between CollPlant Ltd. and Yissum, see section 17.7 below.
[48] For details on the division of rights of use arising from the ownership of this patent under the agreement between CollPlant Ltd. and Yissum, see section 17.7 below.

Stage of patent application	Name and description of the requested patent	The expected rights in the patent (if registered)	Priority date	Date of filing the application	Countries the application was filed in - Pending
PCT	Preparation comprised of collagen and platelet enriched plasma for tissue renewal W2014 / 147 622	Full ownership	March 21st 2013	March 19th 2014	

(I) To the best knowledge of the Company, at the reporting date there is no impediment for the patents not to be registered as required by the relevant local laws in said countries.

(II) All patent applications in the table above, including applications that were submitted for registration in the US, are pending.

(III) In the Company's opinion, based on the assessment of its consultant, the duration of the examination of the application, which is measured from the date of submission of the application until the registration of the patent, of 5 to 10 years, is acceptable and reasonable in the Company's Field of Operations.

17.4.3 The PCT Treaty allows the evaluation of the patentability of intellectual property before filing a patent application in many countries. For a patent application to take effect in other countries (other than that in the country where the patent application was filed) in accordance with its priority date, it is possible to submit an international patent application to WIPO. The patent expiration date (without extensions which the sometimes possible) is 20 years from the date of submission of the application to WIPO. After filing the application for registration to WIPO under the PCT and the Paris Treaties, the patent application is filed in every country (National Phase) or in the area (Regional Phase) where patent protection is desired. The right to receive a patent is examined according to the priority date (the date from which the patent term will begin, if approved) while the monopoly rights arising from the patent after such acceptance will begin from the day it was accepted in every country or countries in the region. The application is examined by the patent office in every country/ region separately. For the most part, the patent's effect is set to 20 years from the application date. The patent renewal dates applicable vary from country to country. In some countries there is also a demand for payment of a subsistence allowance for patent applications (fee required for the maintenance of the patent application). In addition, patent protection is limited in principle to the jurisdiction in which it was registered, and its territorial expansion requires the submission of suitable applications in additional countries.

17.4.4 Despite the passage of the Company's patent application from

the provisional stage to the NP stage, it should be noted that there is no certainty that the patent applications filed by CollPlant will end in a patent and/or that there will not be attempts by third parties to attack patents registered in CollPlant's name.

17.5 Trademarks

17.5.1 The following table summarizes the registered trademarks and/or applications submitted by CollPlant for the registration of trademarks in Israel:

Trademark name	Countries where the application was filed	Date of filing the application	Date of registration of the trademark
Collage	Israel	July 19th 2009	January 9th 2011
Vergenix	Israel	August 1st 2010	July 11th 2011

17.5.2 Trademarks in Israel are registered for a fixed period as specified in the law, and can be renewed at the end of each period. At the reporting date, the registration of all trademarks listed in the table above is in effect.

17.6 Material Transfer Agreements

CollPlant periodically enters into agreements with commercial organizations, medical institutions and research and development institutions to transfer materials and products being developed by CollPlant (Material Transfer Agreement). These agreements include provisions concerning liability and indemnity for the materials being transferred, the quantities required for the production and transfer, the rights in the transferred materials and in the outputs of the research and/or development for which the materials are required, the material transfer dates and instructions concerning care and usage thereof, and more. These agreements may be used as a basis for further cooperation between CollPlant and the contracting party.

17.7 Patent development agreement for the Resilin protein and arrangement of rights therein between CollPlant and the Yissum Company

On July 29th 2010, a joint development agreement was signed (in this section: the "**Development Agreement**") between CollPlant and Yissum. The Development Agreement governs the relationship between the parties in connection with the invention protected by a patent application for the Resilin protein (Resilin protein and patent are not related to the Company's collagen protein and the patents in its respect), filed in the parties' name (in this section: the "**Resilin Patent**") (for details of the Resilin Patent, see the table above), jointly developed by the parties to the Development Agreement and by Prof. Shoseyov, CollPlant's Chief Scientist. The Development Agreement stipulates that ownership of the Resilin Patent and its associated know-how developed until the date of execution of the Agreement is shared by both parties. Future developments of each party (without the contribution of the other) within the area of operations of said party will be owned by the developer. Each party has granted the other an

exclusive license, worldwide, which can be sub-licensed, to make use of the Resilin Patent and its associated know-how, for the purpose research, development, production, marketing, distribution, license or sale of products. Each of the parties may act in a specified field: CollPlant may use the technology for human and veterinary uses (including therapeutic and diagnostic), and Yissum in any other field. CollPlant was also granted first rights to develop and commercialize products in Yissum's field of activity in respect of which a sub-license has not yet been given by Yissum to a third party. In consideration for the grant of licenses, each party shall make the following payments: CollPlant shall pay Yissum: (a) a royalty of 2% of the sales proceeds (Net Sales); and (b) a commission of 12% of the proceeds of the grant of rights/ sublicense considerations. Yissum will pay CollPlant a commission of 20% of the proceeds of the grant of rights/ sublicenses (Yissum Field Sublicense Considerations) (which include proceeds from sales). CollPlant be responsible for the filing, claim and ongoing handling of the Resilin Patent, and will bear all costs thereof. In addition, CollPlant is granted the right to maintain and protect the patents owned by Yissum (that may result from future developments), at CollPlant's discretion. The agreement shall be terminated by the later of (a) the expiration of the last shared patent; and (b) the end of the exclusivity period granted to the product by a governmental authority.

18. **Human Capital**

The Company is working with a small senior management team, with the intention of managing efficiently while taking into account the Company's activities, the budget available and the corporate objectives set by the Board from time to time.

At the date of the Senior Management Date, A CEO, CFO, VP R&D and Regulatory and Quality Assurance VP were appointed. In addition, the Company has a Chief Scientist (who is also a director in the Company) and an active Chairman of the Board.

Below, detailed in a table are all of the full-time employees as of December 31st of the years 2013 and 2014 and immediately before the date of this report:

Area of activity	**Number of employees immediately before the date of the report**	**Number of employees on December 31st 2014**	**Number of employees on December 31st 2013**
Senior management, finances and administration	5	5	4
Research and Development	11	12	12
Operations	11	11	9
Quality Assurance	2	2	2
Total	**29**	**30**	**27**

In addition, the Company employs a limited number of temporary workers in part-time jobs, consultants and service providers, and does not employ contract workers.

18.1 Organizational structure

Following is an organizational chart of the Company:

CEO

Finances	**Operations**	**Research and Development**	**Regulation, Quality Assurance**	**Chief Scientist**

18.2 Employment Agreements

As of the date of this report, all of the Company employees are employed under individual employment contracts. The employment agreements include an undertaking regarding confidentiality, non-competition and protection of the Company's intellectual property rights against third parties, and as the property of the Company alone. The terms of employment include, among other things, vacation days, convalescence pay and the other social benefits as prescribed by law. These employment agreements are, for the most part, for an unspecified period of time when either party may terminate the agreement with prior notice 30 days in advance (during the trial period with prior notice of 14 days), except in special cases where an immediate termination is permitted as specified in the agreement.

18.3 Officers and members of the senior management

18.3.1 Management members and senior officers of the Company are also employed in accordance with terms determined in individual contracts. The employment agreements with the senior officers include an undertaking regarding confidentiality, non-competition and protection of CollPlant's intellectual property rights against third parties, and as the property of CollPlant alone. The terms of employment include, among other things, participation in vehicle expenditure, vacation days and convalescence pay and the other social benefits as prescribed by law. These employment agreements are, for the most part, for an unspecified period of time when either party may terminate the agreement with prior notice 90 days in advance, except in special cases where an immediate termination is permitted as specified in the agreement. CollPlant has agreements with local leasing companies, for the operational leasing services of vehicles for the CollPlant officers who elected this option (under the terms of their employment).

18.3.2 For details on the agreement between the Company and its senior officers in accordance with Regulation 21 of the Reporting Regulations, see details in Regulation 21 in Chapter D (Additional Information) of this report.

18.3.3 At the reporting date the Company is of the opinion that it is not dependent on any of its employees and/or senior officers. For details about the risk that the Group is exposed to in connection with skilled and professional human capital, see section 30.3.1 below.

18.3.4 All of the directors and senior officers of the Company are insured under a professional liability insurance policy for directors and officers whom the Company maintains through an Israeli insurance company. For further details see Regulation 29a of Chapter D (Details) of the periodic report.

18.3.5 In addition, the Company provides officers of the Company and/or its subsidiaries, as may be from time to time, while serving as officers in related companies, as well as an officer who is a controlling entity or his relative, letters of indemnity and letter of exemption under acceptable terms.

18.4 Officers Compensation Policy

18.4.1 Pursuant to Amendment 20 of the Companies Law, on January 23rd 2014, the Company adopted a compensation policy for officers of the Company (the "**Compensation Policy**").[49] The purpose of the Compensation Policy is to describe and detail the company's policy regarding the compensation of the Company's officers. The Compensation Policy is a tool of the Company under which it can, if necessary, incentivize and reward the officers.

18.4.2 The Company will strive, under the employment agreements and/or new management agreements/ renewal/ updating of existing agreements, to implement and apply the principles of the Compensation Policy, subject to the Company's ability to deviate from this Compensation Policy, as may be required and subject to the provisions of the law.

18.4.3 The compensation components officers will be eligible to will only be those specifically approved by the competent organs of the Company and subject to the provisions of any law. The adoption of the Compensation Policy by the Company does not grant its officers any right.

18.4.4 The Company's Compensation Policy entered into effect as of its approval by the General Assembly, on January 23rd 2014, and will remain in force for 3 years (i.e. until January 23rd 2017), unless adjusted and/or changed at an earlier date, in accordance with the Companies Law and its regulations, as updated from time to time.

18.4.5 The principles of the Company's Compensation Policy were made public.[50]

[49] See the Company's immediate report dated January 23rd 2014 [reference no. 2014-01-023434], included herein by way of reference.

[50] See Appendix A to the Company's immediate report (amended) dated January 8th 2014 [reference no.

18.5 Option plan for employees, officers and consultants

On May 3rd 2010, the Company adopted an option plan for employees and senior officers (the "**Plan**"). As of the date of this report, employees, officers and/or consultants of the Company hold in practice 17,963,346 Options. The number of Options included in the Plan may be amended from time to time, in accordance with the Plan, by the Company's Board of Directors.

The table below details the granting of options by virtue of the plan for employees and senior officers and consultants of the Company in 2013 and 2014 and as of the date of this report (classifying according to the type of offeree):

Type of offeree	**Date of allocation**	**Number of offerees**	**Amount of options offered**	**Consideration**	**Corporation's value after the funds derived from the allocation (if relevant)**
Officers	May 29th 2013	2	354,177	Allocation of options to officers for no consideration	Irrelevant
Officers and employees	June 9th 2013	16	1,268,487	Allocation of options to officers for no consideration	Irrelevant
Officers	July 8th 2013	2	270,000	Allocation of options to officers for no consideration	Irrelevant
Officer (not a director or CEO)	September 11th 2014[51]	1	400,000	Allocation of options to officers for no consideration	Irrelevant
Chairman of the Board of Directors	October 29th 2014[52]	1	7,241,770	Allocation of options to officers for no consideration	Irrelevant

Following are the main points of the plan:

18.5.1 General

a. Each option under the Plan will be exercisable into one ordinary share, subject to the adjustment as set forth in subsection 18.5.6 below.

b. The options allotted under the Plan will not be listed on the stock exchange. The exercise shares that will be

2014-01-009604].

[51] See the Company's private immaterial placement report dated September 11th 2014 [reference no. 2014-01-156420], included herein by way of reference.

[52] See the Company's private immaterial placement report dated September 15th 2014 [reference no. 2014-01-158352], included herein by way of reference.

allotted by the Company to the offeree with the exercise of the Options (hereinafter: the "**Exercise Shares**") shall be listed for trading immediately following the date of their issuance and they will have equal rights in every respect to the ordinary shares.

c. All of the Options shall be allocated to a trustee appointed pursuant to the provisions of section 102 of the Income Tax Ordinance for the offerees (hereinafter: the "**Trustee**"). The Company may determine, at its discretion, from time to time, another Trustee, subject to the provisions of section 102 of the Income Tax Ordinance, as the term is defined below.

d. The Options and rights thereunder may not be sold or transferred in any way or form (including by way of lien or pledge or assignment), and shall not be subject to sale under execution proceedings, attachment proceedings or similar proceedings, unless in the event of death or transfer to an Administrator in accordance with law and in the event of the absence of legal competency, provided that in the event of such a transfer (and as a condition for the completion of such a transfer) the transferee shall undertake in writing to comply with the provisions of the Plan and the Allocation Agreement.

e. During the life of the offeree (and as long as he is qualified for legal actions according to the law), all of the offeree's rights to purchase shares under the Plan may be exercised by the offeree alone, and any action contrary to the above, either directly or indirectly, whether with immediate or future effect, shall be null and void.

f. Until such date where the Options are exercise in practice, if exercised, the offerees will not be awarded any rights attached to the Exercise Shares and they will not be considered as a type of shareholders or creditors of the Company, including in any matter related to the Companies Law, including for the purposes of sections 350 and 351 of the Companies Law.

g. The offeree must sign, whenever required to do so by the Company, any additional document required in accordance with any law and/or regulation of the Company, in connection with the allotment of the shares.

18.5.2 Determining eligibility under the Plan

a. As a rule, the Options vest over a period of four (4) years from the date of the issue, in increments: 25% of the Options after the first year, and 6.25% of the Options at the end of each quarter thereafter, for three years, and some every calendar year, unless otherwise provided in a specific allocation agreement.

b. The offeree is entitled, under the terms of the Plan, to exercise the Options beginning from the start of the eligibility to exercise such option as specified in the allocation agreement with him until the end of the prescribed period for exercising the option in question as set out in said agreement (hereinafter: the "**Date/s of the Options Expiry**").[53]

18.5.3 Terms of the Plan in the event of termination of employment or tenure

a. In the event the offeree ceases being employed in his office or a senior officer in the Company or in related companies, as defined in section 102(a) of the Income Tax Ordinance (hereinafter: the "**Related Companies**"), all the options granted to him under the Plan shall expire immediately, except for options in which by that date the offeree's eligibility to exercise them has already been formed, that shall remain in force (hereinafter: the "**Remaining Options**").

b. The offeree may exercise the Remaining Options at a date later than the date of termination of the employee – employer relationship in the course of an additional period after the termination of the relationship, whose length depends on the circumstances of termination. As a rule, in the event of employment termination without "cause",[54] the offeree will have the right to exercise the Remaining Options for a period of ninety (90) days after the end of the relationship.

18.5.4 The exercise price and the exercise procedure

a. The Options are offered to the offeree free of charge.

b. The exercise price of each of the Options will be as specified in the allocation agreement with each offeree (the "**Exercise Price**"), subject to the following adjustments.

c. The exercise of the Options into shares for the offeree will be executed by the Trustee. It is clarified that the discretion to exercise the options is that of the offeree

[53] According to the amendment of the Stock Exchange Regulations and the guidelines thereunder, as of March 18th 2012 there will be no conversion of the options listed on the effective date for the distribution of bonus shares, to an offer by way of rights, for dividend distribution, equity consolidation, capital split or capital reduction (each of the above: a "**Corporate Event**"). Should the ex-date (as defined in the Stock Exchange Regulations) of a Corporate Event occur before the effective date of a Corporate Event, conversion will not be executed on said ex-date.

[54] In respect of the Plan "**cause**" means any of the following (a) conviction for an offense involving moral turpitude or one affecting the Company and/or the Related Companies; (b) embezzlement of Company funds and /or funds of the Related Companies; (c) breach of fiduciary duty towards the Company and/or the Related Companies, including the disclosure of confidential information concerning the Company and/or the Related Companies; and (d) any act or omission (other than conduct in good faith), which in the opinion of the Board of Directors significantly harm the Company and/or the Related Companies.

and not the Trustee.

d. The Company may transfer treasury shares to offerees in lieu of the allocation of new shares, if such treasury shares are held by the Company.

18.5.5 Trust arrangement pursuant to Section 102 of the Income Tax Ordinance

a. The tax assessor approved the Plan and the appointment of a trustee for said plan, in the capital gains track, through a trustee, in accordance with and subject to the provisions of section 102 of the Income Tax Ordinance and the regulations, rules, circulars and directives issued thereunder (hereinafter together: "**Section 102**").

b. In accordance with the provisions of Section 102, the options will be allotted (including any right in them) to the Trustee for all offerees, who will hold them at least for the lock-up period required by Section 102 (hereinafter: the "**Lock-up Period**") and the Trustee shall act in respect of the options and the underlying shares in accordance with the provisions of Section 102 and in accordance with the provisions of the trust and the exercise of options and sale of the underlying shares procedure, as will be determined between the Company and the Trustee.

18.5.6 Adjustment provisions for the offeree's protection

a. In the event that during the period following the grant of the Options to the offeree (including through the Trustee) the Company will distribute bonus shares to its ordinary shareholders, the rights of offerees shall be protected as follows: immediately after the effective date for the distribution of bonus shares (hereinafter: the "**Effective Date**") the number of underlying shares the offeree is entitled to receive will increase, by adding the number and type of shares the offeree was entitled to, as bonus shares, had he exercised the options (which he has yet to exercise) immediately prior to the Effective Date. It is clarified that such adjustment shall apply to all options (including for such options which the offeree is not entitled to exercise on the Effective Date).

b. In the event the Company is party to an agreement or arrangement of a stock swap (such as a merger or reorganization) (hereinafter: the "**Swap Transaction**") where ordinary shareholders of the Company will be given the option to exchange these shares with the securities of any other corporation, the Company may require the offeree, for any of the options held by him or for him that have not yet been exercised, to receive options exercisable into the shares of the other corporation, instead of the options held by him, according to the exchange ratio to be determined for all

shareholders of ordinary shares of the Company, provided the total exercise price for all alternative options that will be allotted will be equal to the total exercise price for all the options held by the offeree or for him and that have not yet been exercised.

c. In the event of a rights issue by the Company to holders of ordinary shares in the period following the granting of the options to the offeree (including through the Trustee), the Exercise Price of each option (not exercised until then) on the "ex-rights" day will be reduced by an amount equal to the benefit component. It is clarified that such adjustment shall apply to all options (including options that the offeree is not entitled to exercise on the Effective Date for the issue of rights). In this regard, the "**benefit component**" means: the difference between the share price on the stock exchange which according to the rights issue prospectus served as the basis for calculating the share price "ex-rights" which is stated in the prospectus, and the share price "ex-rights" according to the above prospectus.

d. In aby event of payment of a cash dividend by the Company to its ordinary shareholders, in the period following the grant of the options to the offeree (including through the Trustee), the exercise price of the options that have not been exercised by then on the "ex-dividend" date, will be reduced by the gross dividend amount (i.e. before the deduction of any tax on distribution) paid for each share of the Company. It is clarified that such adjustment shall apply to all options (including options that the offeree is not entitled to receive or sell them on the effective date for the payment of the dividend). It is further clarified that apart from the provisions in this section, the distribution of dividends by the Company to its shareholders will not result in a change in the options, and will also not affect in any way the number of options or increase the number of options the offeree is entitled to.

e. In the event the Company executes a consolidation or division of its ordinary shares into shares of a different nominal value, the necessary adjustments to the underlying shares shall apply.

f. It is clarified that all the securities to be allotted to the offeree for the Options or the underlying shares and all rights attached thereto (such as bonus shares, options and/or shares of another corporation and shares of a different nominal value, as mentioned above), shall also be deposited with the Trustee, and shall be subject to the same terms that apply to the exercise of options and shares, *mutatis mutandis*, and to the same taxation route.

19. Raw Materials and Suppliers

19.1 The main raw materials used by CollPlant in the Field of Operations are tobacco plants, chemicals and supplies used as part of the production and product development process.

19.2 As part of production and development, CollPlant uses the services of subcontractors, who produce raw materials and/or provide services required for its operations, including subcontractors who grow tobacco plants seedlings from samples of the parent plants, subcontractors who grow tobacco plants according to the Company's growth protocol, subcontractors who perform pre-clinical and clinical trials in accordance with the Company's development plans, etc.

19.3 On July 7th 2004, CollPlant entered into an agreement with a German corporation (in this subsection: the "**Supplier**"), under which the Supplier will provide CollPlant with synthetic genes for different uses as specified in the agreement, during the period and for the payments specified in the agreement. The order forms for these products do not include non-competition or assignment of rights clauses.

20. Working capital

20.1 The Company's working capital consists of current assets, including cash and receivables, such as receivables for development activities carried out by the Company and institutions. The working capital includes current liabilities primarily to suppliers due to the ongoing activity and respect of employees. The Company's total net working capital as of December 31st 2014 amounted to 9,963 thousand ILS (positive).

20.2 Forms of contracting with suppliers

The Company maintains relationships with approximately two hundred suppliers and subcontractors, most of them through current accounting. With material suppliers the Company enters into detailed agreements, such as suppliers that are subcontractors in respect of plants and for part of the manufacturing process at the Company. With other suppliers the Company enters into an agreement through detailed purchase orders. The days of credit from suppliers range from 30 to 120 days.

21. Financing

21.1 The Group finances its current operations and its business mainly through raising capital from private entities and investors and/or from the public, through grants received from the Chief Scientist and/or research grants from various sources in Israel and/or abroad, and from strategic partners carrying out joint product development with the Group.

21.2 For details on the capital raising from institutional investors and from the public in the course of 2013 – 2014 and to the date of this report, see section 3.2 above.

21.3 For details on development grants from the Chief Scientist received by CollPlant in the course of 2014 and their terms, see section 16.7.4 above.

21.4 For details on partnerships with strategic partners, see section 26 below of this report.

21.5 The Company believes that there is no certainty that the Company's existing financial resources will be sufficient to fund all of the Company's research, development, production and marketing plans, and it is possible that the Company will be required to raise additional capital to complete its research, development, production and marketing goals.

22. Taxation

22.1 For a brief detailing of the tax laws applicable to the Company and unique to its operations and the principal benefits thereunder, as well as of the tax rates applicable to the Company's operations, see Note 9a2 to the financial statements.

22.2 For details about the year up to which the Company's tax assessments are closed and the tax assessments under discussion with the authorities, in the process of an appeal or objection, including the accounting policy employed in this matter, see Note 9c to the Company's consolidated financial statements for 2014.

22.3 For details on the balance of losses and tax deductions carried to the following years, the unutilized tax credits and deferred tax amounts recognized in their respect in the financial statements see Note 9b to the Company's consolidated financial statements for 2014.

23. Environmental Risks and their Management

23.1 The Group invests resources in creating a green production environment, in the treatment and disposal of waste using environmentally friendly processes.

23.2 The Company has received all the necessary permits from the Ministry of Environmental Protection regarding CollPlant's operations in Yesod Ha'maala and Nes Ziona. The Company operates in coordination with environmental consultants for suitable directions regarding environmental issues.

24. Limitations and supervision over the Company's operations

The Company's Field of Operations and the management of its business are subject to various laws, regulations, guidelines and provisions, the main points of which will be provided below.

24.1 Quality Assurance and Control

24.1.1 CollPlant is required to comply with various quality assurance requirements regarding the products it markets, and all of CollPlant's working procedures are performed according to a system of accepted and international quality standards (ISO and CE Mark).

24.1.2 CollPlant employs a quality management system according to the requirements of international standard and the certification

of the quality and safety systems is carried out periodically for standards FDA 21CFR 820 and ISO 9001: 2008.

24.1.3 ISO 13485 standard – on July 4th 2012 CollPlant successfully passed a quality inspection of a competent European official authorized by the European Union, and received approval in accordance with the International Standard – ISO 13485, which means that CollPlant meets the highest standards required for products' quality management in the fields of orthopedics and wound treatment. To ensure compliance of the products with the above standards as well as the reliability of the quality and safety management system, CollPlant provides the necessary resources required to fulfill the necessary tasks, such as employee training, internal auditing, purchasing tools, regulatory consultation, etc.

24.2 Restrictions under the R&D Law; contracts with the Chief Scientist

24.2.1 The R&D Law establishes a series of requirements that anyone applying for benefits in funding research and development must meet. The R&D Law provides that anyone receiving benefits thereunder will pay royalties to the State Treasury from any income arising from a product developed under the plan or resulting therefrom, including product related services associated with it. In addition, the R&D Law requires that the product that will be developed as a result of the R&D will be manufactured exclusively in Israel, unless the Ministry of Industry, Trade and Labor's Research Committee approved the transfer of production rights of the product abroad. On April 7th 2005, Amendment No. 3 of the R&D Law was published, which permits, among other things, the transfer or sale of know-how whose development is supported by the Chief Scientist to third parties overseas, for a certain part (according to a formula specified) of the proceeds of the transaction for the transfer of the know-how or of its sale, or in return for the receipt of know-how from third parties or for collaboration in research and development activities.

24.2.2 On November 18th 2012, the Regulations for the Encouragement of Industrial Research and Development (Maximum Amount Payable for a Transfer of Know-How Under Sections 19b (b)(1) and (2) of the Law), 5772 – 2012 were published in the official gazette, determining, *inter alia*, the maximum rebate amount to the state due to the transfer or sale of know-how whose development was supported by the Chief Scientist to third parties abroad. For additional restrictions determined in the R&D Law, and the Company's compliance with these restrictions, see section 16 (Research & Development) above.

24.2.3 CollPlant allocated share capital immediately prior to the start of its operations to Meytav – Technological Innovation Center Ltd., against all of its undertakings for investment in CollPlant and against all the services that will be provided to CollPlant by Meytav the technology incubator it operated in).

24.2.4 CollPlant has obligations to pay royalties to the Chief Scientist, calculated on the basis of the proceeds from sales of products in whose research and development the Chief Scientist participated by way of grants. For details on the Chief Scientist grants received, see section 16.3.7 (research and development) above.

24.3 Approval of the health authorities in Israel and around the world

Following is a summary review of the laws and regulations governing the Company in its operations. The Company's products are medical products, whose marketing, once their development is completed, is contingent upon receipt of the approval of the health authorities in every country the products will be marketed in:

24.3.1 Israel – the Ministry of Health, the Helsinki Committee

a. Conducting clinical trials on human subjects in Israel requires approval from the Ethics Committee operating at the medical institution where the trials are to be carried out, working under the Public Health Regulations (clinical trials on human subjects) – 1980 (the "**Helsinki Committee**"). In certain cases, in addition, it is necessary to obtain the approval of the Ministry of Health, in addition to the approval of the Ethics Committee of the hospital where the trial is conducted. A similar procedure exists in most countries.

b. The Company has received all of the approvals of the Institutional Helsinki Committees and the approval of the Ministry of Health, required for conducting the clinical trials on its products in 2012 – 2015 in Israel. For details on the clinical trials – see section 16 above.

24.3.2 Israel – Medical Devices and Instruments ("AMAR")

The Medical Devices and Instruments Unit at the Ministry of Health is the body responsible for granting permits to import various kinds of medical devices and instruments (according to the AMAR registry – the permits registry for medical devices and instruments kept at the Ministry of Health), monitoring the marketing of medical devices and instruments in Israel and approval of clinical trials in medical devices and instruments.

24.3.3 FDA – the American Food and Drug Administration

a. The FDA is a federal organization, belonging to the American Department of Health and Human Services, whose aims include protecting the health of the American public through the establishment and enforcement of a high products standard and through various regulatory requirements, that shall enable the safety and effectiveness of products such as: drugs for use by people and for veterinary use, biological products and medical devices.

b. Foreign companies manufacturing medical devices

intended for export to the United States are required to meet the FDA's regulatory requirements prior to the beginning of the above-mentioned export to the US as well as in the course of said export, as the FDA does not recognize the regulatory certification provided by institutions of other countries.

c. The FDA requirements include, *inter alia*, the production of medical devices in accordance with the regulation of quality assurance, receiving scientific reports on the medical devices, the appointment of an American agent and allowing FDA representatives to monitor the production processes at the plant.

d. The Company's end products may be required to undergo a 510(k) or PMA process. In the event of a 510(k) process it is a relatively short process, during which it is demonstrated to the FDA that the products for which medical certification is requested, are safe and effective, and that they are equivalent to other products from various fields legally marketed in the United States, and are not subject to the PMA process. However, CollPlant's products may be required to undergo PMA. As part of the PMA process, among other things, clinical trials on a larger scale may be required, this could substantially extend the time required to obtain the regulatory approvals and significantly increase the costs required to do so.

e. In this respect, the Company's Vergenix®WD product (wound dressing), is scheduled to undergo a regulatory process by the Center for Devices and Radiological Health (CDRH), which is an FDA center handling the licensing of medical devices, and is required for receiving pre-marketing approval (PMA) prior to its marketing in the United States. At the same time the Company has successfully completed a clinical trial of this product in August 2012 and in December 2012, it received the CE mark to market this product in Europe.[55]

[55] On August 27th 2010, CollPlant received a notice according to which the FDA reviewed its application for product approval through the 510 (k) process, and held that the Company's Vergenix® Wound Dressing product (in this section: the "**Product**") will undergo its regulatory process at the Center for Devices and Radiological Health (CDRH), which is an FDA center handling the licensing of medical devices. On October 4th 2010, CollPlant received a notice according to which following the FDA's above determine, a decision was made by the CDRH stating that the product will go through the PMA process for regulatory approval (not the 510 (k) process, as requested.) An appeal filed by the Company against this decision was denied, and on April 11th 2012 the CDRH confirmed its previous notice that the product is required to obtain pre-marketing approval (PMA) prior to its marketing in the United States. For additional details see the Company's immediate reports dated August 29th 2010 [reference no. 2010-01-602085], August 31st 2010 [reference no. 2010-01-606738], October 6th 2010 [reference no. 2010 01-638247], April 12th 2012 [reference no. 2012-01-100053] and August 7th 2012 [reference no. 2012-1-203937], details of which are included herein by way of reference.

f. Conducting clinical trials for the various products under development in the Company's "products' pipeline", which will be required to undergo the PMA regulatory process may take one to three years, depending on the composition of the product under development and its designation. The expected costs for said clinical trials are estimated by the Company in amounts of between hundreds of thousands of dollars to two million dollars per product (the duration and amounts are only estimates, as each product has its own unique clinical/ regulatory process).

g. As of the date of this report the Company is not conducting any discussions with the FDA in respect of any of the Company products under development.

A warning about forward-looking information – CollPlant's estimates in connection with the registration process of its products in the described manner, on time and successfully, and especially the Company's estimates regarding the dates and duration of the clinical trials and their expected costs, the approval processes for every one of the Company's products (if an when completed successfully), are forward-looking information as this term is defined in the Securities Law which is based on the Company's development plan, the information the Company holds as of the date of the report and the familiarity with the procedures and processes of the regulatory authorities in the US. These estimates may not be realized, in whole or in part, or be realized in a different manner than that anticipated due to causes that are not under the Company's control, including changes in the market conditions and the competitive and business environment the Company operates in, regulatory changes in the countries the Company operates/ will operate in, rate of recruiting of patients required for clinical trials (if required), any delay in the receipt of permits or harsher requirements and/or procedures of the regulatory authorities in the US and/or Europe, in connection with the Company's activities.

24.3.4 Quality Mark (Mark approval) of the European Union (CE Marking)

a. CE Marking is a European standard for products, which is a manufacturer's declaration that the product meets the required criteria and technical specifications of the relevant authorities such as: health, safety and environmental protection. CE Marking ensures free trade between the EU and EFTA countries (Switzerland, Iceland, Liechtenstein and Norway) and permits the enforcement and customs authorities in European countries not to allow to marketing of similar products

that do not bear the CE Marking sign. Such approval allows, among other things, marking the products (according to various categories) with the CE Mark and their sale and marketing in the EU.

b. The review process and receipt of approval of compliance with CE Marking include an examination of the technical characteristics of the product and the quality management system of the manufacturer. Bodies called "Notified Bodies" are responsible for granting the CE Marking in accordance with the compliance of CollPlant and the product with specified terms. After receiving the CE Marking CollPlant must pass a review on behalf of the competent notified body once a year.

As stated above, in December 2012, the Company received the CE mark permitting the sale and marketing of the Company's wound dressing product (Vergenix®WD) in Europe. This product is the Company's first medical product based on collagen protein derived from plants that is approved for sale and marketing in Europe. For more information about this product, see section 8.2 above.[56] As of the date of this report the Company is in contact with NB in Europe in respect of two of the Company products (the Vergenix®FG and the Vergenix®STR).

24.4 The Israeli Ministry of Agriculture

24.4.1 The process of growth of transgenic plants and the treatment thereof is subject to the regulations published by the Ministry of Agriculture and the approval of the Ministry of Agriculture to engage in the cultivation of recombinant plants.

24.4.2 Although the Ministry of Agriculture requirements do not necessarily apply to CollPlant's operations, CollPlant holds a valid permit from the PPIS (the Plant Protection and Inspection Services Administration) for growing tobacco plants in greenhouses in the north, as well as in all of its subcontractors.

24.5 Business Licensing

24.5.1 The Licensing of Businesses Law, 5728 – 1968 establishes a licensing requirement for various businesses (as set out in the law and the regulations promulgated thereunder). Under the Licensing of Businesses Law, operating a business without a license or temporary permit is a criminal offense.

24.5.2 The Group's production site and laboratories are subject to the Licensing of Businesses Law and the regulations promulgated thereunder, when applicable. The Company has a business

[56] For more details see the Company's immediate report dated November 8th 2012 [reference no. 2012-1-275289], details of which are included herein by way of reference.

license for the Company's site at the Science Park in Nes Ziona, which includes laboratories and offices, in effect until December 31st 2019.

24.5.3 The Company is also examining the possibilities of obtaining a business license for the plant growth and production site at Yesod Ha'maala, when as of the date of this report the Company has no valid business license for this site.

24.6 Planning and Building

24.6.1 The Planning and Building Law, 5725 – 1965 sets provisions and obligations, *inter alia*, regarding the licensing process for a new building (including building permits, non-conforming use and easements), the supervision over its construction and the occupancy permits required.

24.6.2 The Group's production sites and laboratories are subject to the Planning and Building Law, when applicable.

24.6.3 According to the Planning and Building Law, among other things, work or use of land without a permit, where such a permit is required for the work or use, a deviation from the permit granted, or use of agricultural land in violation of the law constitute a criminal offense.

24.6.4 As stated above, as of the date of this report the Company has no valid business license for this site in Yesod Ha'maala.

25. **Material Agreements**

25.1 The Founders' Agreement and investment agreements

25.1.1 CollPlant was established according to a founding agreement dated July 13th 2004, (the "**Founders' Agreement**"), between Meytav, Yehuda Zafrir Fagin ("**Zafrir**"), Yissum and Prof. Oded Shoseyov (Shoseyov and Yissum together – the "Entrepreneurs"; the Entrepreneurs, Meytav and Zafrir together – the "**Founders**"), to carry out a research and development project regarding the process for the production of quality human collagen in plants and the development of the components and products that will be developed by CollPlant and/or Professor Shoseyov and/or Zafrir as part of the project, including commercial marketing (the "**Project**"). The Founders' Agreement was signed after receiving approval from the Chief Scientist for the financing of the Project as part of Meytav's incubator. Under the Founders' Agreement provisions were made, among other things, regarding the distribution of the issued share capital between the founders, the manner of awarding stock to employees, as well as provisions regarding the rights of the founders and the management of CollPlant during and after the incubator period, including the appointment of directors and observers to the CollPlant board of directors, and the distribution of the intellectual property rights. It was determined that the founders would have no right to receive compensation or any other consideration or any claim and/or

demand in this regard. According to the Founders' Agreement, in case of termination of all of CollPlant's activities and/or its dissolution, all rights regarding the use of CollPlant's patents and trade secrets, as defined in the agreement (hereinafter: the "**Technology**") shall be transferred to Yissum. For details on liabilities relating to CollPlant's intellectual property see section 17 above. Over the period from October 2004 to February 2008 CollPlant's shareholders at the time invested funds in several rounds of investment at CollPlant. As part of investment rounds the various investors were granted various rights (such as priority rights, right of first refusal, restrictions on the transfer of shares to third parties, etc.) which were anchored in CollPlant's Regulations, as amended from time to time in accordance with the aforementioned investment agreements. Prior to the closing of the merger in May 2010, CollPlant adopted new regulations, containing provisions with respect to the above rights. As stated above, as of the date of this report CollPlant is a company wholly owned by the Company.

25.2 The merger transaction between the Company and CollPlant

On January 20th 2010, the Company entered into a Merger Transaction (as defined above). On May 20th 2010, the Merger Transaction was concluded (hereinafter: the "**Closing Date**"). On the Closing Date, the Company acquired all of the CollPlant shares and all of the share options CollPlant has previously allotted to its employees, so that CollPlant became a wholly owned subsidiary of the Company; and in return the Company issued to the transferors, in accordance with the Company's prospectus dated May 9th 2010 [reference no. 2010-01-474213] (hereinafter: the "**May 2010 Prospectus**"), shares and share options of the Company. The Company's value for the purpose of the share swap was set as 16.5 million ILS and CollPlant's value was set as 146 million ILS.[57]

Upon conclusion of the transaction the controlling shareholders in the Company at the time ceased being controlling shareholders in the Company.

25.3 For details about the office and laboratories rental agreement, as well as the lease agreement for the factory area in the north of the country, see section 15 above.

25.4 Contract for the receipt of laboratory services from Yissum

CollPlant and Yissum enter from time to time and for limited periods (from a few months to a year) into agreements for the provision of process development services for the production of collagen, under which Yissum provides, through Prof. Shoseyov and his laboratory, certain research and development services to CollPlant, in exchange for the payments specified in the agreement. Usually said agreements contain, among others, a confidentiality obligations and provisions regarding the

[57] For details of the calculation of the value, see the Company's transaction report dated February 11th 2010 [reference no. 2010-01-381033], and the revised transaction reports dated March 11th 2010 [reference no. 2010-01-411990] and March 14th 2010 [reference no. 2010-01-413172].

distribution of intellectual property rights between the parties with respect to the services provided under the agreement. These agreements are in effect for the entire period for which the services are provided and can be canceled with prior notice of one month in advance and upon the occurrence of certain events, as stipulated in the agreement. In the course of 2014 the Company paid Yissum a total of 9 thousand ILS (excluding VAT).

25.5 The collagen supply agreement to an American company in the field of cornea

25.5.1 On October 29th 2012 CollPlant Ltd. ("**CollPlant**") and Cellular Bioengineering Inc. ("**CBI**")[58] signed an agreement for the supply of recombinant human collagen that manufactured by CollPlant ("**collagen**").[59] CollPlant's collagen protein will be used for the construction of an artificial cornea for transplant in human subjects ("**the Field of Use**" and the "**Agreement**", respectively). Below are the main points of the Agreement:

25.5.2 Under the Agreement, CollPlant will provide CBI the collagen according to a non-binding forecast over the first year of agreement and according to a binding forecast for an annual supply for the purchase of minimum quantities starting from the second year of agreement, in accordance with the terms specified in the Agreement. In addition, subject to compliance with the terms of the Agreement, and the purchase of minimum annual amounts of collagen, CollPlant shall grant CBI an exclusive limited worldwide license for the use of the collagen in CBI's product development processes in the Field of Use only, and for their commercial marketing.

25.5.3 In return, it was determined that CBI shall pay CollPlant for the collagen provided it, depending on the volume acquired, and will pay CollPlant royalties in single digit rates from future sales of CBI products in the Field of Use (if any).

25.5.4 The agreement period is for 5 years, and will end on October 28th 2017, unless terminated earlier or extended as stated below by mutual consent. During the first year of the Agreement CBI has the option to terminate the Agreement with prior notice of 60 days. Thereafter, each party has the option to terminate the agreement with prior notice of 180 days, subject to, among other things, the completion of the parties' obligations in relation to the binding forecast in effect. CBI has the right to extend the Agreement for additional periods in accordance with the terms set out. The price of the collagen specified in the supply agreement may be updated in accordance with the actual

[58] To the best knowledge of the Company, CBI is an American company registered in the United States, which is engaged (from its offices in Hawaii, USA), among other things, in the development of artificial cornea for transplant in human subjects. CBI is the parent company of Eyegenix LLC, with whom CollPlant signed a memorandum of understanding for the purpose of signing a long-term commercial supply agreement.

[59] For more details on the supply agreement, see the Company's report dated October 30th 2012 [reference no. 2012-1-266619], included herein by way of reference.

quantities to be purchased, the quality of the material and changes in production costs incurred by CollPlant, all as determined from time to time by CollPlant and under the terms specified in the supply agreement.

25.5.5 As of the date of this report, to the Company's best knowledge, the development of the CBI product is in the pre-clinical trials stage.

25.5.6 In addition, CBI has not yet provided the Company with binding projections for annual supply.

A warning about forward-looking information – the Company's estimates as stated above, regarding the revenue from sales under the Agreement, the completion of the development and/or scope of future sales of CBI products under development in the Field of Use and/or the receipt of compensation in their respect and their expected scope, as well as the advantages inherent therein, and/or their prices, are "forward-looking information" as this term is defined in the Securities Law, 1968 which is based on numerous variables the Company has no control over and on third parties. In practice, the Company estimates may vary considerably, all or part thereof, from its above estimates. Amongst the factors that may cause material changes in the Company's estimates, one can mention the unilateral termination of the Agreement by CBI in the course of the agreement period and/or failure to meet the minimum amounts specified in the Agreement, the need and/or prolonging of the conducting of pre-clinical and clinical trials by CBI (if any), inter alia, to prove their clinical efficacy or their failure, failure to meet the objectives of further trials as specified and/or schedules and/or failure to secure the funding required by CBI at the time and the scope necessary for the continued development of products in the Field of Use (if any), a change and/or harsher approval policies of the regulatory authorities with respect to CBI products in the Field of Use, the time required by CBI to obtain permits for these products (if any), the entry of additional competitors in the Field of Use and other risk factors applicable to the Company's operations, as stated in section 30 below.

25.6 Investment agreement with a Chinese investor – Trauwin Pte Ltd.

25.6.1 On August 25th 2013, the Company signed a non-binding memorandum of understanding with a Chinese investor (the "**Chinese Investor**") who as of the date of this report is a stakeholder in the Company by virtue of its holdings, for a strategic investment and a license agreement in connection with the Company's products in China (the "**Memorandum of Understanding**"). According to the Memorandum of Understanding, the Chinese Investor will invest a total of 2.5 million dollars in exchange for 10% of the issued share capital of the Company at the time of the execution of the Memorandum of Understanding. The Company will manufacture and supply exclusively recombinant human collagen to the Chinese Investor, at a price to be set by the parties in advance. In addition, the

Chinese Investor shall pay the Company an additional 1.5 million dollars in exchange for a license for the exclusive manufacturing and distribution rights to the Company's products in China, both existing and future (excluding the field of orthopedics). The exclusivity for its products is given for a period of 10 years from the execution of a final and binding agreement. Said license fees will be transferred to the Company in three equal installments (0.5 million dollars in each payment) upon the occurrence of any one of the following milestones: (1) the execution of a final and binding agreement; (2) obtaining registration approval in China for the first of the Company's products; and (3) receipt of registration approval in China for two of the Company's products. In addition, the Chinese Investor will pay the Company royalties (single-digit rate) for the sale of the company's products in China.[60]

25.6.2 On October 2nd 2013, the Company signed an investment agreement with the Chinese Investor (in this section: the "**Investment Agreement**"), under which on November 10th 2013 a total of 2.5 million dollars was invested in the Company in exchange for approximately 10% of the issued share capital of the Company.[61] Thus the conditions for completion of the Investment Agreement were met and it entered into force. At the same time, the parties have agreed to waive the condition for the completion of the Investment Agreement that included the signing of the license agreement and the supply agreement as set out in the Memorandum of Understanding (in this section: the "**Accompanying Agreements**"), that were not signed, and agreed that the execution of the Accompanying Agreements will be carried out at a future date. As of the date of this report, the parties are unable to estimate when the Accompanying Agreements will be signed, if at all.

25.7 Memorandum of Understanding (non-binding) with a US investor

25.7.1 On February 3rd 2014 the Company signed an extension of effect of a non-binding memorandum of understanding (the "**Memorandum of Understanding**") with an American corporation (the "**American Corporation**") for a capital investment in the Company, the right to serve as a subcontractor for the Company for the production of recombinant human collagen developed by the Company ("**collagen**") and a license agreement to develop and market collagen-based products in the field of cosmetics.[62] The validity of the Memorandum of Understanding has been extended until March 31st 2014.[63] Upon the end of the Memorandum of

[60] For more details see the Company's immediate report dated August 26th 2013 [reference no. 2013-01-125850], included herein by way of reference.
[61] See the Company's immediate report dated October 3rd 2013 [reference no. 2013-01-155952], included herein by way of reference.
[62] See the Company's immediate report dated December 3rd 2013 [reference no. 2013-01-212112], included herein by way of reference.
[63] See the Company's immediate report dated February 4th 2013 [reference no. 2014-01-030598],

Understanding's effect, it expired and is no longer in effect in respect of the parties.

25.7.2 For details of the agreement for the assignment of intellectual property rights of the Developers, an agreement regarding the distribution of patent rights with Yissum and other information about CollPlant's intangible assets, see section 25.1 above.

26. **Collaboration Agreements**

26.1 Joint development agreements of the bone healing product

26.1.1 On November 17th 2010, an agreement was signed between CollPlant and Pfizer Inc. ("**Pfizer**"), for the joint development of prototypes for products intended for the treatment of certain orthopedic problems (hereinafter: the "**Agreement**" and the "**Project**", respectively). The Agreement refers, among other things, to the distribution of rights in the Project outputs. Under the Agreement, Pfizer paid CollPlant amounts that are immaterial to the Company, for the development activities of the prototypes the subject of the Agreement.[64] On June 2011, CollPlant successfully completed the first phase of activity determined in the joint development agreement with Pfizer (development of prototypes for healing of bones and tendons and performing laboratory trials and on small animals).[65]

26.1.2 On December 22nd 2011, CollPlant signed a joint development agreement with Pfizer for the development of a product for the orthopedic market (in this section: the "**Development Agreement**"). According to the Development Agreement, the parties will jointly develop a product comprised of Pfizer medical protein (rhBmp2) and compounds based on CollPlant's recombinant human collagen (rhCollagen) (hereinafter: the "**Product**"). The Product was designated for use in healing crush fractures in bones and ownership therein will be shared by the two companies. The expected development plan in accordance with the Development Agreement is divided into two periods (each period consists of two stages), over three years in total. For its activities under the Development Agreement, and subject to compliance with milestones and the fulfillment of the conditions under the Development Agreement in respect of each of the two periods of the agreement, CollPlant shall be entitled to a total consideration of approximately 1.9 million US dollars, of which, for the first period, 0.8 million US dollars were received. Under the Development Agreement Pfizer was granted the exclusive right, limited in time, to discuss with CollPlant the

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included herein by way of reference.

[64] For more details see the Company's immediate report dated November 23rd 2010 [reference no. 2010-01-689994], included herein by way of reference.

[65] For more details see the Company's immediate report dated June 26th 2011 [reference no.2011-01-192480], included herein by way of reference.

continued development and commercialization of the Product.[66]

26.1.3 To the best knowledge of the Company, among other things, based on public sources, in July 2013 Pfizer signed an agreement with an additional American company (the "**US Company**") specializing in Orthopedic care, whereby Pfizer awarded the US Company exclusive license, worldwide, to the portfolio of projects related to Pfizer's Bone Morphogenetic Protein products (bone building protein) ("**BMP**"). In addition, Pfizer will continue to manufacture the rhBMP-2 protein and provide it to the US Company.

26.1.4 As of the date of this report, the Company is engaged in joint development work with the US Company for the product under development, including the work of the development teams from both companies on samples for the product for the treatment of bone, instead of the collaboration with Pfizer whose effect has ended. The Company believes that the work and the contacts with the American company will continue over the next few months, and in the event the contacts are successful, the Company estimates that a long term agreement will be signed, that will include milestones until bringing the product to the stage of commercialization in markets. However, there is no certainty that the above contacts will mature into a binding agreement on said date or at all, as well as to its final terms.

A warning about forward-looking information – the Company's estimates as mentioned above, regarding the expected dates for the completion of the negotiations between the parties for a new product development agreement into a memorandum of understanding and/or agreement (instead of the current agreement with Pfizer) and/or the execution of agreements for the development and commercialization of said product, are "forward-looking information" as this term is defined in the Securities Law, 1968 which is based on numerous variables the Company has no control over and on decisions of third parties, over which the Company has no control. In practice, the Company estimates may vary considerably, all or part thereof, from its above estimates. Amongst the factors that may cause material changes in the Company's estimates, one can mention failure of the contacts between the parties in maturing into such development and/or commercialization agreements, the lack of cooperation from the US Company to enter into a collaboration with the Company, changes in the plans and the markets in which the other parties operate (Pfizer and the US Company), as well as other risk factors applicable to the Company's operations, as stated in section 30 below.

[66] See the Company's immediate report dated December 25th 2011 [reference no. 2011-01-372189].

27. **Legal Proceedings**

Below are the significant legal proceedings the Company is a party to and said proceedings that took place and/or are taking place in 2014 and as of the date of this report:

27.1 On August 2nd 2006, CollPlant initiated at the European Patent Office (EPO) opposition proceedings to European patent EPO 951537B1 (in this section: the "**Patent**"), published in the name of Meristem Therapeutics SA ("**Meristem**") relating to the production of recombinant collagen in plants. To the best knowledge CollPlant, patent opposition proceedings were also initiated by Fibrogen Inc. In addition, to the best knowledge of CollPlant, Meristem's patent rights in Europe and Canada expired as a result of failure to make payment of the annual renewal fees. The patent application filed by Meristem in the US matured into a patent (US 6617431) whose demands are limited and to the best knowledge of CollPlant does not limit CollPlant's business. To the best knowledge CollPlant, the opposition proceedings in Europe continued at the request of the second entity opposing these proceedings (Fibrogen Inc.), and in the absence of a defense on the part Meristem, on October 4th 2010, notice was received from the European Patent Office regarding the cancellation of the patent. To the best knowledge of the Company, on January 30th 2011 the time allowing the opposition to the cancellation of said patent has expired.

On July 7th 2011, CollPlant received notice from the European Patent Office, according to which the Fibrogen Inc. Company initiated an opposition proceeding to a patent protecting technology developed by CollPlant for the production of functional collagen in tobacco plants (hereinafter: the "**Patent**"),[67] which as stated was approved for registration in Europe, claiming that the demands accepted exceed the support found in the Patent content itself, they are not new and do not constitute an inventive step, thus allegedly according to the opposition (hereinafter: the "**Opposition**"). CollPlant, through its counsel, submitted its response to the Opposition.

The European Patent Office decided on January 22nd 2013 to preserve the Patent ("**the Decision**") and thus reject the Opposition filed by Fibrogen Inc.[68] The Company has demonstrated the patent office in Europe that the Patent protecting CollPlant's technology is an innovative patent, it has an inventive step and is supported by the application as submitted. Accordingly, the Company received the minutes of the legal hearing confirming that the Company's Patent meets the provisions of the European Patent Convention (EPC).

27.2 On June 3rd 2013 Fibrogen Inc. appealed the Decision. On August 1st 2013 the Company objected to the appeal, including filing the first application filed by the Company to a counter appeal of the Decision, according to which the patent registration application should be

[67] For more details about the Patent see article 1 of the table in section 17.4.1 above.
[68] For more details see the Company's immediate report dated January 28th 2013 [reference no. 2013-01-023154], included herein by way of reference.

expanded.[69]

28. Business Strategy and Objectives

The Group operates, and intends to continue to operate, in three main routes:

28.1 Development of medical products as set out in section 10 above, such as medical products in the fields of orthopedics, healing and mending of bones and tendons and wound healing. The medical products under development will be developed and manufactured independently by the Company, and their marketing will be through leading international distributors.

28.2 Development of medical products under joint development agreements with leading companies around the world.

28.3 Collagen production and sale as a raw material under the trade name Collage®. In the first years the Collage® will be used primarily by researchers developing tissue healing applications, namely, research institutions, commercial companies and hospitals. That is, the Collage® is first marketed for research purposes only, and a customer wishing to use it for commercial purposes which do not constitute competition to the Company's products, will be required to sign a specific agreement. The distribution channels for Collage® are through different distributors such as Sigma Aldrich.

A warning about forward-looking information – as a precaution it should be noted that the above information in connection with the objectives and the business strategy, including forecasts, estimates and/or programs of the Group pertaining to such a strategy and objectives and schedules in connection with the realization of the above anticipated developments, including forward-looking statements, as the term is defined in the Securities Law, whose realization is uncertain and may not be realized and/or will not be realized in full and/or may be materially different than anticipated in the first place, and this, amongst other things, due to factors beyond the Group's control, including changes in market conditions and in the competitive and business environment, the requirements of the regulatory entities in connection with trials involved in the development of new products, and the realization of any of the risk factors of the Group, as described in section 30 below.

28.4 Below are details of the Company's main objectives and milestones in the upcoming three years, in connection to its various products under research and development and in respect of the progress of the key cooperation projects it is involved in.

[69] See also the Company's immediate report dated July 22nd 2013 [reference no. 2013-01-097983], included herein by way of reference.

The medical product under development	Current state	2015	2016	2017
Vergenix®STR Tendon treatment product	The product is tested under clinical trials	Execution and completion of clinical trials and filing a CE Permit Application and beginning of sales in Europe	Expanding the product's marketing in Europe	Marketing the product in additional markets around the world
Vergenix®FG Wound healing gel	The product is tested under clinical trials	Execution and completion of clinical trials and filing a CE Permit Application and beginning of sales in Europe	Expanding the product's marketing in Europe	Marketing the product in additional markets around the world
Bone healing implant Moldable (Vergenix®BVF)	This product is being developed in cooperation with a strategic partner (the American company), and is at the stage of pre-clinical trials	1. Completion of product composition development; 2. Pre-clinical trials; 3. agreement including milestones up to commercialization of the product	Beginning of clinical trials (subject to agreements and terms reached with the development partners)	Clinical trials
Collage®	Production in initial commercial volumes of recombinant collagen type I	Continuing the reduction of costs by streamlining and advances in the product development	Increasing the production capacity to support sales according to market penetration	--
Vergenix®WD	Product has CE approval for marketing the product in Europe and a decision from the FDA for the performance of PMA for the product prior to its marketing in the US	The Company will act in accordance with the conclusions of the review of the market potential and feasibility of commercializing the product	--	--

A warning about forward-looking information – the Company's objectives for the next three years, including forecasts and/or plans of the Company in respect of these future developments and schedules in connection with the realization of the above expected developments, as noted in the table above, are as of the date of this report. These objectives may not materialize and/or materialize in a different manner than anticipated in

the first place, all and/or part thereof, among other things, due to factors beyond the Company's control, including changes in market conditions and in the competitive and business environment, the results of trials the Company shall conduct, requirements of the regulatory authorities in connection with these trials, as well as the realization of any of the risk factors of the Company, as set out in section 30 of this report below.

29. **Outlook for Developments in the Coming Year**

In the course of 2015 the Company will focus on the following activities:

29.1 Bone healing product the Company is developing with an American partner – the Company is expected to complete the product development with the partner that is expected to begin regulatory proceedings with the FDA. The Company is taking steps to promote an agreement with the partner, which includes milestones up to the stage of the product's commercialization in the markets. (For more details see section 26.1 above).

29.2 Promoting the Vergenix®STR and Vergenix®FG products to the commercialization phase, including completion of clinical trials in Israel for both products and submitting the products for CE approval in Europe.

29.3 Maintaining production capacity while continuing to develop the production process in order to achieve an additional cost reduction.

A warning about forward-looking information – as a precaution it will be noted that the information below in connection with the expected development of the Company in the coming year, including forecasts and/or plans of the Group with respect to these future developments and schedules in connection with the realization of the anticipated developments below, contain "forward-looking statements" as defined in the Securities Law, whose realization is uncertain and may not be realized and/or will not be realized in full and/or may be materially different than anticipated in the first place, among other things, due to factors beyond the Company's control, including changes in market conditions and in the competitive and business environment, requirements of the regulatory authorities in connection with trials related to the development of new products, and the realization of any of the risk factors of the Company, as described in section 30 of this report below.

30. **Risk Factors**

Following is a brief summary of the threats, weaknesses and other risk factors applicable to the Company, which the Company's management believes, based on its consultants, may have a material effect on its assets and liabilities and the results of its operations and/or its ability to fulfill its obligations;

30.1 Risks arising from the Company's general environment

30.1.1 **The economic-political-security state in Israel**: due to the concentration of the Company's operations in Israel, the deterioration in the economic – political – security state and any slowdown caused as a result may have a negative impact on the Company's state.

30.1.2 **Depression in capital markets**: the Company is largely dependent on its ability to raise funds from external sources in order to finance CollPlant's research and development activities (including the trials). Due to the difficult global economic crisis and the economic downturn caused as a result, the various funding sources available to it shrunk substantially, as well as other financing avenues, such as raising funds through the capital markets, which were also adversely affected by the global economic crisis. Without finding suitable sources of financing required for the Company's activities, it will not be possible to complete the developments and/or achieve the planned objectives, especially within the dates planned to that end.

30.1.3 **Grants and benefits from government entities**: for its operations the Company requests from time to time funding and grants from the Chief Scientist. Failure to obtain approval for a grant may adversely affect the Company's budget and thus damage its business and/or its future plans.

30.1.4 **Exposure to financial risk and exchange rates fluctuations**: the Company's funds are deposited in part in USD deposits, while some of its obligations and its current expenses are in shekels. Fluctuations in the exchange rate of the dollar could adversely affect the Company's position.

30.1.5 **Insurance coverage**: based on the assessment of the Company and its advisors, the Company has adequate insurance coverage in connection with the Company operations and its assets (including professional liability insurance of officers, property insurance and agricultural insurance). Nevertheless, it is possible the Company will not have sufficient cover, due to the possibility of claims exceeding the ceiling of the coverage in the Company's insurance policies or claims falling under the exclusions in the Company's policies or a situation of a number of parallel claims.

30.1.6 **Israeli identity**: selling the Company's products can be affected by Israel's international standing. The Israeli identity is used in some cases for promoting sales (in light of the recognition of technological advantages found in Israel), while in other cases it is a disadvantage and may result in the cancellation of transactions (such as under the "Arab boycott", etc.).

30.2 Risks arising from the industry

30.2.1 **Uncertainty regarding intellectual property**: the Company's main asset is the intellectual property, know-how and research in its possession, which can be protected mainly by the registration of patents. Any delay, failure to complete, attack on the legality or claims of infringement of existing patents and/or patent applications of the Company, may have a negative impact on the Company's state.

30.2.2 **Infringement of third-party rights/ violation of protected**

rights or rights about to be protected by registered patents: the Company conducts ongoing patent surveys and examines specifically with an external consultant whether there are patent limitations to end products developed by the Company. There is no certainty that in the future the Company will not be subject to claims in respect of alleged violations of patent rights and/or other intellectual property of third parties.

30.2.3 **Exposure to lawsuits**: the Company may be subject to legal proceedings of various kinds, among other things, proceedings for product liability claims following possible side effects of its products, inefficiency or due to other problems related to the products and their production. Most side effects are discovered in the development stage of the products, but they can also be detected in later stages. Such claims can have significant volume.

30.2.4 **Receiving approval of patent applications and their maintenance**: in the course of its business, the Company files patent applications in order to protect its intellectual property rights. To this end, the Company, through expert consultants, carries out preliminary tests and files applications with the patent offices in the different countries. To protect the rights, the Company must continue to ensure the patenting including through the periodic payment of fees. Failure to pay a fee and/or adjustments to the different requirements regarding the maintenance of the registration of the patent for the protection of such rights may result in the cancellation and/or expiration of the patent before the passage of the date specified to that end.

30.2.5 **Changes that will enable overriding the rights protected by patent or obviating them**: technological changes that could result in there being no point or no economic justification or technological justification to complete the product development. Alternatively, technological changes which will make the Company's developments archaic. The developments in the field of medical and biotechnological products are not known and/or expected, but there is high probability that currently there are attempts by various organizations worldwide to develop a response to those ills and deficiencies which the Company seeks to address. The competition in the Company's Field of Operations may result in the Company's product development becoming redundant due to a technological advantage of competing technologies, or due to the fact that the competitors' developments are cheaper to distribute or easier to commercialization (both in terms of the regulatory environment and in terms of development costs).

30.2.6 **Being subject to regulation, regulatory route**: the Company's ability to commercialize its products is subject to the FDA's regulatory processes in the US and to other regulatory agencies in other target countries. A change in a regulatory policy or changes of standards can make it difficult for the Company to complete the developments and market its

products.

30.2.7 **Uncertainty in respect of reaching the stage of commercial marketing**: licensing genetically engineered biological materials is a complex process, which depends, among other things, on the execution of trials to prove the safety of the products, prove their clinical effectiveness, with the approval of the various regulatory agencies and bodies and/or entities (such as ethics committees) the Company has no control over. Therefore, it is possible that the completion of the development of products and/or other products in the Company's Field of Operations will not be carried out as scheduled, and will involve higher costs than planned.

30.2.8 **Failure and/or delays in performing trials**: the Company's products that are under development and/or part thereof may be required to undergo clinical trials for the receipt of regulatory permits. Complete or partial failure of the clinical or pre-clinical trials conducted by the Company (there is no certainty that they will indeed succeed), as well as delays in obtaining permits in medical centers, slow recruiting of patients or withdrawals during the trial itself, or loss of patients in follow-up, requirements of the regulatory authorities for particularly prolonged follow-up, all of which may cause the Company's failure in trials and/or postpone them.

30.3 Risks arising from the unique properties of the Company's operations

30.3.1 **Dependence on skilled and professional staff**: since CollPlant was established on the basis of know-how and studies conducted by researchers, the Company depends on the continued cooperation of these same researchers. Loss of cooperation of a researcher who is essential for further development of the products could significantly adversely affect the Company's state and the development of its products within schedules and utilization of defined resources.

30.3.2 **Requiring considerable resources for research and development**: most of the Company's medical products are under research and development stages. The Company does not yet have significant and/or regular revenue sources from the sale of products or from research and development and it requires resources from sources such as capital raising from new and existing shareholders, from strategic partners for product development, and from government entities. In this regard see the disclosure relating to the risk associated with the Company's operations as a research and development company for medical products at the introduction to this report.

30.3.3 The following table summarizes the risk factors that can effect on the Company's operations and business results and management's assessment of the extent of their influence on the activity of the Company:

	The extent of the impact of the risk factor on the Company's operations		
	Little effect	**Medium effect**	**Great effect**
Macro risks			
The economic-political-security state in Israel		√	
Capital markets slump			√
Grants and benefits from government entities			√
Exposure to financial risk and exchange rate fluctuations	√		
Insurance coverage		√	
Israeli identity	√		
Sectorial risks			
Uncertainty regarding intellectual property		√	
Infringement of third-party rights/ violations of protected rights or about to be protected by registered patents		√	
Exposure to lawsuits		√	
Approval of patent applications and retaining them		√	
Changes that will enable overriding the rights protected by patent or obviating them			√
Being subject to regulation			√
Uncertainty in connection with reaching the stage of commercial marketing	√		
Failure and/or delay in conducting trials		√	
Risks unique to the Company			
Dependence on skilled and professional staff		√	
Requiring considerable resources for research and			√

	The extent of the impact of the risk factor on the Company's operations		
	Little effect	**Medium effect**	**Great effect**
development			

Convenience translation

CollPlant Holdings Ltd.

Chapter B – Board of Directors' report regarding company's status as of December 31, 2014

We, the Board of Directors of the CollPlant Holdings Ltd. (the "**Company**") hereby present the Board of Directors report regarding company's status for 2014 (the "**Report Year**") according to the directives of the Securities Regulations (Periodic and Immediate Reports) – 1970 (the "**Board of Directors Report**" or the "**Report**").

The Board of Directors Report includes information about the Company and about CollPlant Ltd., a wholly owned subsidiary of the Company ("**CollPlant**"; unless stated otherwise, whenever the Company is indicated, it shall mean including CollPlant).

A. General

1. **Key information on the Company's operations in the Report Year material for the discussion of the Company's results**

The Company is a medical device company focused on the promotion of regenerative medicine through the use of technologies for recombinant human collagen extracted from tobacco plants, and other proprietary recombinant proteins. CollPlant develops a wide range of biomaterials-based products that can be used in numerous medical markets, and focuses on the areas of orthopedics, wound management, and general surgery.

1.1 The business model under which the Company operates relies on three components as follows:

1.1.1 Development and production of human collagen -based medical products produced by the Company, and their distribution through international distributors.

1.1.2 Joint development of human collagen-based products produced by the Company, together with strategic partners.

1.1.3 The sale of collagen as a raw material to companies and institutions for research and development in order to reach supply agreements with companies not competing with CollPlant.

1.2 Progress in the development of medical products developed by the Company:

1.2.1 Vergenix®FG for wound hilling

On November 25th 2014 CollPlant began clinical trials with its

Flowable Gel product, containing gel for wound healing (Vergenix®FG). The product is a recombinant human collagen based gel for the treatment of diabetic ulcers, burns, bedsores, chronic wounds and surgical incisions.

The clinical trial is expected to last several months and aims to prove the safety of the gel treatment and assess its performance in patients with chronic wounds in the feet. The trial was conducted at three leading HMO wound clinics in Israel, treating 20 patients. According to the clinical trial protocol, patients receive a one-time treatment with the product, which is accompanied by a four weeks follow-up procedure. The treatment efficacy is examined under several indicators, when the chief of which is the percentage of wound closure.

On March 18th 2015 the Company reported successful interim results in the trial. An analysis of the interim results of the trial in ten patients demonstrates wound closure in excellent rates of 80% to 100% in the majority of patients, within four weeks of the beginning of treatment. In addition, it was demonstrated that the Company's product is safe for use on human subjects.

The initial wound healing market size the product is designated for is estimated at 500 million dollars. The overall wound healing market size the product is designated for is estimated at 5 billion dollars. The Company's plans include the conclusion of the clinical trial and the beginning of sales in 2015 and accordingly CollPlant holds discussions with international distributors for the product's distribution in Europe.

1.2.2 Vergenix®STR for tendon repair

As part of the development of the Company's product for treating tendinopathy, the Vergenix®STR, CollPlant completed in 2014 all the pre-clinical trials and tests and has received the necessary approvals for the start of a clinical trial of the product. The clinical trial began on January 12th 2015 and as of the date of this report 11 of the total 20 patients required for the trial were recruited. The trial's objective is to prove the safety of the product and to assess its performance in people suffering from tendinitis in the elbow. The clinical trial is expected to take several months and is conducted in three hospitals in the country.

The target market size for the tendonitis treatment product is

estimated at 2 billion dollars and pursuant to the plans for the beginning of sales in 2015, CollPlant has been holding discussions with a potential international distributor for the product's distribution in Europe.

1.2.3 Bone Void Filler product

As of the date of this report the Company is engaged in the joint development of a product for bone healing, including for posterolateral fusion and trauma, with an American strategic partner. The product is for the orthopedic market and is comprised of Pfizer's medical proteins (rhBmp2) and compounds based on CollPlant's human collagen (hereinafter in this section: the "**product**"). The product is designed to heal spinal vertebrae and crushed bone fractures. The product's development is fully financed by the American partner. The Company estimates that the joint development work and the business negotiations between the parties will continue over the next few months, and in the events negotiations are successful, the Company estimates that a joint development and commercialization of the products agreement will be signed with the American company. Such an agreement would include milestones until the product is brought to market, including an exclusive license granted by the Company in this area, payment for the transfer costs of the product, royalties, as well as full coverage of all the development and trials costs. However, there is no certainty that the above negotiations will mature into a binding agreement, as well as to the nature of its final terms.

2. **Analysis of the Company's financial position**

2.1 Current assets – The total assets of the Company as of December 31st 2014 and 2013 was 12,610 thousand ILS and 25,505 thousand ILS, respectively. The decrease in the balance of the current assets in the amount of 12,895 is mainly attributed to the use made by the Company of the cash balances for investment in the product development activity.

2.2 Non-current assets – The total non-current assets amounted to 4,348 thousand ILS compared to 4,768 thousand ILS as of December 31st 2014 and 2013, respectively. The majority of the difference is due to the Company's net fixed assets which amounted to a total of 2,007 thousand ILS and 2,462 thousand ILS on December 31st 2014 and 2013, respectively.

The decrease in the fixed assets is mainly due to depreciation of equipment and leasehold improvements, net of the Company's investment in property in the amount of 336 thousand ILS.

2.3 Current liabilities – As of December 31st 2014 and 2013, the Company's current liabilities totaled 2,647 thousand ILS and 3,189 thousand ILS, respectively. The decrease in the balance of the current liabilities is due to a decrease in accounts payable in the amount of 214 thousand ILS, mainly accounts payable for the capital raising carried out in the fourth quarter of 2013, and a decrease in the amount of 328 thousand ILS in respect of obligations to employees and employee-related institutions.

2.4 Equity – The Company's equity as of December 31st 2014 and 2013 amounted to 14,311 and 27,084 thousand ILS, respectively. The decrease in the capital during the year is due to the total loss in the amount of 13,023 thousand ILS net of the benefit component in respect of options to employees and consultants in the amount of 205 thousand ILS, and net of the exercise of stock options in the amount of 45 thousand ILS.

3. Business Activity Results

3.1 Following is a summary of the Company's profit and loss statement for a period of three months and a year, ending on December 31st 2014 and 2013, in thousands of ILS:

	Year ending on December 31st		3 months ending on December 31st	
	2014	2013	2014	2013
	Thousand ILS			
Research & development expenses:				
Research & development expenses	14,879	16,151	3,470	4,114
Participation in research & development expenses	(5,145)	(3,717)	(999)	(991)
Research & development expenses, net	9,734	12,434	2,471	3,123
General and administrative, sales and marketing expenses	3,906	3,747	1,363	1,450
Operating loss	13,640	16,181	3,834	4,573
Financing expenses (income), net	(617)	289	(291)	117
Comprehensive loss for the period	13,023	16,470	3,543	4,690

3.2 Research and development expenses, net – in the years ending on December 31st 2014 and 2013, R&D expenses, net of the Chief Scientist's

participation in the Company's R&D program and the participation of strategic partners in the product development, reached a total of 9,734 and 12,434 thousand ILS, respectively. The Chief Scientist's and the strategic partners' participation in the R&D program amounted to 5,145 thousand ILS in the Report Year compared to 3,717 thousand ILS in 2013. The majority of the increase is due to an increase in the Chief Scientist's participation in the Company's development plans and the participation of the strategic partner in the development plan for the bone healing product, according to the milestones agreed with the Company.

The net R&D expenses in the fourth quarter of 2014 amounted to 2,471 thousand ILS compared to 3,123 thousand ILS in the same period the year before. The decrease in the amount of 652 thousand ILS is mainly due to the Company's focus on developing a number of products, including the bone healing product which is fully funded by the strategic partner, and to streamlining and reducing collagen production costs, compared to the corresponding previous quarter.

3.3 General and administrative, sales and marketing expenses – in the years ending on December 31st 2014 and 2013, the general and administrative, marketing and sales expenses totaled approximately 3,906 thousand ILS and 3,747 thousand ILS, respectively. The increase in the amount of 159 is primarily attributed one-time payments in the course of the first quarter of 2014.

3.4 Financing expenses (income), net – in 2014 the net financing income totaled 617 thousand ILS compared to net financing income totaling 289 thousand ILS in 2013. The net financing income in the fourth quarter of 2014 totaled 291 thousand ILS compared to expenses of 117 thousand ILS the year before.

The majority of the change in the financing expenses (income) in the above periods stem from income due to exchange rate differences following a rise in the dollar exchange rate against the shekel in the course of the year and the quarter ending on December 31st 2014.

3.5 Loss for the period – the Company's losses for the years 2014 and 2013 amounted to 13,023 and 16,470 thousand ILS, respectively. The total loss in the fourth quarter of 2014 amounted to 3,543 thousand ILS, compared with 4,690 in the same quarter the year before.

The decrease in total annual loss is ascribed to the streamlining program carried out in the course of the first quarter of 2013, which included a focus on the development of orthopedics and wound healing products, together

with a reduction of the workforce, and investments in development processes in Israel rather than the United States, as described above, as well as an increase in the participation on the part of the Chief Scientist in the Company's development plans and the full financing of product development in the field of orthopedics by on the part of the American strategic partner.

4. Liquidity, cash flow and financing sources

4.1 The Company has yet to generate profits or positive cash flow from its current operations. The Company's plans to continue with research and product development, production and marketing in the coming year are supported by financing sources that include the Company's cash balances and grants from governmental authorities as well as funds from strategic partners. The financing sources mentioned above, are used by the Company in funding its ongoing operations, including the research and development activities and in financing the Company's work program at least until August 2015.

The Company is working to obtain additional sources of funding that will allow the continuation of operations beyond said period of time. These sources include (1) the execution and implementation of agreements with companies for joint product development, agreements which include, among other things, complete funding of the development costs and payments to the Company for a license to sell the Company's products in the future, and (2) raising resources from private investors and/or institutional investors in Israel and abroad or from the public, in accordance with the development of section (1) above. There is no certainty in respect of the Company's ability to raise additional sources as mentioned above. For more details see Note 1A of the financial statements attached to this report.

Cash Flow:

4.1.1 Operating Cash Flow –

The net cash flow used in operating activities in 2014 and 2013 totaled 12,958 thousand ILS and 13,244 thousand ILS, respectively. This cash flow mainly reflects the costs required for funding the products development and management costs in the Company during this period. The net decrease in the use of cash resulted primarily from the Company's focus on the orthopedics and wound healing products, and due to the cutback plan implemented, despite the costs of the clinical trials for two

products that began in the fourth quarter of 2014.

4.1.2 Cash flow from investment activities –

The net cash used in investment activities amounted to 397 thousand ILS and 397 thousand ILS for the years 2014 and 2013, respectively. The cash flow directed to investment activities consisted mainly of investments in equipment, computers and leasehold improvements.

4.1.3 Cash flow from financing activities –

Net cash arising from financing activities amounted to approximately 45 thousand ILS for 2014 and 27,397 thousand ILS in 2013. The financing activities in 2013 was a result of the net proceeds from the issue of shares and options executed by the Company as part of the capital it raised from Israeli investors in the capital market in Israel, and from a Chinese investor in a private placement. Cash flow from financing activities in 2014 stemmed from the exercising of options to Company shares.

4.2 Sources of funding:

In 2014 the Group financed its activities from the cash balances and cash equivalents and deposits at its disposal, through the support of the Office of the Chief Scientist in Israel and through the participation of a strategic partner according to the milestones agreed with the Company.

5. Compensation of interested parties and senior officers

5.1 On January 23rd 2014, following the recommendation of the Compensation Committee and the approval of the Board of Directors and the Company's general assembly, the Company adopted a compensation policy for officers of the Company (the "**Compensation Policy**"). The Compensation Policy is examined periodically by the Board of Directors and with the assistance of external consultants, and shall be in effect for 3 years, at the end of which it will be brought again before the assembly for its re-approval.

5.2 As a rule, and in accordance with the position of the Securities Authority, the examination of the terms of compensation, their reasonableness and the connection between them and the contribution of the senior officers and interested parties in the Company accordance with the requirements of Regulation 10(b)(4) and Regulation 21 of the Securities Regulations (Periodic and Immediate Reports) – 1970 (the "**Officers**", "**Reporting Regulations**" and "**Regulation 21**", respectively), is conducted for each Officer individually, is discussed individually and approved by the Company

Board of Directors, based on the data presented before it. The data presented includes, *inter alia*, information and data regarding the relevant experience of each of the Officers and their education, the Officer's base salary and the terms of service and employment, various benefits received from the Company in the course of the Report Year, including bonuses and compensation in the form of the Company's securities, the complexity of their position, the nature of their responsibilities, their efforts during the period , the Company's profitability and its financial results, the scope of the business and its complexity, and the personal contribution of the Officer to the success of the Company's business. In addition, the Board of Directors is presented with comparative data regarding salaries of similar officers in other public companies with a business scope and/or areas of activity similar to those of Company.

5.3 Based on said data, at the Board meeting held on March 22nd 2015 the Board of Directors held a discussion on the terms of service and the remuneration of officers and stakeholders under Regulation 21 to the Reporting Regulations. In the opinion of the Company's Board of Directors, the remuneration given in the Report Year to each of the relevant officers, as specified in Regulation 21 of Chapter D (Additional Information on the Corporation), is in line with the Consideration Policy and does not exceed it. The Board of Directors further believes that said remuneration properly reflects, both individually and as a whole, the contribution of said Company officers, is in line with the best interests of the Company and is fair and reasonable in respect to each and every officer individually according in their position in the Report Year.

5.4 Consideration to Directors – in the course of the report period some of the directors in the Company were entitled to an annual remuneration and attendance fee for their service as directors of the Company (as specified in Regulation 33 of Chapter D (Additional Information on the Corporation) of this report. The directors receiving the aforesaid compensation are external directors and members of the Compensation Committee, in respect of which the obligation to pay their consideration was established by law, and given that directors' compensation is determined in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of an External Director), 2000, the Company was not required to discuss the relationship between the compensation they receive and performance.

5.5 For more details see also Regulation 21 of Chapter D (Additional Information on the Corporation) of this periodic report.

B. Corporate governance

6. **Detailing regarding directors with accounting and financial expertise** –

6.1 The Company has determined that the minimum number of directors with accounting and financial expertise under section 92(a)(12) of the Companies Law (the "**Minimum Number**") will be one, taking into account, among other things, the Company's size, its number of directors, its scope of activity, its areas of occupation and the complexity of the financial reporting therein. As of the date of this report, the Company is meeting the Minimum Number determined as stated above.

6.2 After evaluating the qualifications, experience, skills and knowledge of the members of the Board of Directors in accounting matters and financial reports, the members of the Company's Board of Directors which the Board considers as having accounting and financial expertise are Mr. Rami Armon and Ms. Nira Dror.

6.3 For more details about the directors see also Regulation 26 of Chapter D (Additional Information on the Corporation) of this report.

7. **Details regarding independent directors**

As of the date of this report the Company did not adopt in its Charter any provisions regarding the number of independent directors (as the term is defined in section 219(e) of the Companies Law, 5759 – 1999 (the "**Companies Law**")). Notwithstanding the above, on February 19th 2015 the Company appointed Mr. Ira Liederman and Ms. Nira Dror as independent directors of the Company.

8. **Details on the Company's Internal Auditor**

8.1 Name of Internal Auditor: Ms. Dana Gottesman-Erlich (the "**Internal Auditor**").

8.2 Beginning of tenure: November 27th 2013.

8.3 The Company's Internal Auditor meets all the conditions set out in section 3(a) of the Internal Audit Law, 5752 – 1992 (the "**Internal Audit Law**"); the Internal Auditor complies with the provisions of section 146(b) of the Companies Law, and section 8 of the Internal Audit Law; the Internal Auditor is not an interested party and not a relative of an interested party or an officer of the Company and does not serve as the Company's auditing accountant or on his behalf; the Internal Auditor does not hold any securities of the Company or of any affiliated entity; the Internal Auditor

does not hold any office in the Company in addition to the internal audit and to the Company's best knowledge, she does not hold, outside the Company, a position that creates or may create a conflict of interests with her position as Internal Auditor of the Company; to the Company's best knowledge, except for the employment of the Internal Auditor and her staff, as described below, the Internal Auditor has no material business relations or other material relations of any kind with the Company or with an entity affiliated with it.

8.4 The Internal Auditor serves as a senior officer in the Company under the provisions of the law.

8.5 The appointment of Internal Auditor: the Company's Board of Directors, on its meeting held on November 27th 2013, approved the appointment of the Internal Auditor, after receiving the recommendation of the Audit Committee, under the provisions of the Internal Audit Law, among other considerations, given the nature of the Company, its size, scope and complexity of the Company's operations. The Internal Auditor serves as head of the Risk Management Group at BDO Consulting Group and is a partner at BDO. The Internal Auditor will, among other things, act in accordance with the provisions of the Companies Law and the Internal Audit Law in conducting the internal auditing of the Company.

8.6 The Internal Auditor's corporate supervisor is the Chairman Board of Directors.

8.7 The work plan: in 2013 an internal audit was conducted on administrative enforcement in the scope of 80 hours. In 2014 the Internal Auditor prepared audit reports on the topic of insurance, product development and administrative enforcement in the scope of 200 hours. The contents of the work plan is proposed by the Internal Auditor and discussed by the Audit Committee when the Committee members can change and/or comment on the work program. In 2015 an internal audit program in the scope of approximately 400 hours of work will be carried out.

8.8 Conducting the audit: according to information provided to the Company's management by the Internal Auditor, the audit is conducted according to accepted professional standards for internal auditing, according to professional directives and guidelines, and in accordance with the Internal Audit Law. The Board relied on the Internal Auditor's reports regarding compliance with the requirements of these professional standards, used in conducting the audit.

8.9 Access to information: the Internal Auditor was furnished with documents

and information as provided in section 9 of the Internal Audit Law, and was given constant and direct access to the Company's documents and information systems, including financial data, all for the purpose of her work.

8.10 The Internal Auditor's Report: the Internal Auditor's report is submitted regularly in writing to the Company Chairman, CEO and CFO, to the Chairman of the Audit Committee and to the Company accountants. A detailed discussion was held on the audit reports at the Audit Committee meeting, which discussed the reports' findings and the recommendations of the Internal Auditor together with the Company's management, and the conclusions, and it is acting accordingly for the implementation of the recommendations, if necessary.

8.11 In the Company's Board's opinion, the scope, nature, and continuity of the Internal Auditor's activity and her work plan are reasonable under the circumstances and satisfy the objectives of the internal audit.

8.12 In return for the work of the Internal Auditor in the Report Year, the Company paid the Internal Auditor fees that are immaterial to the Company and in according to the time invested by her. The Board of Directors believes the remuneration is reasonable and should not affect the professional judgment of the Auditor when auditing the Company. The Internal Auditor was not granted any securities as part of her terms of employment.

9. **Details on the External Auditor**

9.1 Kesselman & Kesselman (PwC Israel) are the Auditors of the Company and of CollPlant.

9.2 The Group's auditors in 2013 and 2014 are as stated above.

9.3 Below are details on the total remuneration given for the audit services, audit-related services and tax services, and the work hours spent on the provision of the services given to the Company and its subsidiaries in 2013 and 2014:

9.3.1 In 2013 the fees for the Company's auditing accountant in respect of audit services and audit-related services totaled 155 thousand ILS for 812 hours of work invested by the auditor in the provision of these services.

9.3.2 In 2014 the fees for the Company's auditing accountant in respect of audit services and audit-related services totaled 155 thousand ILS for 798 hours of work invested by the auditor in the

provision of these services.

9.3.3 There was no material changes in the volume of hours worked in the course of the Report Year compared to the previous year as there was no material change in the nature of the Company's business.

9.4 Remuneration for other services, and work hours spent on the provision of these services:

9.4.1 In 2013 the fees for the Company's auditing accountant in respect of services not included in the above services (for consultation and tax reports) totaled 5 thousand ILS for 15 hours of work invested by the auditor in the provision of these services.

9.4.2 In 2014 there were no other services not included in the audit services, services pertaining to the audit and tax services.

10. **Details of the process for approving the financial statements**

10.1 The Company's Board of Directors is the organ responsible for the overall supervision in the Company and for the approval of its financial statements.

10.2 The Board members are: Messrs. Yaron Yaniv – Chairman of the Board, Tony Qian, Prof. Oded Shoseyov, Rami Armon (external director), Orly Tori (external director), Adi Goldin, Nira Dror and Ira Liederman.

10.3 In accordance with the Companies Regulations (Rules and Conditions for the Approval of the Financial Statements), 2010 (the "**Approval of Statements Regulations**") the Company's Audit Committee was appointed as the Committee for the review of the Company's financial statements as well (in this section: the "**Committee**"). As of the date of this report the Committee consists of three members: Mr. Rami Amon, external director and Chairman; Ms. Orly Tori, external director; and Ms. Nira Dror, independent director.

10.4 All of the Committee members are capable of reading and understanding financial statements, Mr. Armon and Ms. Nira Dror have accounting and financial expertise, and they all gave a "Declaration" prior to their appointment, as this term is defined in the Approval of Statements Regulations. For details on the Committee members with financial and accounting expertise, details of their qualifications, education, experience and knowledge, based on which the Company deems them as having the ability to read and understand financial statements, see section 6 above.

10.5 The Committee meeting held on March 19th 2015 in which the Committee discussed and formulated its recommendations to the Board regarding the

approval of the financial statements, was attended by the CFO Eran Rotem, the Internal Auditor, the Company's accountants and consultants. During the meeting, the Committee examined, by way of a detailed presentation and review given by the Company CFO, among other things, the assessments and estimates made in connection with the financial statements, including material changes therein (if any), the internal controls related to the financial reporting, the integrity and appropriateness of the disclosure in the financial statements. The CFO reviewed before the Committee members the accounting policies that were adopted and the accounting treatment applied to material issues of the Company. The Committee reviewed the material assessments and estimates made in the financial statements, supporting the data in the financial statements. In addition, the auditing accountants' reference to the matters presented was also presented. The Committee held a discussion regarding the accounting policies and the manner of presentation and disclosure in the financial statements. The Committee's recommendations were given in writing to the Board members on March 19th 2015, recommending that the Board approve the Company's financial statements, subject to updates and non-material amendments on the issues requested during the meeting.

10.6 At the Board of Directors meeting held on March 22nd 2015 the Board discussed the Committee's recommendation, reviewed the Company's financial results, its financial position and the Company's cash flows, and the data on its activity compared with previous periods, which were sent to the Board members. In addition, the Board discussed the Committee's recommendations given to it concerning the approval of the financial statements. The Board also held a discussion and decided on the exclusion of separate financial information under Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970, in view of the negligible affect the separate financial statements have on the consolidated financial statements and in view of the fact that the additional information is immaterial to the financial statements. In addition, these items of information in the financial statements whose detailing was required under a separate note as detailed in Note 1B of the financial statements were discussed. The Board believes that the Committee's recommendations were given to the Board a reasonable time before the Board of Directors meeting. At said Board of Directors meeting the following Board members were present: Messrs. Yaron Yaniv, Tony Chan, Rami Armon, Prof. Oded Shoseyov, Orly Tori, Adi Goldin, Ira Liederman and Nira Dror. In the course

of the Board meeting for the approval of the financial statements, the CFO reviewed the main financial data presented in the financial statements, major changes in the financial data, the accounting policies applied and changes therein, and the implementation of the principle of proper disclosure in the financial statements and related information, including in respect of the internal controls related to reporting. In addition, the Committee's recommendations on requested issues and the manner of their implementation were reviewed. The Board of Directors meeting for the approval of the financial statements was attended by the Company auditing accountants, who were invited to the meeting and were available to answer any questions raised by members of the Board and add their comments (if any) and who clarified any matter required by the Board members. A discussion was held, during which the Company's management answered questions from the directors and auditing accountants and added their comments (if required), with regard to the financial statements. At the end of said discussion, once it was clarified that the financial statements fairly present the state of the Company's business and the results of its operations, the Board confirmed the Committee's recommendations and approved the Company's financial statements.

C. Disclosure provisions regarding the Company's financial reporting

11. Disclosure of events occurring after the date of the report on the financial position – to the Company's best knowledge, there were no material events following the date of the report on the financial position, mentioned in the financial statements. For further information on events that occurred after the balance sheet date, see Note 19 to the financial statements.

12. Disclosure of the critical accounting estimates –

The preparation of the Company's financial statements in accordance with accepted Israeli accounting standards requires the Company's management to prepare estimates and make assumptions that affect the amounts presented in the financial statements. The estimates are continuously reviewed and are based on past experience and other factors, including expectations of future events that are considered reasonable in view of current circumstances. The Company makes estimates and assumptions concerning the future. By their nature, it is rare that the accounting estimates received will be identical with actual results. The estimates and assumptions, in respect of which there is significant risk of material adjustment to their value in the books of assets and liabilities within the next fiscal

year, are listed below:

12.1 Decrease in the value of knowledge – the Company reviews annually the need for a decrease in the value of the intangible asset – knowledge; the estimated value of knowledge is a material estimate. For details on the material valuation used by the Company in the preparation of the financial statements refer to Regulation 8b (i) of Chapter D (Additional Information on the Corporation) of the periodic report.

13. Significant differences in the estimates and forecasts at the basis of the valuations

As of the date of the periodic report there are no significant differences in the assumptions, estimates and forecasts at the basis of the evaluation, including an expert opinion (as the term is defined in the Securities Regulations (Private Offering of Securities in a Listed Company), 2000 or the Securities Regulations (Transaction between a Company and a Controlling Shareholder), 2001) attached to the report in the three years preceding the date of the report, and the actual realization of the above in the estimates and forecasts at the basis of the valuations.

Without limiting the foregoing, for details regarding the material valuation used by the Company in the preparation of the financial statements see Article 8b(i) of Chapter D (Additional Information on the Company) of the periodic report.

D. Self-Acquisition

The Company has no self-acquisition plans regarding securities of the Company, as the term "acquisition" is defined in Regulation 10(b) (2) (i) of the Regulations. During the report period and as of the date of this report the Company has no such valid self-acquisition plans and it has not reported such self-acquisition plans.

The Company's Board of Directors thanks the CollPlant employees and managers for their contribution to the Company's advancement.

Yaron Yaniv	Yehiel Tal
Chairman of the Board of Directors	CEO

March 22nd 2015

Convenience translation

CollPlant Holdings Ltd.

Annual Report 2014

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Auditor's Report

to the Shareholders of

CollPlant Holdings Ltd.

We have audited the accompanying consolidated statements of financial position of CollPlant Holdings Ltd. ("the Company") as at December 31, 2014 and 2013 and the consolidated statements of comprehensive loss, changes in equity and cash flows for each of the last three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Manner of Auditor's Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that 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 applied and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and 2013 and the results of the Company's operations, changes in equity and cash flows for each of the last three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards (IFRS) and the Securities Regulations (Annual Financial Statements), 2010.

Without qualifying our opinion, we draw attention to Note 1A to the consolidated financial statements, which describes the factors underlying the significant uncertainly regarding the Company's continued existence as a going concern. The management's plans regarding these factors are also described in this note. The financial statements do not include adjustments for assets and liabilities and their classification which may be required if the Company is unable to continue as a going concern.

Tel Aviv,
March 22, 2015

Kesselman & Kesselman
CPAs
Part of PricewaterhouseCoopers International Limited

CollPlant Holdings Ltd.

Consolidated Statements of Financial Position

	Note	December 31 2014	December 31 2013
		NIS thousands	
Assets			
Current assets:			
Cash and cash equivalents	5	11,062	23,777
Other receivables	6	1,548	1,728
		12,610	25,505
Non-current assets:			
Restricted deposit in use	5	564	503
Long term receivables		52	67
Property, plant and equipment	7	2,007	2,462
Intangible assets	8	1,725	1,736
		4,348	4,768
Total assets		16,958	30,273
Liabilities and equity			
Current liabilities -			
Other payables:	10		
Trade payables		1,642	1,856
Other		1,005	1,333
		2,647	3,189
Agreements and contingent liabilities	12		
Total liabilities		2,647	3,189
Equity:	13		
Ordinary share capital		2,414	2,369
Premium and options		130,918	130,918
Accumulated deficit		(119,021)	(106,203)
Total equity		14,311	27,084
Total liabilities and equity		16,958	30,273

Yaron Yaniv **Chairman of the Board**	**Yehiel Tal** **CEO**	**Eran Rotem** **CFO**

The financial statements were approved by the Company's board of directors on March 22, 2015

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

CollPlant Holdings Ltd.

Consolidated Statements of Comprehensive Income

	Note	Year ended December 31		
		2014	2013	2012
		NIS thousands		
R&D expenses:	14			
R&D expenses		14,879	16,151	20,706
Participation in R&D expenses		(5,145)	(3,717)	(8,472)
R&D expenses, net		9,734	12,434	12,234
General and administrative, marketing and sales expenses	15	3,906	3,747	5,102
Loss from operations		13,640	16,181	17,336
Financial income	16	642	25	199
Financial expenses	16	25	314	44
Financial expenses (revenue), net		(617)	289	(155)
Comprehensive loss for the year		13,023	16,470	17,181
Basic and diluted loss per share attributable to Company shareholders (NIS)	17	0.05	0.11	0.13

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

CollPlant Holdings Ltd.

Consolidated Statements of Changes in Equity

	Note	Equity attributable to shareholders of the Company			
		Ordinary share capital	Premium and options	Accumulated deficit	Total equity
		NIS thousand			
Balance as at December 31, 2011		1,207	91,697	(74,843)	18,061
Movement in 2012:					
Comprehensive loss for the year				(17,181)	(17,181)
Benefit component in grant of options to employees and consultants				1,829	1,829
Proceeds from issuing shares, less expenses Issue amounting to NIS 292 thousand	13(A)(4)	70	3,155		3,225
Proceeds from issue of shares and options, less issue expenses of NIS 793 thousand	13(A)(5)	240	9,521		9,761
Balance as at December 31, 2012		1,517	104,373	(90,195)	15,695
Movement in 2013:					
Comprehensive loss for the year				(16,470)	(16,470)
Benefit component in grant of options to employees and consultants				462	462
Proceeds from issuing shares, less expenses Issue amounting to NIS 668 thousand	13(A)(6)	169	7,871		8,040
Proceeds from issue of shares and options, less issue expenses of NIS 1,963 thousand	13(A)(7) (8)	683	18,674		19,357
Balance as at December 31, 2013		2,369	130,918	(106,203)	27,084
Movement in 2014:					
Comprehensive loss for the year				(13,023)	(13,023)
Benefit component in grant of options to employees and consultants				205	205
Exercise of options for shares	13B(5)	45			45
Balance as at December 31, 2014		2,414	130,918	(119,021)	14,311

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

CollPlant Holdings Ltd.

Consolidated Statements of Cash Flows

	Year ended December 31		
	2014	**2013**	**2012**
	NIS thousands		
Cash flows from operating activities:			
Net cash used for activities (see appendix)	(12,993)	(13,269)	(14,594)
Interest received	35	25	164
Net cash used for operating activities	(12,958)	(13,244)	(14,430)
Cash flows from investment activities:			
Purchase of property, plant and equipment	(336)	(474)	(434)
Restricted deposit in use	(61)	77	(100)
Acquisition of software			(18)
Net cash used for investment activities	(397)	(397)	(552)
Cash flows from finance activities:			
Proceeds from issue of shares and options, less issue expenses		27,397	12,986
Exercise of options for shares	45		
Net cash from finance activities	45	27,397	12,986
Increase (decrease) in cash and cash equivalents	(13,310)	13,756	(1,996)
Cash and cash equivalents at the beginning of the period	23,777	10,308	12,183
Gains (losses) from exchange differences for cash and cash equivalents	595	(287)	121
Cash and cash equivalents at the end of the period	11,062	23,777	10,308

CollPlant Holdings Ltd.

Appendix to the Consolidated Statements of Cash Flows

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Appendix to the statement of cash flow			
A. Cash flows from operating activities:			
Loss for the year	(13,023)	(16,470)	(17,181)
Adjustments for:			
Depreciation and amortization	802	951	1,221
Benefit component for options granted to employees and service providers	205	462	1,829
Losses (gains) from exchange differences for Cash and cash equivalents	(595)	287	(121)
Interest received	(35)	(25)	(164)
	(12,646)	(14,795)	(14,416)
Changes in operating asset and liability items:			
Decrease (increase) in other receivables	180	1,301	(157)
Decrease (increase) in other long-term receivables	15	15	35
Increase (decrease) in trade payables	(214)	173	195
Decrease in advance proceeds		-	(589)
Increase (decrease) in other payables	(328)	37	338
	(347)	1,526	(178)
Net cash used for activities	(12,993)	(13,269)	(14,594)

The accompanying notes are an integral part of the financial statements

NOTE 1 - GENERAL

A. CollPlant Holdings Ltd. is a biotechnology medical device company. The Company operates through CollPlant Ltd., a wholly-owned subsidiary engaging in research, development, manufacture and marketing of collagen-based medical products (CollPlant Holdings Ltd. and CollPlant Ltd. will be referred to hereinafter as "the Company" or " CollPlant") The Company's products are based on recombinant human collagen produced from genetically-modified tobacco plants to produce human collagen. CollPlant uses collagen in the medical field in general and particularly in orthopedics, soft tissue repair and wound healing.

The Company holds the entire share capital of the subsidiary, CollPlant Ltd., which started operations on June 1, 2004.

The Company has not yet generated income from its operations and as at the reporting date, has accrued losses of NIS 119 million. The Company plans to continue research and development, production and marketing in the coming year, supported by funding sources that include the Company's cash balances, grants from government authorities, and proceeds from strategic partners. Management believes that these funding sources will allow the Company's operations to continue at least until August 2015.

The Company plans to focus on orthopedics in 2015, including soft and hard tissue repair and wound healing. The Company's plans include the completion of clinical trials in 2015 for two products: a syringe for treatment of penetrating wounds in diabetic patients and a product for tendon repair; and application for CE approvals for marketing in Europe and obtaining the relevant approvals. The Company's plans also include signing an agreement with international partner for development of a product for bone repair, an agreement which is planned to include payment components for a license based on milestones, royalties from future sales, payment for the products, and the continued cover of all development costs. The Company also continues to streamline manufacturing processes of collagen protein.

The Company is taking steps to raise additional financing sources to allow the continuation of operations beyond this period. These sources include (1) signing and implementation of agreements with joint product-development companies, agreements that include full financing of development costs and payments to the Company for a license to sell the Company's products in the future; and (2) raising finances from private and/or institutional investors in Israel and overseas, in accordance with developments in section (1) above. It is uncertain whether the Company will be able to raise additional finances as aforesaid.

These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The financial statements do not include adjustments for assets and liabilities and their classification which may be required if the Company is unable to continue as a going concern.

The address of the Company's registered office is 3 Sapir St., Science Park, Ness Ziona, Israel.

B. In accordance with Regulation 4 of the Regulations for Periodic and Immediate Reports, the Company has not attached separate financial information to its consolidated financial statements in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970. The Company has not included separate financial information due to the negligible effect that the separate financial statements have on the consolidated financial statements and since addition of the information is not material to the financial statements.

For this purpose, the Company reviewed, among other things, the comparison of the separate financial information with the consolidated financial statements and the information provided in the consolidated financial statements. The information that was reviewed included the following items and their percentage of the consolidated financial statements:

NOTE 1 – GENERAL (CONTD.)

	December 31, 2014	Percentage of the consolidated financial statements
	NIS thousands	
Cash and cash equivalents	9,063	82%
Assets, with the exception of cash and cash equivalents	168	3%
Current liabilities	453	18%

	Year ended December 31, 2014	Percentage of the consolidated financial statements
	NIS thousands	
Operating expenses	1,150	8%
Net cash used for operating activities	765	6%

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation of the financial statements

The Company's financial statements as at December 31, 2014 and December 31, 2013 and for each of the three years in the period ended December 31, 2014 were prepared in conformity with International Financial Reporting Standards, which are the standards and interpretations issued by the International Accounting Standard Board ("IFRS"), and include the additional disclosure required in accordance with the Securities Regulations (Annual Financial Statements), 2010.

1) The main accounting policies described below have been applied consistently to all the years presented, unless otherwise stated.
   The consolidated financial statements have been prepared on the basis of historical cost.

   The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment when applying the Company's accounting policies. Note 3 provides disclosure of areas involving a considerable degree of judgment or complexity, or areas where assumptions and estimates have a material effect on the financial statements. Actual results may differ materially from the estimates and assumptions used by the Company's management.

2) The Company’s operating cycle is 12 months

3) The Company analyses the expenses recognized in the statement of income using the function of expense classification method.

B. Consolidated financial statements

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to affect the entity, is exposed, or has rights, to variable returns from its involvement with the investing entity, and it has the ability to affect those returns arising from the entity. Subsidiaries are fully consolidated as from the date on which control is transferred to the Company. Consolidation is discontinued when control ends.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

C. Translation of foreign currency reserves and transactions

1) Functional currency and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the Company operates ("the Functional Currency"). The financial statements are stated in new Israeli shekels (NIS), which is the functional and presentation currency of the Company and its subsidiary.

2) Transactions and balances

Transactions in currencies other than the Functional Currency (foreign currencies) are translated into the Functional Currency at exchange rates at the transaction dates. Exchange differences arising from settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the end of the period are recognized in the statement of income.

Gains and losses arising from changes in exchange rates are recognized in the statement of comprehensive loss under financing expenses (income)

D. Property, plant and equipment

An item of property, plant and equipment is first included in accordance with the acquisition cost. The cost of an item of property, plant and equipment includes:

1. Purchase price , including import duties and non-refundable purchase taxes, net of trade discounts and rebates.

2. Costs that can be directly attributed to bringing the asset to the location and condition required for it to operate in the manner intended by management
Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.
Amortization and impairment for the item of property, plant and equipment presented at cost are recognized in profit or loss.

Depreciation is calculated using the straight line method to reduce the cost of fixed asset items to their residual value over their estimated useful life, as follows:

	%
Computer equipment	33
Greenhouse equipment*	10-25
Office furniture*	6-15
Laboratory equipment	20-25

* Greenhouse equipment - agricultural equipment used in the tobacco production greenhouse

Leasehold improvements are depreciated using the equal depreciation method over the rental period or the expected useful life of the improvements, whichever is shorter.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Impairment of the asset to its recoverable amount is recognized as incurred, if the carrying amount of the asset is greater than its estimated recoverable amount (see also section F below).

Gains or losses on disposal of assets are determined by comparing the net proceeds received with the carrying amount and are recognized under capital loss in the statement of comprehensive loss.

E. Intangible assets

1) Know-how

Know-how was created as part of the incorporation of CollPlant. CollPlant developers transferred the initial know-how to CollPlant in return for allocation of shares issued on the incorporation date of CollPlant, in exchange for transfer of their initial know-how to CollPlant. Other than allocation of shares, the developers have received no consideration. The fair value of the know-how is recognized in CollPlant's equity against creation of knowledge.

This asset is not systematically amortized and the Company assesses impairment once a year. The assessment is carried out more frequently if there are indications of impairment. The intangible asset balance remained unchanged as at December 31, 2014 and 2013.

2) Software

Acquired software licenses are capitalized on the basis of acquisition and usage costs of the specific software. These costs are amortized on a straight-line basis over the estimated useful life of licenses (three years).

3) R&D

Research expenses are recognized as an expense as incurred. Costs incurred for development projects (referring to design and testing of new or improved products) are recognized as intangible assets when the following conditions exist:

- It is technically feasible to complete the intangible asset so that it will be available for use.
- Management intends to complete the development of the intangible asset and to use or sell the asset.
- The intangible asset can be used or sold.
- It is possible to demonstrate how the intangible asset will generate probable future economic benefits.
- There are adequate technical, financial and other resources to complete development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset can be reliably measured during its development.

Other development costs that do not meet these criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Up to December 31, 2014, the Company was not in compliance with the regulations for capitalizing development costs as an intangible asset and accordingly, no asset whatsoever has been recognized in the financial statements for these costs.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

F. Impairment of non-monetary assets

Assets with an indefinite useful life, such as goodwill or intangible assets not yet available for use, are not amortized and are tested for impairment once a year
Depreciable assets are tested for impairment if events or changes in circumstances indicate that the carrying amount is not recoverable. The amount of the impairment loss is equal to the excess of the carrying amount over its recoverable amount. The recoverable amount of an asset is the greater of its fair value less selling costs, and its value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets for which there are separate identifiable cash flows (cash-generating units). Impaired non-financial assets, other than goodwill, are reviewed for reversal at each reporting date.

G. Government grants

Government grants relating to costs are recognized as expenses in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs (for which the grants are intended to compensate).

Grants from the Chief Scientist in the Ministry of Industry, Trade and Labor ("the Chief Scientist") for the Company's research and development ("the Chief Scientist Grants") are accounted for as forgivable loans according to IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20").

The Chief Scientist Grants received subsequent to January 1, 2009 are recognized and measured in accordance with IAS 39. If on the date the entitlement to the Chief Scientist Grants is established, ("the Entitlement Date"), the Company's management concludes that there is no reasonable assurance that the Chief Scientist's Grant for which entitlement was established ("the Grant Received") will not be refunded, the Company recognizes a financial liability at that date accounted for in accordance with the guidelines in IAS 39 for financial liabilities measured at amortized cost. The difference between the Grant Received and the fair value of the financial liability on the date of initial recognition is accounted for as a government grant, which is recognized in profit or loss as a deduction of research and development expenses.

If, on the Entitlement Date, the Company's management concludes that there is reasonable assurance that the Grant Received will not be refunded, at that date, the amount of the grant is recognized in profit or loss as a reduction of research and development expenses. If, in subsequent periods, the Company's management concludes for the first time that there is no reasonable assurance that the Grant Received will not be refunded, at that date, the Company will recognize a financial liability against profit or loss. The financial liability is accounted for in accordance with the provisions set out in IAS 39 for financial liabilities measured at amortized cost.

For Chief Scientist Grants received up to and including December 31, 2008, if on the Entitlement Date, the Company concluded that there is no reasonable assurance that the Grant Received will not be refunded, the Company recognized a provision, which is measured in accordance with the guidelines in IAS 37, Provisions, Contingent Liabilities and Contingent Assets. ("IAS 37").
If, on the Entitlement Date, the Company's management concludes that there is reasonable assurance that the Grant Received will not be refunded, and accordingly it is recognized in profit or loss at that date, and in subsequent periods, it is established for the first time that it is more likely than not that the project will succeed and that royalties will be paid to the Chief Scientist, the Company recognizes a provision against profit or loss, which is measured in accordance with the guidelines in IAS 37.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

H. Cash and cash equivalents

In consolidated statements of cash flows, cash and cash equivalents include the following: cash on hand, short-term bank deposits, and other short-term highly liquid investments with maturities of three months or less.

I. Share capital

The Company's ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are recognized in equity net of issue proceeds.

J. Trade payables

Trade payables include the Company's liabilities to pay for goods or services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year, otherwise they are recognized as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost based on the effective interest method.

K. Deferred taxes

The Company recognizes deferred taxes based on the liability method, for temporary differences between the carrying amounts of assets and liabilities included in the consolidated financial statements and the amounts used for tax purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. In addition, deferred taxes are not recognized if the temporary differences arise on initial recognition of an asset or a liability, other than in a business combination, which, at the time of the transaction, have no effect on profit or loss - whether for accounting or tax purposes. The amount of deferred taxes is determined in accordance with the tax rates (and tax laws) that have been enacted or substantively enacted as at the date of the financial statements and are expected to apply when the deferred tax assets will be realized or when the deferred tax liabilities will be settled.

Deferred tax assets are recognized for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. .

Deferred tax assets and liabilities are offset only if:

- There is a legally enforceable right to offset current tax assets against current tax liabilities;

- They relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

In the absence of a forecast of future taxable income, a deferred tax asset was not recognized in the Company's financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

L. Employee benefits

1) Liability for severance pay

A defined contribution plan is a post-employment benefit plan whereby the company makes fixed contributions to a separate independent entity, so that the group has no legal or constructive obligation to make further contributions if the fund assets are insufficient to pay all the employees the benefits for services in the current and prior periods.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company has a number of pension plans. The plans are funded through payments to insurance companies or pension funds managed by a trustee.

In accordance with their terms, these pension plans meet the definition of a defined contribution plan as above.

As described above, the Company purchases insurance policies and makes contributions in pension and severance funds to finance its obligation in respect of a defined contribution plan. When making the contributions, the Company has no obligation to additional payment. The contributions are recognized as employee benefit expenses when services are rendered by the eligible employees. Advance contributions are recognized as an asset, to the extent that the Company is entitled to a cash refund or a reduction in future payments.

2) Holiday and convalescence pay

By law, all employees are entitled to holiday and convalescence pay, calculated on a monthly basis. The right is based on the employment period.

M. Share-based payment

The Company has a share-based payment plan for employees and service providers, settled by the Company's equity instruments, whereby the Company receives services from employees and service providers in exchange for the Company's equity instruments (options). The fair value of services received from employees and service providers in exchange for the options is recognized as an expense in the statement of comprehensive loss. The total amount recognized as an expense in profit or loss is based on the fair value of the options granted, without taking into account the effect of service conditions and non-market vesting conditions.

Non-market vesting conditions are included in the assumptions used to estimate the number of options expected to vest. The total expense is recognized in the vesting period, which is the period for fulfillment of all the defined vesting terms of the share-based payment arrangement.

At each reporting date, the Company adjusts its estimates of the number of options that are expected to vest, based on the non-market vesting conditions, and recognizes the effect of the change compared to original estimates, if any, in the statement of comprehensive loss, and a corresponding adjustment in equity.

When exercising the options, the Company issues new shares. Proceeds, net of directly attributable transaction costs, are recognized in share capital (par value) and premium when exercising the options.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

N. Loss per share

Basic loss per share is generally based on the distributable loss to ordinary shareholders, divided by the weighted average number of ordinary shares outstanding in the period, net of shares held by the Company.

When calculating diluted loss per share, the Company adjusts the loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

Potential shares are only taken into account if their effect is dilutive (reduces earnings per share or increases loss per share).

O. New standards and interpretations not yet adopted

IFRS 9 (2010), Financial Instruments

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories or financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are reviewed on an ongoing basis and are based on past experience and other factors, including expectations of future events, which are considered reasonable in view of current circumstances.

A. Significant accounting estimate

The Company makes estimates and assumptions with respect to the future. By nature, the accounting estimates are rarely identical to actual results. The estimate that has a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities in the next financial year is listed below.

Impairment of know-how

The Company reviews annually the need to record impairment of know-how.
To test for impairment, the Company as a whole has been identified as the smallest cash-generating unit to which the intangible asset can be attributed. Accordingly, the Company measured the recoverable amount of the Company as a whole. The recoverable amount is the higher of value in use and fair value less costs of disposal. In accordance with IFRS 13, the quoted market price in an active market provides the most reliable evidence of fair value. Since fair value less costs of disposal, which is based on the market price of the Company, is significantly higher than the smallest cash-generating unit, the Company determined that no impairment exists. See also Note 2E(1).

B. Significant judgments made when applying the Company's accounting policy

1) Grants from the Chief Scientist

The Company's management is required to examine whether there is reasonable assurance that the grant that was received will be refunded. In addition, if, at the date of initial recognition, the grant is recognized in the statement of income, the Company's management is required to examine whether there is a reasonable probability of the project's success and of payment of royalties to the Chief Scientist. The Company's management believes that as at December 31, 2014, there is reasonable assurance that the grant that was received will not be repaid, therefore the liability is not included in the Company's financial statements.

2) Development costs

Development costs are capitalized in accordance with the accounting policy described in Note 2E(3). Capitalization of costs is based on management's judgment that there is technological and economic feasibility, usually when the product development project reaches a defined milestone, or when the Company enters into a transaction to sell the know-how resulting from the development.

The Company's management believes that as at December 31, 2014, the above conditions did not exist, therefore development costs were not capitalized.

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

1) Financial risk factors

The Company's activities expose it to diverse financial risks: currency risk, credit risk, and liquidity risk. The Company's comprehensive risk management plan focuses on the unpredictability of financial markets and the attempt to minimize potential adverse effects on the Company's financial performance.
The Company's CFO is responsible for risk management in accordance with the policy approved by the board of directors.

(A) Market risks

Exchange rate risk

The Group operates internationally and is exposed to exchange rate risks arising from exposure to various currencies, primarily the US dollar. The exchange rate risk is due to cash balances, future commercial transactions, and assets or liabilities denominated in foreign currency.

On December 31, 2014, if the Company's Functional Currency had depreciated by 5% against the US dollar, and if all the other variables had remained the constant, the post-tax loss for the year would have been lower by NIS 220 thousand (December 31, 2013, NIS 212 thousand), mainly due to losses from exchange rate differences for translation of cash balances, other receivables and trade payables.

B) Liquidity risk

The Company has not yet produced profits or positive cash flows from its operating activities, and the continuation of its operations in the current format is subject to raising financing sources until a positive cash flow is generated from its operations. The Company's management believes that its cash balances allow it to realize its development plans at least until August 2015. The work plan can be changed and adjusted in accordance with the Company's liquidity.

2) Capital risk management

The objectives of the Company's capital risk management are to maintain the Company's ability to continue as a going concern in order to provide shareholders with a return on their investment and to maintain an optimal capital structure to reduce the cost of capital.

NOTE 5 – CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
	NIS thousands	
Cash on hand and in the bank	11,062	23,769
Short-term bank deposits	-	8
Cash and cash equivalents	11,062	23,777
Breakdown by currency:		
NIS	6,563	18,983
In foreign currency (mainly USD)	4,499	4,794
	11,062	23,777

As at December 31, 2014, the Company has another cash deposit of NIS 564 thousand. This is a restricted deposit serving as collateral for the lease. The deposit is recognized under non-current assets.

NOTE 6 – OTHER RECEIVABLES

	December 31	
	2014	2013
	NIS thousands	
Value added tax	227	781
Receivables for participation in R&D expenses	1,122	726
Prepaid expenses	164	170
Other	35	51
Other receivables	1,548	1,728

Most financial balances are in NIS and are unlinked.

The carrying amount of other receivables is a reasonable approximation of their fair value since the effect of discounting is insignificant.
The maximum exposure to credit risk as at December 31, 2014 for trade and other receivables that comprise financial assets, is the fair value of each group of trade and other receivables comprising financial assets. The Company does not hold any collateral for these receivables.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Composition of property and accumulated depreciation, by principal groups, and the movements therein in 2014:

	Costs				Accumulated depreciation				
	Carrying amount at beginning of year	Additions in the year	Disposals in the year	Carrying amount at end of year	Carrying amount at beginning of year	Additions in the year	Disposals in the year	Carrying amount at end of year	Depreciated balance as at December 31, 2014
	NIS thousands				NIS thousands				NIS thousands
Computer equipment	603	30	35	598	497	58	35	520	78
Office furniture	438			438	135	26		161	277
Laboratory equipment	3,718	268	3	3,983	3,039	335	3	3,371	612
Greenhouse equipment	2,982			2,982	1,933	266		2,199	783
Leasehold improvements	938	38		976	613	106		719	257
	8,679	336	38	8,977	6,217	791	38	6,970	2,007

Composition of property and accumulated depreciation, by principal groups, and the movements therein in 2013:

	Carrying amount at beginning of year	Additions in the year	Carrying amount at end of year	Carrying amount at beginning of year	Additions in the year	Carrying amount at end of year	Depreciated balance as at December 31, 2013
	NIS thousands			NIS thousands			NIS thousands
Computer equipment	517	86	603	440	57	497	106
Office furniture	426	12	438	108	27	135	303
Laboratory equipment	3,574	144	3,718	2,610	429	3,039	679
Greenhouse equipment	2,973	9	2,982	1,628	305	1,933	1,049
Leasehold improvements	715	223	938	496	117	613	325
	8,205	474	8,679	5,282	935	6,217	2,462

NOTE 8 – INTANGIBLE ASSETS

Composition of intangible assets and accumulated amortization, by principal groups, and the movements therein in 2014:

	Costs		Accumulated depreciation			
	Carrying amount at beginning of year	Carrying amount at end of year	Carrying amount at beginning of year	Additions in the year	Carrying amount at end of year	Depreciated balance as at December 31, 2014
	NIS thousands		NIS thousands			NIS thousands
Software	104	104	88	11	99	5
Know-how	1,720	1,720				1,720
	1,824	1,824	88	11	99	1,725

Composition of intangible assets and accumulated amortization, by principal groups, and the movements therein in 2013:

	Carrying amount at beginning of year	Carrying amount at end of year	Carrying amount at beginning of year	Additions in the year	Carrying amount at end of year	Depreciated balance as at December 31, 2013
	NIS thousands		NIS thousands			NIS thousands
Software	104	104	72	16	88	16
Know-how	1,720	1,720				1,720
	1,824	1,824	72	16	88	1,736

NOTE 9 – INCOME TAX

A. Taxation of the Company and its subsidiary

1) As from the 2008 fiscal year, the results of the Company and its subsidiary in Israel are measured at nominal values for tax purposes. Up to the end of the 2007 tax year, measurement of the results of the Company and its subsidiary for tax purposes took into account changes in the CPI, in accordance with the Income Tax Law (Adjustments for Inflation), 1985 ("the Adjustments Law").

2) Tax rates

   The income of the Company and its subsidiary is taxable at the regular rate of corporate tax. The rate of corporate tax in 2013 is 25%.

   On August 5, 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budgetary Goals for 2013 and 2014), 2013 was published in the official gazette. The Law established, among other things, an increase in the rate of corporate tax of 26.5% from the 2014 tax year onwards (see section B below for information about the increase in the rate of tax on the income of a preferred enterprise, as established in the Encouragement of Capital Investments Law, 1959).

B. Carry-forward tax losses

Deferred tax assets for carry-forward tax losses are recognized if it is expected that the tax benefit will be realized through the existence of future taxable profits.

The carry-forward losses of CollPlant Holdings Ltd. (without capital losses) as at December 31, 2014 and 2013 amount to NIS 5,884 thousand and NIS 5,094 thousand, respectively.

NOTE 9 - INCOME TAX (CONTD.)

The subsidiary, CollPlant Ltd., has losses amounting to NIS 103 million and NIS 89 million as at December 31, 2014 and 2013, respectively.

The Company did not recognize deferred taxes for the losses of the Company and the subsidiary, since they are not expected to be used in the foreseeable future.

C. Tax assessments

In general, by law, independent assessments filed by the Company and the subsidiary up to 2010 are considered as final (subject to the filing dates of the reports and establishment of the period of limitation under the law).

D. Value added tax

The Company and its subsidiary, CollPlant, are registered as an authorized dealer for VAT purposes.

NOTE 10 - OTHER PAYABLES

	December 31	
	2014	2013
	NIS thousands	
A. Trade payables		
Open accounts	1,599	1,813
Checks payable	43	43
	1,642	1,856
Breakdown by currency:		
NIS	1,546	1,300
In foreign currency (mainly USD)	96	556
	1,642	1,856
B. Composition of other payables:		
Employees and institutions for employees	667	965
Provisions for vacation and others	338	368
	1,005	1,333

The carrying amount of other payables is a reasonable approximation of their fair value since the effect of discounting is insignificant.

NOTE 11 – TERMINATION LIABILITY

A. In accordance with labor laws and valid labor agreements, the Company and subsidiary owe severance pay and pension to employees who will be dismissed or who will resign under certain circumstances.

B. The liability of Group companies in Israel to pay pension and the Company's liability for payment of compensation for employees in Israel, in accordance with Section 14 of the Severance Pay Law, are covered by fixed contributions in defined contribution plans. The amounts deposited are not included in the statements of financial position.

The amount recognized as an expense for defined contribution plans in 2014, 2013 and 2012 is NIS 958 thousand, NIS 855 thousand and NIS 1,154 thousand, respectively.

NOTE 12 - AGREEMENTS AND CONTINGENT LIABILITIES

A. Agreements:

1) Agreements for an operating lease – lease agreements:

a) In June 2008, CollPlant signed a lease agreement for six years and two months. The monthly rent amounts to NIS 54 thousand. As collateral for the lease agreement, and to secure vacation of the property, an amount of NIS 395 thousand was pledged in favor of the property owner.

In February 2011, following updates to the addendum to CollPlant's lease agreement, an additional amount was pledged to the property holder. In March 2013, additional space was added to the lease agreement. The pledge was updated and currently amounts to NIS 564 thousand.

On August 19, 2013, an agreement was signed to extend the lease, which ends on August 18, 2015 ("the Additional Lease Term for the Main Property"), in accordance with the provisions of the unprotected lease agreement and its appendixes ("the Original Lease Agreement").

b) At the end of April 2007, CollPlant signed a lease agreement with a third party for land in Yesod Hamaale. The lease period is for three years, with an option for renewal every year, up to another seven years. The Company extends the agreement in accordance with the terms of the option for renewal, every year, accordingly.

2) Commitment to pay royalties to the Government of Israel

The Company is obligated to pay royalties to the Government of Israel, based on proceeds from the sale of products for which the Government participated in development by means of grants.

In accordance with the terms of this participation, the Company will pay royalties to the Government at a rate of 3% of the total sales of products that were developed with the participation of the Government in the first three years, from the date repayment begins, 4% of the amount of sales in the three subsequent years, and 5% of total sales as from the seventh year, up to 100% of the sum of the grants received by the Company, linked to the US dollar, plus annual interest at LIBOR rates.

The maximum amount of royalties that the Company could be required to pay amounts to NIS 23,600 thousand as at December 31, 2014 (without LIBOR interest).

NOTE 12 - AGREEMENTS AND CONTINGENT LIABILITIES (CONTD.)

B. Development agreements with pharmaceutical and medical device companies

1) On November 17, 2010. CollPlant Ltd. and Pfizer signed an agreement for joint development of prototype products for the treatment of orthopedic problems. The agreement refers, among other things, to the distribution of rights in the results of the project. In accordance with the agreement, Pfizer paid CollPlant insignificant amounts for the development of prototypes under the agreement.

   On December 22, 2011 CollPlant and Pfizer signed another joint development agreement for development of a product for the orthopedic market ("the Development Agreement"). In accordance with the Development Agreement, the parties will collaborate in the development of a product comprised of Pfizer's therapeutic proteins and compounds based on CollPlant's recombinant human collagen (rhCollagen) ("the Product"). The Product is intended for repairing compound fractures and both companies will own the Product.

   In accordance with the Development Agreement, the development plan is divided into two periods (each period is comprised of two stages), over a total period of three years. CollPlant will receive a total consideration of USD 1.9 million for its activity in accordance with the Development Agreement, and subject to compliance with milestones and fulfillment of the conditions under the Development Agreement for each of the two agreement periods. In accordance with the Development Agreement, Pfizer was granted an exclusive right, limited in time, to negotiate the continuation of development and commercialization of the Product with CollPlant. The Development Agreement was signed after CollPlant successfully completed the first stage of activities set out in the Development Agreement of November 17, 2010, prototypes with Pfizer. In February 2012, an amount of USD 0.4 million was transferred, and the same amount was transferred at the beginning of 2013.

   As at the reporting date, and to the best of the Company's knowledge, based partially on public sources, in July 2013, Pfizer signed an agreement with another US company ("the US Company"), which specializes in orthopedic products, whereby Pfizer granted the US Company an exclusive, global license for the portfolio of projects related to Pfizer's bone morphogenetic protein ("BMP"). Pfizer will also continue to manufacture rhBMP-2 and supply it to the US Company. The Company is currently involved in joint development with the US Company for the Product, including work of development teams from both companies on samples for a bone treatment product, instead of the cooperation with Pfizer, which has expired. As at the reporting date, the Company believes that the work and negotiations between the parties will continue over the coming months, and if negotiations are successful, the Company believes that a joint development agreement will be signed with the US Company (or with the US Company and Pfizer, together), which includes milestones until commercialization of the Product. However, there is no assurance that the negotiations between these parties will culminate in a binding agreement on the said date or at all, as well as what the final terms of the agreement will be.

2) On October 29, 2012, CollPlant signed an agreement with Cellular Bioengineering Inc. ("CBI") for the supply of recombinant human collagen that CollPlant manufactures. CollPlant's collagen protein will be used in synthetic cornea implants. The agreement follows the memorandum of understanding between CollPlant and Eyegenix that was signed in February 2012.

   Subject to compliance with the terms of the agreement and to the acquisition of minimum annual quantities of collagen, which to date have amounted to quantities that are insignificant for the Company, CollPlant will grant CBI with an exclusive limited global license for the use of collagen in development of CBI products and for their commercial marketing. In return, CBI will pay CollPlant for the collagen in accordance with the acquired quantity, and will pay CollPlant royalties from future sales of CBI products in the area of use (if any).

NOTE 12 - AGREEMENTS AND CONTINGENT LIABILITIES (CONTD.)

C. Cooperation agreements and developments in clinical trials

1) On October 9, 2011, CollPlant and Maccabi Health Services obtained all the approvals required for an agreement to launch the first clinical trial on humans to treat chronic wounds in diabetes patients ("the Clinical Trial" and the "Agreement", respectively). The objective of the Clinical Trial was to prove the safety of Vergenix™ WD wound dressings, manufactured from recombinant collagen produced from tobacco plants. The Company believes that collection of clinical data in the Clinical Trial could contribute to the regulatory process and to obtaining approval for marketing the Company's product under development and other Company products based on recombinant human collagen.

   On August 7, 2012 CollPlant successfully completed the Clinical Trial, and the main objective of the Clinical Trial, which is to prove the safety of Vergenix® WD for human use, was achieved in full.

   In December 2012, CollPlant received CE mark approval to sell and market Vergenix ® WD wound dressing in Europe. See Note 12F(1).

2) On November 25, 2014, the Company launched a clinical trial with Vergenix™FG gel for treatment of wounds (in this section: "the Clinical Trial" and "the Medical Product", respectively). The Medical Product is a collagen-based gel for diabetic ulcers, burns, pressure ulcers, chronic wounds and surgical incisions.

   The Clinical Trial is expected to continue for a few months and aims to demonstrate the safety of the gel and evaluate its performance on patients with chronic foot ulcers. The trial took place at three HMO wound clinics in Israel and will include 20 patients. According to the protocol of the Clinical Trial, the patients receive one treatment with the Medical Product and are monitored over four weeks. A number of parameters are assessed to evaluate the effectiveness of the treatment, primarily the percentage of wound closure.

   On March 18, 2015, the Company announced successful interim results in the Clinical Trial. The interim results are for 10 patients out of the 20 patients participating in the Clinical Trial. Analysis of the interim results of the Clinical Trial demonstrated an excellent wound closure percentage of 80%-100% among the large majority of the patients, within four weeks after beginning the treatment. It was also demonstrated that the Company's product is safe for use on humans.

3) On January 12, 2015, the Company announced that it has launched a clinical trial with Vergenix™STR for treatment of tendinopathy (in this section: "the Clinical Trial" and "the Medical Product", respectively). The Medical Product is based on CollPlant's recombinant human collagen and platelet-rich plasma from the patient.

   The Clinical Trial is held in three major hospitals in the center of Israel and 20 patients are being treated. The objective of the Clinical Trial is to confirm the product's safety and assess its performance in patients suffering from tennis elbow. According to the protocol of the Clinical Trial, the patients will receive one treatment with the Medical Product and will be monitored over six months. Treatment efficacy will be assessed using several indicators, including a reduction of pain, tendon healing and recovery of hand movement.

NOTE 12 - AGREEMENTS AND CONTINGENT LIABILITIES (CONTD.)

D. Research grants from external sources

1) On January 20, 2010, a consortium with the participation of CollPlant received funding from the European Union Seventh Framework Program. The research subject is tendon regeneration. The program continued for four years, during which there was joint research and exchange of personnel between CollPlant and the other partners in Europe. As at 31 December 2014, the program has ended and proceeds of EUR 36 thousand were received.

2) On August 17, 2010, a consortium with the participation of CollPlant received additional funding from the European Union Seventh Framework Program ("the Program"). The objective of this research is to developing hernia meshes using human recombinant collagen. The total funding for CollPlant in the research program amounts to EUR 274 thousand.
   As at December 31, 2014, proceeds amounting to EUR 235 thousand were received. The amounts received are offset against the Company's R&D expenses. The program is expected to end in April 2015.

E. Regulation

1) In July 2012, CollPlant successfully passed the quality assurance audit of an EU Notified Body, and was granted ISO 13485 certification. ISO 13485 covers all aspects of quality assurance in the medical industry, from the development stage. The certification demonstrates that CollPlant is in compliance with the required standards for quality management of orthopedics and wound treatment products.

2) In December 2012, CollPlant received CE mark approval to sell and market Vergenix® WD wound dressing in Europe. The product is intended for the treatment of diabetes patients with chronic foot wounds. Vergenix® WD is CollPlant's first product to be approved for marketing and sales in Europe. CE mark approval demonstrates that CollPlant's Vergenix® WD is safe for human use.

NOTE 13 – CAPITAL AND SURPLUS

A. Share capital and options:

1) **Composition**

	Number of shares		
	Registered	Issued and paid up **	
	December 31 2014 and 2013	December 31	
		2014	2013
Ordinary shares of par value NIS 0.01 *	1,500,000,000	241,392,352	236,874,726

	Amount in NIS		
	Registered	Issued and paid up	
	December 31 2014 and 2013	December 31	
		2014	2013
Ordinary shares of par value NIS 0.01 *	15,000,000	2,413,923	2,368,747

* Traded on the TASE at a value of NIS 0.211 per ordinary share of NIS 0.01, as at December 31, 2014

** Not including 2,761,384 shares held by the Company

2) The ordinary shares confer on their holders the right to vote and participate in shareholder meetings (with one vote for each NIS 0.01 share), the right to receive profits and the right to participate in surplus assets on liquidation of the Company.

3) In 2014, Series B, C, D, and E options expired without exercise of the shares.

4) In accordance with the Company's shelf prospectus of February 2012 and the Company's shelf offering memorandum of February 23, 2012, in March 2012, the Company offered 26,753,000 ordinary shares of NIS 0.01 par value each of the Company. The securities were offered in an amount of 267,530 rights units, so that each eligible holder holding 600 ordinary shares of the Company was entitled to purchase one rights unit consisting of 100 ordinary shares of the Company at a price of NIS 0.5 per ordinary share, so that the total price for exercising one rights unit was NIS 50. The rights offering was not underwritten.

   In accordance with the notices for exercising the rights received by the Company, 7,033,639 ordinary shares, representing 26% of the securities offered were allotted, of which 5,156,710 are attributable to the Company's shareholders.
   The total consideration net of management and distribution fees and net of other expenses amounted to NIS 3.225 million.

NOTE 13 – CAPITAL AND SURPLUS (CONTD.)

5) On November 27, 2012, the Company raised NIS 10.55 million, gross (approximately NIS 9.76 million net of issue expenses) on the Israeli capital market. The finances were raised by way of a shelf offering under the existing shelf prospectus published by the Company in the past.

   In consideration for the capital that was raised, the Company issued 23,987,200 shares, 11,993,600 marketable Series E options and 11,993,600 marketable Series F options. The Company also allotted Series F options at a rate of 10% of the total options that were issued (1,119,360 options) to the offering manager for services rendered (transactions costs)

   Series E options expired on December 31, 2014 (as set out in Note 13(3) above). Series F options are exercisable up to December 31, 2016, with an exercise price of 70 agurot per share.

6) On October 2, 2013, the Company signed an investment agreement with Trauwin Pty Ltd (in this section: "the Investment Agreement"), whereby USD 2.5 million was invested in the Company in exchange for 16,856,173 shares (the issue expenses amounted to USD 190 thousand).

7) On December 18, 2013, the Company raised capital, by way of a non-standard offering, amounting to NIS 17.5 million, gross, in consideration for 58,333,000 shares and 58,333,000 Series F options. The issue expenses amounted to NIS 1.66 million. The offering was for institutional investors only. As part of the offering fees, on February 5, 2014, the Company granted 5,8333,000 Series F options to underwriters.

8) On December 23, 2013, the Company raised capital amounting to NIS 3.7 million gross, by way of a standard offering to the general public in consideration for 9,980,000 million shares and 9,980,000 Series F options. The issue expenses amounted to NIS 0.3 million. As part of the offering fees, on February 5, 2014, the Company granted 998,000 Series F options to underwriters.

B. Share-based payment

1) In 2004, the board of directors of CollPlant Ltd. approved an option plan for employees and consultants ("the Option Plan"), whereby senior employees of the Company, will be granted, free of charge, up to 20,000 options, each exercisable into one ordinary share of the Company of NIS 0.1. The ordinary shares that will be issued in accordance with the Option Plan will have the same rights as the other ordinary shares of the Company, immediately subsequent to their issue. An option that is not exercised within 10 years from the allotment date will expire, unless the board of directors extends its validity. In accordance with the investment agreement of 2008, the Option Plan was increased to 6% of the share capital of CollPlant Ltd. (fully diluted).

   In accordance with the Merger, the Company's board of directors approved the option plan for employees and consultants whereby employees and consultants will be granted options up to a maximum of 17,000,000 ordinary shares of the Company. As part of the merger, the options of CollPlant Ltd. were exchanged prior to the merger with options convertible into shares of the Company. See Note 13A (4) for information about the conversion ratio.

NOTE 13 – CAPITAL AND SURPLUS (CONTD.)

2) On May 29, 2013, 1,268,487 options were granted to employees and officers of the Company (who are not the CEO and/or a director), and 354,177 options were granted to officers of the Company subject to approval of the general meeting.

   On July 4, 2013, 270,000 options were granted to two employees, including an officer who is not the CEO and/or a director.

   The theoretical economic value of each option, at the grant date, calculated according to the Black and Scholes formula, is between NIS 0.07 and NIS 0.13. This value is based on the following assumptions: expected dividend at a rate of 0%, expected volatility at a rate of 85%, risk-free interest rate of 1.85%, and period up to exercise of 4 years. The volatility measured by the expected standard deviation is based on statistical analysis of the share price in benchmark companies.
   The exercise price of the options is between NIS 0.3 and NIS 0.44 (unlinked).

3) On September 8, 2014, the board of directors approved, further to the approval of the Company's compensation committee, the allotment of 400,000 options to VP R&D, exercisable for 400,000 shares of NIS 0.01 par value. The options will vest over four years. One quarter will vest one year after the grant date, and the balance will vest in equal parts at the end of each subsequent quarter. The value of the benefit for the options, calculated on the grant date, is NIS 42 thousand.

   The theoretical economic value of each option, at the grant date, calculated according to the Black and Scholes formula, amounts to NIS 0.11. This value is based on the following assumptions: expected dividend at a rate of 0%, expected volatility at a rate of 51.24%, risk-free interest rate of 2%, and period up to exercise of 4 years.

4) On October 29, 2014, the Company's general meeting approved a grant for the chairman of the board of directors, further to the resolution of the Company's board of directors and compensation committee in September 2014. The grant is for 7,241,770 options exercisable for 7,241,770 shares of NIS 0.01 par value, at an exercise price of NIS 0.26 per share. The options will vest over three years. One third will vest one year after the grant date, and the balance will vest in equal parts at the end of each subsequent quarter. The value of the benefit for the options, calculated on the grant date, is NIS 340 thousand.

   The theoretical economic value of each option, at the grant date, calculated according to the Black and Scholes formula, amounts to NIS 0.05. This value is based on the following assumptions: expected dividend at a rate of 0%, expected volatility at a rate of 51.24%, risk-free interest rate of 2%, and period up to exercise of 4 years.

Exercise of options

5) On January 9, 2014, the Company's CEO exercised a total of 4,517,626 options for a total of 4,517,626 ordinary shares of NIS 0.01 par value each, at an exercise price of NIS 0.01 per share. The proceeds of the exercise amounting to NIS 45 thousand were transferred to the Company.

NOTE 13 – CAPITAL AND SURPLUS (CONTD.)

6) All grants to employees were made in accordance with the plan, and are carried out within the provisions set out for this matter in Section 102 of the Income Tax Ordinance.

   In accordance with the track selected by the Company and these provisions, the Company is not entitled to claim a tax deduction carried to employee benefits, including amounts recorded as salary benefits in the Company's accounts, for the options granted to employees under the plan, except for any yield benefit component determined on the grant date.

   For those who are not employees of the Company, and for the Company's controlling shareholders (as defined in the Income Tax Ordinance) options were granted in accordance with section 3(I) of the Income Tax Ordinance.

Movement in the number of options and the related weighted average exercise prices, are as follows:

	Year ended December 31, 2014		Year ended December 31, 2013		Year ended December 31, 2012	
	No. of options	Average weighted exercise price	No. of options	Average weighted exercise price	No. of options	Average weighted exercise price
Outstanding at the beginning of the period	15,535,762	0.57	15,722,201	0.7	17,136,669	0.57
Granted	7,641,770	0.26	1,892,664	0.41		
Expired			(1,434,214)	1.39	(1,101,740)	1.1
Forfeited	(696,560)	0.44-1.39	(644,889)	1.39	(312,728)	1.39
Exercised	(4,517,626)	0.01	-			
In circulation at the end of the period	17,963,346	0.56	15,535,762	0.57	15,722,201	0.7
Exercisable at the end of the period	9,042,670	0.61	13,170,611	0.53	11,158,483	0.52

Information about the exercise price and remaining contractual life of outstanding options at the end of the year:

2014			2013			2012		
No. of outstanding options at the end of the year	Exercise price range	Weighted average of remaining contractual life	No. of outstanding options at the end of the year	Exercise price range	Weighted average of remaining contractual life	No. of outstanding options at the end of the year	Exercise price range	Weighted average of remaining contractual life
17,963,346	0.26-1.39	7.32	15,535,762	0.01-1.39	6.35	15,722,201	0.01-1.39	7.51

The expenses recognized in the Company's statements of income in 2014, 2013 and 2012 for options granted to employees amounted to NIS 205 thousand, 462 thousand and 1,830 thousand, respectively.

The plans are managed in accordance with the provisions established for this matter in section 102 of the Income Tax Ordinance.

NOTE 14 – RESEARCH AND DEVELOPMENT EXPENSES, NET

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Salary expenses and incidentals	6,246	7,462	8,768
Share-based payment	137	341	1,111
Subcontractors and consultants	3,693	3,381*	5,033
Perishable equipment and materials	659	765	1,589
Patents	736	1,014	336
Depreciation	750	901	1,174
Travel	287	338	178
Rent, maintenance and operation	2,056	1,842*	2,415
Others	315	107	102
	14,879	16,151	20,706
Less participation in R&D expenses See Note 12B(1)	(1,554)	(511)	(3,875)
Less participation in R&D expenses See Note 12(A)(2)	(3,591)	(3,206)	(4,597)
	9,734	12,434	12,234

* Reclassified

NOTE 15 – ADMINISTRATIVE AND GENERAL, MARKETING AND SALES EXPENSES

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Salary and expenses	1,803	1,405	2,248
Share-based payment	68	121	718
Salary and directors insurance	590	514	483
Rent and office maintenance	314	368	307
Professional services	859	833	796
Computer maintenance and software rental	9	52	14
Overseas travel	21	34	51
Depreciation	52	50	47
Advertising and business development expenses	165	126	250
Others	25	244	188
	3,906	3,747	5,102

NOTE 16 – FINANCING EXPENSES (INCOME)

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Financing expenses:			
Bank fees	25	27	44
Expenses arising from exchange rate fluctuations		287	
Total financing expenses	25	314	44
Financing income:			
Interest income on cash equivalents and deposits	35	25	103
Income arising from exchange rate fluctuations	607		96
Total financing income	642	25	199
Financing expenses (income), net	(617)	289	(155)

NOTE 17 – LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the Company's shareholders by the weighted average number of ordinary shares issued, after taking into account, retrospectively, the benefit component in a rights offering The calculation of the diluted loss per share did not take into account 17,963,346 options for employees and service providers, and 88,337,260 Series F options, since their effect is anti-dilutive.

	December 31		
	2014	2013	2012
	NIS thousands		
Loss attributable to equity holders of the Company	13,023	16,470	17,181
Weighted average of the number of ordinary shares issued	241,280,958	156,306,705	128,546,048
Basic and diluted loss per share (NIS)	0.05	0.11	0.13

NOTE 18 – TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES

"Interested Party" - as defined in the Securities Regulations (Annual Financial Statements), 2010.

"Related Party" - as defined in IAS 24R.

The Company's key management personnel include members of the executive management and board of directors, in accordance with the definition of Related Parties in IAS 24.

A. Transactions with and benefits for interested and related parties

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
CEO's salary *	1,209	1,249	1,541
Of which, benefit component for options		237	696
Remuneration of directors	893	879	1,529
Of which, benefit component for options **	44	8	696
Number of directors	5	5	5

* In accordance with the CEO's employment agreement, the CEO will be eligible for a bonus based on qualitative criteria and parameters determined by the Company, which will amount to a maximum of four salaries, plus a special bonus based on the fulfillment of additional conditions.

** The Company entered into an agreement with one of its shareholders (who also serves as a director of the Company as from May 20, 2010) for research consulting services. A monthly amount of NIS 32,000 will be paid in consideration for his services to CollPlant. It was further resolved that if there is a commercial agreement with a pharmaceutical company or if CollPlant shares are issued on the stock exchange, the consultant will be granted a bonus as set out in the agreement (as at the date of signing the reports, a decision regarding the bonus has not yet been reached).

NOTE 18 – TRANSACTIONS AND BALANCES WITH INTERESTED AND RELATED PARTIES (CONTD.)

B. Balances with interested and related parties:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
For salary, incidentals and other benefits, the balance is stated in other payables under current liabilities	(339)	(448)	(162)

C. Benefits for key officers

Compensation for the CFO, VP Research and Development, COO (up to May 2013), and VP Quality Assurance, defined as key management personnel who are not interested parties, for their services provided to the Company, is as follows:

	Year ended December 31		
	2014	2013	2012
	NIS thousands		
Salary and other short-term benefits	1,776	2,234	2,636
Benefit component for grant of options	56	78	170
	1,832	2,312	2,806
Number of key managers	3	4	4

In accordance with the employment agreement of the Company's vice presidents, it was determined that they will be entitled to an annual bonus based on quantitative criteria and parameters to be determined in the first quarter of each year, amounting to a maximum of two salaries, subject to the approval of the CEO and board of directors (it is noted that a maximum limit was not set for one of the vice presidents).

NOTE 19 – SUBSEQUENT EVENTS

A. On March 4, 2015, the Company announced that its ADR level 1 program become effective in the United States. Each ADR comprises 100 ordinary shares of the Company, which will be traded over the counter (OTC) in the United States, under the symbol CQPTY.

B. On March 18, 2015, the Company announced successful interim results in the Clinical Trial for Vergenix™FG (see Note 12C(2)).

Convenience translation

CollPlant Holdings Ltd.

Chapter D – Additional Information on the Corporation

Company Name: CollPlant Holdings Ltd.
Company No. at the Registrar: 52-003978-5
("**CollPlant Holdings**" or the "**Company**")
Registered address: 3 Sapir St., Weizmann Sciences Park
Phone: 073-2325600
(Regulation 25a) P.O. Box 4132 Ness Ziona 74140
Fax: 073-2325602
Email: eran@collplant.com
Website: www.collplant.com

Report year: 2014
Date of the report of financial position: December 31st 2014
Periodic Report Date: March 22nd 2014
(Regulation 1)

Regulation 8b(i): material valuation

The Company examined the value of the intangible asset – the knowledge at CollPlant Ltd, a wholly owned subsidiary of the Company ("**CollPlant"**) – and examined whether there has been a decline in ITS value. The balance of the intangible asset remained unchanged as of December 31st 2014, 2013 and 2012.

The valuation subject:	Evaluation of an intangible asset – knowledge
Timing of the valuation:	The valuation was performed during the months of February and March 2015.
The value of the evaluation subject immediately before the valuation date had generally accepted accounting principles, including depreciation and amortization, did not require the change in value	1,720 thousand ILS

according to the valuation:	
The value of the evaluation subject determined in accordance with the evaluation:	1,720 thousand ILS
The valuation model:	Regardless of the existence or absence of signs of decline in value, an estimate of the recoverable amount of the cash generating unit is being conducted. If it is found that the recoverable amount is less than the value of the knowledge asset in the books, a reduction will be made for the difference between the recoverable amount and the asset's value in the books.
The assumptions under which the valuation was carried out:	The Company determined the fair value to reflect the recoverable amount, based on the assumptions that such an asset, i.e. the Company, (1) is traded in an active market and that (2) the market value of the Company on the stock exchange is reliable.

Regulation 9b: A report on the effectiveness of internal control over financial reporting and disclosure

The Company does not attach to the Periodic Report an Annual Report on the Evaluation of the Board of Directors and management regarding the efficacy of the internal control, pursuant to the relief given to a "small corporations", under Regulation 5d(4) of the Regulations.

Regulation 9c: Separate Financial Statement of the Corporation

Given the negligent impact a separate financial statements of the Company has on its consolidated financial statements and in light of the fact that the additional information in the separate financial statement is immaterial in respect of the consolidated financial statements of the Company, the Company Board of Directors held a discussion and decided on the exclusion of separate financial information in accordance with Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970.

The standards used by the Company Board of Directors in determining the

immaterial nature of the additional information in respect of the financial statements of the Company, including the scope and nature of the activities at CollPlant Holdings, including the volume of spending, participation in expenses and cash flows used for operations, which are up to five percent of the volume of activity in the consolidated company, when extraordinary events such as raising capital at CollPlant Holdings, receive full disclosure in the Company's consolidated financial statements. Notwithstanding the above, the Company includes in its financial statements details of separate financial information of the Company, as stated in Note 1(b) to the financial statements.

Regulation 9d: Liabilities report by maturity

The Company's report on its liabilities by maturity dates is attached to this report as an integral part thereof. For details, see the Company's immediate report dated March 22nd 2015 concerning the corporation's liabilities in the Securities Authority's distribution site at http://www.magna.isa.gov.il.

Regulation 10a: A summary of the overall profit (loss) statements of the Company for each of the quarters in 2014 (in thousands ILS):

	For the year ending on	For the three months ending on			
	December 31st 2014	December 31st 2014	September 30th 2014	June 30th 2014	March 31st 2014
Research & Development expenses:					
Research & Development expenses	14,879	3,470	3,797	3,895	3,717
Participation in research & Development expenses	(5,145)	(999)	(1,529)	(1,661)	(957)
Research & Development expenses ,net	9,734	2,471	2,268	2,234	2,760
General and administrative, sales and marketing expenses	3,906	1,363	773	704	1,066
Operating loss	13,640	3,834	3,041	2,938	3,826
Financing expenses (income) – net	(617)	(291)	(359)	62	(29)
Comprehensive loss	13,023	3,543	2,682	3,000	3,797

Regulation 10c: Using the proceeds from securities

Following is the use the Company made of the proceeds of the securities offered under the prospectus last published before the date of the report:

- The proceeds received by the Company for the allocation of ordinary shares under the private placement on November 10th 2013 and in respect of the allotment of ordinary shares and warrants (Series F) under the shelf offering

reports from December 18th and 22nd 2013, both according to the Company's shelf prospectus February 20th 2012 (as amended from time to time), has been used and continues to be used by the Company for different purposes, depending on the Company's needs from time to time, including financing the Company's work plan in 2013 to 2015, including CollPlant's research and development activities, in accordance with the decisions of the Company Board of Directors.

Regulation 11: List of investments in subsidiaries and material related companies

(As of the date of the report on the financial state)

Company name	Type of share	No. of shares issued	Total par value (in ILS)	Cost in reported amounts (in millions ILS)	Balance value in reported amounts (in millions ILS)	Rate of the holdings in percentages						Loans balance December 31st 2014
						No. of shares	In capital		In voting		In the authority to appoint directors	
							Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
CollPlant Ltd.	Ordinary share*	256,740	25,674	35.1	35.1	256,740	100%	100%	100%	100%	100%	100%	-

* ordinary share (not listed) 0.1 ILS par value

Regulation 12: Changes in investments in subsidiaries and material related companies

In the course of the Report Year, the Company transferred to CollPlant, a total of 11 million ILS. The transfer of funds is made in accordance with the Company's approved budget, subject to the approval of the Company Board of Directors, and depending on CollPlant's liquidity needs.

Regulation 13: Income of subsidiaries and material related companies and income derived from them

Below are details of the profit (loss) of every one of the Company's subsidiaries or material related companies in the last report year that ended on the date of the report of the Company's financial position or before that, when it is adjusted to the date of the report of the Company's financial position; and details on the Company's income from these companies (in thousands ILS):

Company name	Profit/ (loss) per period	Dividends (*)	Management fees income (*)	Nominal interest income (*)
CollPlant Ltd.	(12,415)	--	--	--

(*) Dividends, interest and management fees received by the Company or that it is entitled to receive from a subsidiary or a related company in the report year, and such payment for the following period, while indicating the dates of payment.

Regulation 20: Trading on the Stock Exchange

Securities listed for trading

[In the course of the Report Year]

1. Underwriters' fee – listing of 6,831,300 warrants (Series F) as part of the underwriting fees for the public offering, according to a private placement report dated January 16th 2014 [amending report dated February 4th 2014, reference number 2014-01-030535].
2. Exercise of options – in the course of 2014 and as of the date of this report, 4,517,626 warrants (unregistered) were exercised into Ordinary Shares of the Company.
3. To the best knowledge of the Company, in the course of the report period the trading in the Company's securities was not halted (not due to regular suspensions of trading as a result of the publication of reports or of another material report).

Regulation 21: Compensation of stakeholders and senior officers

Below are details of all the compensation paid by the Company in the Report Year in connection with the service in the Company or in a corporation controlled by any one of the five highest paid senior officers in the Company or a corporation controlled by it and any other stakeholder who is not one of the above (in thousands ILS):[1]

[1] Pursuant to the provisions of Article 6a of the Equal Wages for Male & Female Employees Law, 5756 – 1996, five men are included in the report year among the officers listed under this Regulation 21.

DETAILS OF THE RECIPIENT OF THE COMPNESATION				COMPENSATION FOR SERVICES (A)							OTHER COMPENSATION (A)			
Name	**Position**	**Scope of position**	**Scope of holding in the Company's capital and in the voting rights as of the date of the report**	**Salary**	**Bonus**	**Share-based payment (C)**	**Management fees**	**Consultation fees**	**Commission**	**Other**	**Interest**	**Rental fees**	**Other**	**Total (B)**
Yehiel Tal	CEO	100%	1.87%	843	83	1	-	-	-	(1) 90	-	-	-	1,017
Eran Rotem	CFO	100%	-	704	68	20	-	-	-	-	-	-	-	792
Philippe Ben Simon	VP Regulation and Quality Assurance	100%	-	650	60	19	-	-	-	-	-	-	-	729
Yaron Yaniv	Chairman of the Board of Directors	Irrelevant	0.58%	-	-	42	-	182	-	-	-	-	-	224
Prof. Oded Shoseyov	Director and the Company's Chief Scientists	Irrelevant	3.4%	-	-	1	-	384	-	-	-	-	-	385

(a) The amount of compensation is presented in terms of cost to the Company.

(b) The numbers in the table refer to data recognized in the financial statements attached to the periodic report.

(c) The amount in the "Share-Based Payment" column reflects the expense recorded by the Company under IAS IFRS 2 in respect of the grant of the options.

(d) In September 2014 Dr. Nadav Orr began working as Vice President of Development. His total salary cost (including remuneration in respect of share-based payments) during the report period, amounted to 203 thousand ILS).

1. Redemption of vacation days.

DETAILS OF THE RECIPIENT OF THE COMPNESATION				COMPENSATION FOR SERVICES (A)							OTHER COMPENSATION (A)			
Name	**Position**	**Scope of position**	**Scope of holding in the Company's capital and in the voting rights as of the date of the report**	**Salary**	**Bonus**	**Share-based payment (C)**	**Management fees**	**Consultation fees**	**Commission**	**Other**	**Interest**	**Rental fees**	**Other**	**Total (B)**
Rami Armon and Orly Tori (1)	External Directors	Irrelevant	-	155	-	-	-	-	-	-	-	-	-	155

(a) The amount of compensation is presented in terms of cost to the Company.

(b) The numbers in the table refer to data recognized in the financial statements attached to the periodic report.

(e) The amount in the "Share-Based Payment" column reflects the expense recorded by the Company under IAS IFRS 2 in respect of the

grant of the options.

1. The Company's consolidated financial statements for 2014 recorded compensation expenses for external directors in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of an External Director), 2000. Such expenses also refer to the Company's former external director (Ms. Orit Rishpi) in January – February. The remaining members of the Company's Board of Directors do not receive any remuneration in connection with their tenure in the Company and/or CollPlant, with the exception of Messrs. Prof. Shoseyov and Yaron Yaniv, as set out in the tables above, and with the exception of the director who is a member of the Company's Compensation Committee whose compensation is determined by according to the provisions of said law and regulations (referring to Mr. Ran Nussbaum, former director of the Company).

   The above amounts do not include the remuneration given to the former director of the Company (Mr. Efi Cohen-Arazi) for his tenure as director and/or Chairman of the Board of Directors during the report period in the amount of 142 thousand ILS (consultation fees, directors' remuneration and value of cost for capital remuneration).

Below is description of the main points in the employment agreements of the senior officers, as mentioned above, as applicable in the report period, and the total remuneration paid them after the Report Year and prior to the date of this report:

(1) Yehiel Tal, the Company CEO

In January 2010, an employment agreement was signed between CollPlant and Mr. Yehiel Tal, as of January 1st 2010, and for an unlimited period, as the CollPlant CEO (in this section – the "**Agreement**"). On May 20th 2010, with the closing of the merger between the Company and CollPlant, Mr. Tal was also appointed as CEO of the Company (without any addition to salary or the remaining terms of the Agreement). According to the Agreement, each of the parties will be entitled to terminate the agreement, at their discretion, by written notice to the other party 90 days prior to the date on which they wish to terminate the Agreement. In certain cases stipulated in the Agreement, *inter alia*, in case of a material breach of the employment Agreement, breach of fiduciary duty, the committing of a criminal offense or fraud, CollPlant will not be required to give such notice. According to the employment Agreement, Mr. Tal's monthly salary is 55 thousand ILS.[2] In addition, the Company shall make provisions and pay on behalf of Mr. Tal for customary social benefits and social expenses (provisions for managers' insurance and loss of working capacity, severance pay) throughout his employment. In addition CollPlant shall make provisions to an education fund, and make available to him a company car and a cell phone (while taking into account the value of the benefit included). According to the employment Agreement, Mr. Tal is eligible for severance pay under Section 14 of the Severance Pay Law, 5723 – 1963 (the "**Severance Pay Law**"), sick pay, annual leave (21 work days a year) and convalescence pay (12 days a year). Furthermore, CollPlant shall reimburse Mr. Tal for expenses incurred by him in respect of his employment under the Agreement,

[2] Reflecting a raise of 10% of the original salary, following an investment on the part of a new third party in the Company, in November 2010, and in accordance with the employment agreement.

against receipts. The Agreement contains undertakings in connection with maintaining confidentiality, non-competition and provisions in respect of intellectual property ownership, whereby all intellectual property rights to be developed by him in connection with his work or in connection with CollPlant's operations shall be owned by CollPlant and he will not be entitled to receive royalties in their respect by virtue of his being a CollPlant employee. According to the employment Agreement Mr. Tal was granted an option to purchase 4,517,626 Ordinary Shares of the Company in accordance with the provisions of the plan at an exercise price of 0.01 ILS per share[3] (the "**Option Agreement**"). According to the Option Agreement, the option shares are subject to conditional vesting over four years (25% after a year and the balance in 12 equal consecutive quarterly portions). Notwithstanding, in the event of a merger or transaction (as defined in the plan), all those options not yet vested shall vest at that date.[4] The Agreement stipulates that the CollPlant Board of Directors will consider every year granting an annual bonus to the CEO that does not exceed 4 times his monthly salary, based on criteria set forth in the employment Agreement (including the achievement of the targets set and the CEO's overall performance). The Agreement also specifies that the Board will consider granting a special bonus in connection with the occurrence of certain events, including: signing a commercial license agreement (or similar agreement) that will generate income for CollPlant, in which case the bonus amount will be determined at the sole discretion of the CollPlant Board of Directors and/or upon the completion of a public offering or transaction (as defined in the plan), in which case the bonus amount will be determined in connection with the value of CollPlant under the public offering or such transaction.

No compensation was paid after the Report Year and prior to the date of this report, in connection with the term of office or employment in the course of the Report Year, and that were not recognized in the financial statements for the Report Year.

(2) <u>Eran Rotem, CFO</u>

On October 30th 2011, an employment agreement was signed between

[3] The agreement stipulated that the original exercise price, which was 0.53 ILS per share, will be reduced in the event of the completion of the initial public offering to the public or "transaction" (as defined in the plan) and the passage of two years from the beginning of his employment at CollPlant (i.e. January 1st 2012), the earlier of the two.

[4] As of the date of this report the conditions for such acceleration have not been met. In January 2014 all of the above options have been exercised into Company shares.

CollPlant and Mr. Eran Rotem, as of January 15th 2012, and for an unlimited period, as the CollPlant CFO (in this section – the "**Agreement**"). According to the Agreement, each of the parties will be entitled to terminate the agreement, at their discretion, by written notice to the other party 90 days prior to the date on which they wish to terminate the Agreement. In certain cases stipulated in the Agreement, *inter alia*, in case of a material breach of the employment Agreement, breach of fiduciary duty, the committing of a criminal offense or fraud, CollPlant will not be required to give such notice. According to the employment Agreement, Mr. Rotem's monthly salary is 45 thousand ILS. In addition, CollPlant shall make provisions and pay on behalf of Mr. Rotem for customary social benefits and social expenses (provisions for managers' insurance and loss of working capacity, severance pay) throughout his employment. In addition CollPlant shall make provisions to an education fund, and make available to him a company car and a cell phone (while taking into account the value of the benefit included). According to the employment Agreement, Mr. Rotem is eligible for severance pay under Section 14 of the Severance Pay Law, convalescence pay and sick pay under law, and for annual leave (20 work days a year). Furthermore, CollPlant shall reimburse Mr. Rotem for expenses incurred by him in respect of his employment under the Agreement, against receipts. The Agreement contains undertakings in connection with maintaining confidentiality, non-competition and provisions in respect of intellectual property ownership, whereby all intellectual property rights to be developed by him in connection with his work or in connection with CollPlant's operations shall be owned by CollPlant and he will not be entitled to receive royalties in their respect by virtue of his being a CollPlant employee. According to the employment Agreement Mr. Rotem was granted an option to purchase 450,000 Ordinary Shares of the Company in accordance with the provisions of the plan, as customary for officers in similar positions, at an exercise price of 0.644 ILS per share. In addition, he shall be entitled to an annual bonus that does not exceed 2 times his monthly salary, in the event he achieved the targets set, that were determined in the first three months of that year with the Company CEO, subject to the approval of the Company CEO and Board of Directors that the targets were indeed achieved successfully.

No compensation was paid after the Report Year and prior to the date of this report, in connection with the term of office or employment in the course of the Report Year, and that were not recognized in the financial statements for the Report Year.

(3) Dr. Philippe Bensimon, VP of Regulation and Quality Assurance

On November 23rd 2010, an employment agreement was signed between CollPlant and Dr. Philippe Bensimon, as of February 1st 2011, and for an unlimited period, as the CollPlant Head of Regulation and Quality Assurance (in this section – the "**Agreement**"). According to the Agreement, each of the parties will be entitled to terminate the agreement, at their discretion, by written notice to the other party 60 days prior to the date on which they wish to terminate the Agreement. In certain cases stipulated in the Agreement, *inter alia*, in case of a material breach of the employment Agreement, breach of fiduciary duty, the committing of a criminal offense or fraud, CollPlant will not be required to give such notice. According to the employment Agreement, Dr. Philippe Bensimon monthly salary is 40 thousand ILS. Pursuant to the approval the Board, Dr. Philippe Bensimon's salary is 44 thousand ILS as of February 2014. In addition, CollPlant shall make provisions and pay on behalf of Dr. Philippe Bensimon for customary social benefits and social expenses (provisions for managers' insurance and loss of working capacity, severance pay) throughout his employment. In addition CollPlant shall make provisions to an education fund, and make available to him a company car and a cell phone (while taking into account the value of the benefit included). According to the employment Agreement, Dr. Philippe Bensimon is eligible for severance pay under Section 14 of the Severance Pay Law, convalescence pay and sick pay under law, and for annual leave (20 work days a year). Furthermore, CollPlant shall reimburse Dr. Philippe Bensimon for expenses incurred by him in respect of his employment under the Agreement, against receipts. The Agreement contains undertakings in connection with maintaining confidentiality, non-competition and provisions in respect of intellectual property ownership, whereby all intellectual property rights to be developed by him in connection with his work or in connection with CollPlant's operations shall be owned by CollPlant and he will not be entitled to receive royalties in their respect by virtue of his being a CollPlant employee. According to the employment Agreement Dr. Philippe Bensimon was granted an option to purchase 200,000 Ordinary Shares of the Company in accordance with the provisions of the plan, as customary for officers in similar positions. The Company Board of Directors (or any other committee authorized to do so) will consider every year granting an annual bonus to the VP, taking into account the achievement of the Company and the employee's targets. It is clarified that the granting of the bonus is at the absolute discretion of the Board.

No compensation was paid after the Report Year and prior to the date of this

report, in connection with the term of office or employment in the course of the Report Year, and that were not recognized in the financial statements for the Report Year.

(4) Prof. Oded Shoseyov, Director and Chief Scientist

On August 10th 2008, an consultation agreement (in this section – the "**Consultation Agreement**") was signed between CollPlant and Prof. Oded Shoseyov (in this section: the "**Consultant**"), that was approved under the merger transaction by the Company's Audit Committee and the Board of Directors on February 4th and 7th 2010, whereby the Consultant provides services and consultation as the CollPlant Chief Scientist for a monthly salary of 7,200 US dollars and as of March 2011 in accordance with the resolution of the Board of Directors and General Assembly, this amount is totals 32 thousand ILS. According to the Consultation Agreement the Consultant is prohibited from engaging in other activities and occupations that have a conflict of interest with his roles at CollPlant. In addition, the Consultant was granted an option to purchase 2,258,813 Ordinary Shares of the Company at an exercise price of 0.69 ILS per warrant (in terms of after the merger transaction).[5] The Consultation Agreement also provides that the Consultant will be awarded a special bonus (ranging from 50 thousand US dollars to 100 thousand US dollars), upon the occurrence of certain events, including a material commercial contract with a pharmaceutical company and/or an issuance and/or transaction (as defined in the CollPlant option plan) that shall occur prior to December 31st 2010. Accordingly, in February 2010, the Consultant notified CollPlant, that according to his position, and in view of CollPlant's best interests, he will be willing to postpone the right to receive the stated bonus to a later date. The Consultation Agreement further sets provisions regarding confidentiality, non-competition and the distribution of the parties' intellectual

[5] The options were granted in 4 equal portions according to predetermined milestones. According to the Consultation Agreement, the four milestones that were set (and not yet met as of the date of the Prospectus) are: the production of pro-collagen/ ethel-collagen in the quantity and conditions set in the Agreement; the filing of a new patent wholly owned by CollPlant that is not a derivative, improvement, continuation or such of an existing patent; the production of a prototype of the composite material; growing a new engineered plant for the production of vegetable collagen that is not in the structure of collagen type I collagen manufactured by CollPlant. On February 16th 2011, the Company Board of Directors confirmed that all of these milestones were met. Accordingly, the terms for granting of options to Prof. Shoseyov under the terms of the Agreement with him were fulfilled. The option will vest over two years from the date of fulfillment of the stated milestones. The grant of the options is subject to an acceleration mechanism in some cases, including a transaction in which CollPlant shall sell all and/or the majority of its assets and/or enters into a merger agreement under which control of most of CollPlant's holdings will be transferred to third parties who are not current shareholders in CollPlant. For further information about the allocation of options see the Company's immediate report dated February 17th 2011 [reference no. 2011-01-053628, included in this section by way of reference].

property rights. Under the provisions of the Consultation Agreement CollPlant has complete ownership in any invention, as defined in the Consultation Agreement, which is derived from CollPlant's operations and businesses (the "**CollPlant Inventions**") as well as first rights (for the development and commercialization) in any invention that is not a CollPlant Invention and that may be a result of Shoseyov's activity in the course of the Consultation Agreement. In addition, other inventions that are not included in the CollPlant Inventions were determined. The Consultation Agreement is for an indefinite period and may be canceled with prior notice 90 days in advance by either party.

No compensation was paid after the Report Year and prior to the date of this report, in connection with the term of office or employment in the course of the Report Year, and that were not recognized in the financial statements for the Report Year.

(5) Yaron Yaniv, Chairman of the Board of Directors

According to an agreement for the provision of services dated October 29th 2014, between CollPlant and Mr. Yaron Yaniv, Mr. Yaniv will provide CollPlant with management services as Chairman of the Company's Board of Directors for monthly management fees in the amount of 7,000 US dollars. In addition, CollPlant shall indemnify Mr. Yaniv for special expenses incurred by him in the course of his work, against receipts and according to the Company policy. According to the Agreement the Chairman was granted an option to purchase 241,770 of the Company's shares, at an exercise price of 0.26 ILS per share. The options shall vest over a period of three years, when a third will vest upon the end of a year from the time of granting, and the rest in equal parts at the end of every quarter thereafter. The agreement is for an indefinite period and may be canceled by the parties with prior notice 3 months in advance. The Chairman Agreement also stipulates provisions regarding confidentiality, non-competition and CollPlant's ownership of intellectual property.

No compensation was paid after the Report Year and prior to the date of this report, in connection with the term of office or employment in the course of the Report Year, and that were not recognized in the financial statements for the Report Year.

Regulation 21a: Control of the corporation

To the best knowledge of the Company, as of the report date there is no controlling shareholder or group of controlling shareholders in the Company.

<u>Regulation 22</u>: Transactions with a controlling shareholder or in which a controlling shareholder has a personal interest

As mentioned above, to the Company's knowledge, there is no controlling shareholder in the Company or a number of shareholders holding together a controlling block. Accordingly, there were no transactions with a controlling shareholder or in which a controlling shareholder has a personal interest in the report year.

Without limiting the foregoing, all of the directors and senior officers are insured under a professional liability insurance policy for directors and officers, which the Company maintains through an Israeli insurance company. On October 2014 the Company's General Shareholders" Assembly, following the approval of the Audit Committee and the Board of Directors, approved as required by law the terms of the Company's framework transaction with an insurance company for the insurance of the directors' and officers' liability. In light of the Company's plan for the listing of ADRs on Level 1, the Company increased the scope of insurance coverage to be granted to directors and officers (up to 20 million dollars per event and per period). This resolution was approved by the organs required by law, including the shareholders' assembly dated February 19th 2015.

The insurance policy is in respect of all directors and officers of the Company and its subsidiaries, as may be from time to time, including controlling shareholders who are directors in the Company, for liability imposed on them up to the amount of 20 million dollars per period and per event (at an annual premium cost of up to 50 thousand dollars). Under the terms of the policy, the geographic coverage of the policy is valid for the entire world. The Company's deductible under the terms of the policy range from 10 thousand to 150 thousand dollars (including for the US and Canada) per event and per period. The resolution of said Assembly to approve the Company's entering into an insure contract as specified in this paragraph, was a resolution to approve a "**framework transaction**" (as defined in the Companies Regulations (Relief in Transactions with Interested Parties), 5760 – 2000), that would allow the purchase of liability insurance for a five year insurance period, provided that it meet the conditions set out in paragraph 10 Appendix F to the report of the merger dated March 11th 2010 [reference no. 2010-01-411990], included in this section by way of reference.

Every year the Company's Audit Committee and Board of Directors approve the renewal of the Company officers' liability insurance policy for an additional 1 year period (of five periods under the terms of the framework transaction), under the terms of the framework transaction.

In addition, the Company provides officers of the Company and/or its subsidiaries, as these may be from time to time, while serving as officers in related companies, as well as an officer who is a controlling shareholder or his relative, letters of indemnity and exemption letters under acceptable terms. The exemption letter provides, *inter alia*, that the Company releases in advance the directors and officers, as a rule from any liability towards the Company for any damages caused and/or that will be caused to it, due to the breach of the duty of care of directors and officers towards it in acts carried out by them in good faith and in their capacity as directors or officers, as applicable, in the Company (the "**Exemption Letter**"). Under the letter of indemnity it was determined, *inter alia*, that the advance undertaking to indemnify the directors and officers under the letter of indemnity is limited to events as well as to amount reasonable under the circumstances; the undertaking shall apply in respect of: (a) any financial liability if and when imposed upon the officer in favor of another person pursuant to a judgment, including a judgment given in a settlement or an arbitration award approved by the court; (b) in respect of reasonable litigation expenses, including legal fees incurred by the officer following an investigation or proceeding conducted against him by an authority authorized to conduct an investigation or proceeding, which ended without any charges and without the imposition of financial liability in lieu of criminal proceedings, or which ended without criminal charges against him but with the imposition of financial liability in lieu of criminal proceedings for an offense that does not require proof of criminal intent; (c) for any reasonable legal expenses, including attorney's fees, incurred by the officer or imposed by a court in a proceeding brought against him by the Company or on its behalf or by another person, or a criminal charge of which he is acquitted or a criminal charge of which he is convicted for an offense that does not require proof of criminal intent, all in accordance with the wording of the letter of indemnity (the "**Letter of Indemnity**"). The overall indemnity amount to be paid by the Company to all officers in the Company in aggregate under all the Letters of Indemnity issued and to be issued shall not exceed 25% of the effective equity of the Company, plus any amounts received from an insurance company, if any, under the insurance policy for the directors and officers of the Company, that was purchased and/or will be purchased from time to time, in respect of the final liability and/or litigation costs (the "**Maximum Indemnification Amount**"). In this regard, "the effective equity of the Company" means the amount of the Company's equity, according to the Company's latest consolidated financial statements, as of the date of payment of the indemnity. The Exemption Letter and the Letter of Indemnity were approved on February 4th and 7th 2010, respectively, by the Company's Audit Committee and Board of Directors, and on March 21st 2010, by the Company's General Assembly,

subject to completion of the merger with CollPlant. On March 23rd 2011, the Company's Audit Committee and Board of Directors, and on May 12th 2011, the Company's General Assembly of shareholders, approved the amendment of the Letter of Indemnity given to officers of the Company and the amendment of the Company's Articles of Incorporation so as to enable insurance and indemnity of the Company officers in connection with expenses relating to administrative enforcement procedures and payment to the object of a violation, as determined in section 56h(b)(2) of the Securities Law.[6]

Regulation 24: Holdings of interested parties and senior officers

For details of the securities an interested party and senior officers in the Company held therein on the date of this report, see the Company's immediate report dated March 8th 2015 regarding the roster of stakeholders and officers.[7]

Regulation 24a: Registered capital, issued capital and convertible securities

For details on the registered share capital, the issued and paid-up capital (including treasury stock, if any) and convertible securities of the Company, see Note 13 to the financial statements.

Regulation 24: The register of shareholders

Below, to the best knowledge of the Company and its directors, is the majority of the register of shareholders of the Company as of a date immediately prior to the periodic report:

Serial	Number of Ordinary Shares	Par Value	In the Name Of
1	241,392,226	0.01 ILS	The Nominee Company of Bank Leumi Le'Israel Ltd.
2	2,761,384	0.01 ILS	CollPlant Holdings Ltd.
3	108	0.01 ILS	Ben Lifitz

[6] For details of the revised text of the Letter of Indemnity, see Appendix C to the Company's immediate report dated March 3st 2011 [reference no. 2011-01-104238] and the amending report dated April 11th 2011 [reference no, 2011-01-116076], included in this section by way of reference. For details of the text of the amendment of the Company Articles of Incorporation, see the appendix to the Company's immediate report dated May 12th 2011 [reference no. 2011-01-146574], included in this section by way of reference.

[7] The Company's immediate report dated March 8 2015 [reference no 2015-01-046552], is included herein by way of reference.

4	16	0.01 ILS	Yehuda Bar Lev
5	1	0.01 ILS	Moshe Kremer
Total shares	**244,153,736**		

Regulation 26: Directors and alternative directors

Following are details on each of the directors and the alternative directors of the Company as of the report date, to the best knowledge of the Company and its directors:

	Prof. Oded Shoseyov (Director and Chief Scientist)	**Ira Liederman** (Independent Director)	**Nira Dror** (Independent Director)	**Qian Xiaojin** (Director)	**Rami Armon** (External Director)	**Orly Tori** (External Director)	**Yaron Yaniv** (Chairman of the Board of Directors)	**Adi Goldin** (Director)
ID no.:	54321047	217018346 (passport)	052726551	G56692781	27943976	059060772	053940284	027238088
Date of Birth:	31.7.1956	16.10.1957	25.11.1954	20.03.1982	14.3.1971		21.01.1956	18.8.1974
Address for service of legal documents:	Bareket 10, Shoham				Yoni Netanyahu 6, Givat Shmuel	Sapir 19, Ramat Efal	Alon 2, Carmei Yossef	Yigal Alon 65, Tel Aviv
Citizenship:	Israeli	American	Israeli	Chinese	Israeli		Israeli	Israeli
Membership in a Board of Directors committee or committees:	No	No	The Audit Committee, the Financial Statements Review Committee, the Compensation Committee	No	Chairman of the Audit Committee, Chairman of the Financial Statements Review Committee, Chairman of the Compensation Committee	The Audit Committee, the Financial Statements Review Committee, the Compensation Committee	No	No
Tenure as an external director, and if so - whether as an expert external director:	No	No	No	No	External director	External director	No	No
Tenure as an	Irrelevant	Yes	Yes	Irrelevant	Irrelevant	Irrelevant	Irrelevant	Irrelevant

	Prof. Oded Shoseyov (Director and Chief Scientist)	**Ira Liederman** (Independent Director)	**Nira Dror** (Independent Director)	**Qian Xiaojin** (Director)	**Rami Armon** (External Director)	**Orly Tori** (External Director)	**Yaron Yaniv** (Chairman of the Board of Directors)	**Adi Goldin** (Director)
independent director:								
Has accounting and financial expertise or professional qualifications:	Professional qualification	No	Accounting and financial expertise	No	Accounting and financial expertise	Professional qualification	No	Professional qualification
The date of commencement of service as a director:	**20.5.2010**	**19.02.2015**	**19.02.2015**	**10.11.2013**	**11.10.2011**	**17.3.2014**	**06.01.2014**	**20.5.2010**
Occupation in the past 5 years:	A member of the academic staff and a full professor at the Institute of Plant Sciences and Genetics, the Faculty of Agriculture, Food and Environment at the Hebrew University in Jerusalem; scientific consultant to the companies:	Managing Partner, Long Trail Advisors LLC, director (and former Chairman) at Margin Surgical Inc.	Chairman of the Board in BHI, Global Investment Consultation (Israel) Ltd., Director at Dikla Insurance Company, Director at Shlomo Holdings Ltd., Director at Shlomo Insurance Ltd, Director at Click Software, Director at Sharonim –	Administrative Planning and Operations Director, Flon (China) Medical Material Co. Ltd.; Company Secretary and Administrative Director, Trauson Holding Co. Ltd.	Vice President and Chief Investment Officer of Menora Mivtachim Pension Ltd. (until the beginning of 2011); CEO of Rami Armon Management Ltd.; tenure as a director	CEO of NewPharm Medical Supplies Israel; CEO of Bar Ilan R&D Ltd.	CEO of Eldan Electronic Equipment Ltd.	Vice President Docor International Management Ltd.; CEO of Softlib Ltd.

	Prof. Oded Shoseyov (Director and Chief Scientist)	**Ira Liederman** (Independent Director)	**Nira Dror** (Independent Director)	**Qian Xiaojin** (Director)	**Rami Armon** (External Director)	**Orly Tori** (External Director)	**Yaron Yaniv** (Chairman of the Board of Directors)	**Adi Goldin** (Director)
	Futura Jin, Biolab, Ocean, UBK, International BIO-T2, Fulcrum and Omer Therapeutics Ltd.; tenure as a director		Ramat Hasharon's Water Corporation, director at Oil and Gas Exploration oil, director at Zur Shamir Holdings, Directors at Bank Hapoalim, manager of Israel's representative office of HOTELBEDS					
"Relative" of another "stakeholder" in the corporation:	No	No	No	Mr. Qian Xiaojin is the son of Mr. Qian Fuqing, who is a stakeholder in the Company	No	No	No	No

Regulation 26a: Senior Officers

Following are details on the senior officers of the Company (whose details were not brought under Regulation 26 above), as of the date of the report:

	Yehiel Tal	**CPA Eran Rotem**	**Dr. Philippe Bensimon**	**Dr. Nadav Orr**	**CPA Dana Gottesman**	**CPA Noa Weitz**
ID no.:	051508828	23592744	329788657	05513973	037575735	037107406
Date of Birth:	12.12.1952	13.1.1968	2.11.1965	31.12.57	08.08.1975	10.9.1985
The date of commencement of service as a director:	20.5.2010	15.1.2012	1.12.2011	7.9.2014	27.11.2013	7.1.2015
Position of the senior officer in the Company, in a subsidiary or in a "stakeholder" therein:	**CEO**	**CFO**	**VP Regulation and Quality Assurance**	**VP of Development**	**The Company's Internal Auditor**	**Accountant**
"Relative" of a senior officer in the Company or of a "stakeholder" in the Company:	No	No	No	No	No	No
Education:	Master's degree in Mechanical Engineering, the Technion	Graduate in Business Administration specializing in accounting, the Tel Aviv College of Management	PharmD, Faculty of Pharmacy of Marseille, France	PhD Immunology, Weizmann Institute of Science, Rehovot	Graduate in Business Administration, the College of Rishon Lezion. Master's degree – Public Administration and Audit, the Bar Ilan	BA in Economics specializing in accounting, the Ben Gurion University, Beer Sheva

	Yehiel Tal	**CPA Eran Rotem**	**Dr. Philippe Bensimon**	**Dr. Nadav Orr**	**CPA Dana Gottesman**	**CPA Noa Weitz**
					University	
Occupation in the past 5 years:	CEO CollPlant	CFO CollPlant; CFO Tefron Ltd.	VP Regulation and Quality Assurance in the Company; Director of Regulation and Quality Assurance at MAQUET-GETINGE	Director of the Research and Development Group, Omrix (J&J)	Manager at the BDO accounting firm in the Audit and Risk Management (RAS) Group	CPA at PwC Israel

Senior officers whose term ended in the course of the report year and as of the date of the report:

	Tomer Kariv (Director)	Orit Rishpi (External Director)	Ran Nussbaum (Director)	Dr. Alon Domanis (Director)	Efraim Cohen Arazi (Chairman of the Board of Directors)
ID no.:	056778194	056398993	025155250	050001619	053643490
The date of commencement of service as a director in the Company:	26.12.2012	28.02.2008	20.05.2010	20.05.2010	20.05.2010
The date of end of service as a director in the Company:	01.01.2014	28.2.2014	24.8.2014	6.11.2014	19.2.2015

Regulation 26b: Independent authorized signatory of the corporation

As of the date of the report, the Company has no independent authorized signatories, as this term defined in the Securities Law, 5728 – 1968 and the Securities Authority guidelines.

Regulation 27: The Corporation auditors

PWC Israel (Kesselman & Kesselman), CPA, 25 Ha'Mered St., Tel Aviv.

To the best knowledge of the Company, the accountant or its partner is not a stakeholder or a family member of a stakeholder or of a senior officer in the group.

Regulation 29: Recommendations and resolutions of the Directors and resolutions of the General Assembly

The recommendations of the Directors to the General Assembly and the resolutions of the Board of Directors that do not require the Assembly's approval [in matters listed under Regulation 29 (a)]

None.

Without limiting the foregoing:

- On March 23rd 2014 the Company's Board of Directors approved the renewal of the Company officers' liability insurance policy for a period of one more year until May 19th 2015, under the terms of the framework transaction duly approved by the shareholders' assembly; On December 2014 the Company's Board of Directors approved, subject to the approval of the General Assembly, the granting of insurance arrangements, Letter of Indemnity and Letter of Exemption for two new directors;[8]

Resolutions of the General Assembly adopted not in accordance with the recommendations of the Directors [in matters listed under Regulation 29(a)] – None.

Resolutions of a Special General Assembly [pursuant to Regulation 29(c)]

- On January 23rd 2014, the General Assembly approved the granting of insurance, Letter of Indemnity and Letter of Exemption to a new director.[9]
- On March 17th 2014, the General Assembly resolved, *inter alia*, to approve the appointment of an external Director to the Company and the terms of her service (including compensation for external directors, insurance, a Letter of

[8] For additional details see the Company's immediate report dated January 12th 2015 [reference no. 2015-01-010195], included herein by way of reference.

[9] For additional details see the Company's immediate report dated January 23rd 2015 [reference no. 2015-01-023434], included herein by way of reference.

Indemnity and Letter of Exemption), and granting insurance arrangements, Letter of Indemnity and Letter of Exemption.[10]

- On October 29th 2014, the General Assembly resolved, *inter alia*, to approve the appointment of an external Director to the Company currently in office (under the same terms of service), and the entering into a framework agreement with an insurance company, from time to time, as well as the terms of service of the Chairman of the Board of Directors.[11]
- On February 19th 2015, the General Assembly resolved, *inter alia*, to approve the appointment of two Independent Directors to the Company and the terms of their service (including the granting of insurance, a Letter of Indemnity and Letter of Exemption), and exemption and updating of the terms of the framework agreement and the extension of the date of vesting of the options of a director currently in office.[12]

Regulation 29a: Company Resolutions

Approval of acts pursuant to section 255 of the Companies Law [under Regulation 29a(1)]

None.

Acts pursuant to section 254 (a) of the Companies Law which have not been approved [under Regulation 29a(2)]

None.

Transactions requiring special approval under section 270(1) of the Companies Law, provided this is an extraordinary transaction as defined in the Companies Law [under Regulation 29a(3)]

On March 19th 2015, the Audit Committee, and on March 22nd the Company Board approved, respectively, the Company's undertaking and its involvement in a European project (the Euro-nanomed Project), which deals in essence in developing tissues using nanotechnology, the Company's collagen and stem cell technology (the "**International Project**") including entering into a number of agreements related to the project with the Hebrew University and with Yissum Research and Development Company of the Hebrew University of Jerusalem Ltd. and under which the laboratory

[10] For additional details, see the Company's immediate report dated March 17th 2014 [reference no. 2014-01-016347],included herein by way of reference.

[11] For additional details, see the Company's immediate report dated October 29th 2014 [reference no. 2014-01-183990],included herein by way of reference.

[12] For additional details, see the Company's immediate report dated January 12th 2015 [reference no. 2015-01-010195] and February 19th 2015 [reference no. 2015-01-035302], included herein by way of reference.

of Prof. Oded Shoseyov shall operate, who serves at this time as director and Chief Scientist of the Company. As part of the agreement the Company shall sign a participation agreement in the project, and enter with Yissum (and the laboratory of Prof. Shoseyov) into confidentiality agreements and agreements for the transfer of materials, which guarantee the proprietary rights of the Company in the materials it shall transfer and protect its intellectual property rights in the products that will be developed within the framework of the International Project. The Audit Committee approved the contract in question, after stating that said contract is an "extraordinary transaction" within the meaning of this term under the Companies Law, and stated that in view of all the circumstances and the provisions of the agreement, such contract is reasonable and to the benefit of the Company.

Exemption, indemnification or indemnification undertaking towards officers as defined in the Companies Law, in effect on the date of the report [pursuant to Regulation 29a(4)]

As of the date of the periodic report, all the directors and officers in the Company are entitled to the Letter of Exemption, Letter of Indemnity and are included under the Company's insurance policy for officers' liability.[13] The resolution of the Assembly to approve the Company's aforementioned engagement in an insurance contract was approved as a "framework transaction", as defined in the Companies Regulations (Relief in Transactions with Interested Parties), 5760 – 2000), that would allow the purchase of liability insurance for a five year insurance period, under the conditions specified. The effect of the directors' and officers' liability insurance policy was approved under the terms of the framework transaction (for a fifth insurance period) and is in effect until May 19th 2015.[14] For further details, see Regulation 22 above.

Sincerely,
CollPlant Holdings Ltd.

Date: March 22nd 2015
Signatories on this report and their position:
Yaron Yaniv, Chairman of the Board
Yechiel Tal

[13] For details on the Letter of Exemption, Letter of Indemnity and insurance policy in effect on the date of the report, as approved under the merger transaction with CollPlant, see the Company's transaction report dated February 11th 2010 [reference no. 2010-01-381033], and the amending transaction reports dated March 11th 2010 [reference no. 2010-01-411990] and March 14th 2010 [reference no. 2010-01-413172]).

[14] For details on the approval of the maximum limits in the insurance policy for an additional period, under the terms of said framework transaction, see the Company's immediate report dated January 22nd 2015 [reference no. 2015-01-010195], included herein by way of reference.

Convenience Translation

CollPlant Holdings Ltd.

Chapter E – Managers' Declaration

Managers' Declarations:

(a) Declaration of the CEO in accordance with Regulation 9b (d) (1):

Managers' Declaration

Declaration of the CEO

I, Yehiel Tal, hereby certify that:

(1) I have reviewed the periodic report of CollPlant Holdings Ltd. (hereinafter – the Corporation) for 2014 (hereinafter – the statements);

(2) To my knowledge, the statements do not contain any untrue statement of a material fact nor do they 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 the statements;

(3) To my knowledge, the financial statements and other financial information included in the statement fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation as of, and for, the periods presented in the statements;

(4) I have disclosed to the Corporation's auditors, to the Company's Board of Directors and to the Audit Committee of the Corporation's Board of Directors (who also serves as the Committee for the review of the financial statements), any fraud, whether material or immaterial, involving the CEO or his direct subordinates or involving other employees who have a significant role in the financial reporting, the disclosure and their supervision.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Date March 22rd 2015 Yehiel Tal, CEO

(b) Declaration of the most senior officer in the field of finance area in accordance with Regulation 9b (d) (2):

Declaration

Declaration of the most senior officer in the field of finance

I, Eran Rotem, hereby certify that:

(1) I have reviewed the financial statements and other financial information included in the statements of CollPlant Holdings Ltd. (hereinafter – the Corporation) for 2014 (hereinafter – the statements);

(2) To my knowledge, the financial statements and other financial information do not contain any untrue statement of a material fact nor do they 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 the statements;

(3) To my knowledge, the financial statements and other financial information included in the statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation as of, and for, the periods presented in the statements;

(4) I have disclosed to the Corporation's auditors, to the Company's Board of Directors and to the Audit Committee of the Corporation's Board of Directors (who also serves as the Committee for the review of the financial statements), any fraud, whether material or immaterial, involving the CEO or his direct subordinates or involving other employees who have a significant role in the financial reporting, the disclosure and their supervision.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of anyone else, pursuant to any law.

Date March 22rd 2015 Eran Rotem, CFO