Protalix BioTherapeutics, Inc.
Form 424B5
October 25, 2007

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Registration No. 333-144801
Registration No. 333-146919

PROSPECTUS SUPPLEMENT

(To Prospectus dated September 26, 2007

)

10,000,000 Shares

Common Stock

We are offering 10,000,000 shares of common stock.

Our common stock is traded on the American Stock Exchange, or the AMEX, under the symbol ‘‘PLX.’’ On October 2

Investing in our common stock involves a high degree of risk. You should read and consider carefully the risk factors

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of

	Per Share	Total
Public offering price	$ 5.00	$ 50,000,000
Underwriting discounts and commissions	$ 0.35	$ 3,500,000
Proceeds, before expenses, to us	$ 4.65	

$
46,500,000

The underwriters may also purchase up to an additional 1,500,000 shares of common stock from us at the public offeri

The underwriters are offering the shares of common stock as set forth under ‘‘Underwriting.’’ Delivery of the shares o

Sole Book-Running Manager

UBS Investment Bank

CIBC World Markets

The date of this Prospectus Supplement is October 25, 2007.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. W

We obtained most of the statistical data, market data and other industry data and forecasts used throughout this prospec

TABLE OF CONTENTS

This prospectus supplement and the accompanying prospectus contain our trademarks and trademarks of our affiliates,

Forward-looking statements

The statements set forth and incorporated by reference in this prospectus supplement and the accompanying prospectus

Examples of the risks and uncertainties include, but are not limited to, the following:

the inherent risks and uncertainties in developing drug platforms and products of the type we are developing;

delays in our preparation and filing of applications for regulatory approval;

delays in the approval or potential rejection of any applications we file with the United States Food and Drug Administ

any lack of progress of our research and development (including the results of clinical trials we are conducting);

obtaining on a timely basis sufficient patient enrollment in our clinical trials;

the impact of development of competing therapies and/or technologies by other companies;

our ability to obtain additional financing required to fund our research programs;

the risk that we will not be able to develop a successful sales and marketing organization in a timely manner, if at all;

our ability to establish and maintain strategic license, collaboration and distribution arrangements and to manage our re

potential product liability risks and risks of securing adequate levels of product liability and clinical trial insurance cov

the availability of reimbursement to patients from health care payors for procedures in which our products are used;

the possibility of infringing a third party’s patents or other intellectual property rights;

the uncertainty of obtaining patents covering our products and processes and successfully enforcing them against third

the possible disruption of our operations due to terrorist activities and armed conflict, including as a result of the disrup

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Forward-looking statements

In addition, companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanc

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Prospectus summary

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospe

Our Business

We are a biopharmaceutical company focused on the development and commercialization of recombinant therapeutic p

Our Lead Product Candidate, prGCD

Our lead product development candidate is prGCD for the treatment of Gaucher disease, which we are developing usin

Other Drug Candidates in Our Pipeline

In addition to prGCD, we are developing an innovative product pipeline using our ProCellEx protein expression systen

product candidates are based on well-understood proteins with known biological mechanisms of action, we believe we

ProCellEx: Our Proprietary Protein Expression System

Our ProCellEx protein expression system consists of a comprehensive set of technologies and capabilities for the devel

Our ProCellEx protein expression system is built on flexible custom-designed bioreactors made of polyethylene and op

We have successfully demonstrated the feasibility of our ProCellEx system by expressing, on an exploratory, research

Competitive Advantages of Our ProCellEx Protein Expression System

We believe that our ProCellEx protein expression system, including our advanced genetic engineering technology and

Ability to penetrate certain patent-protected markets.

Significantly lower capital and production costs.

More effective and potent end product relative to mammalian based systems.

Elimination of the risk of viral transmission or infection by mammalian components.

Broad range of expression capabilities.

Strategic Collaborations

In addition to the product candidates that we are developing internally, we have entered into agreements for additional

Our Strategy

Our goal is to become a leading fully integrated biopharmaceutical company focused on the development and commerc

Obtain regulatory approval for prGCD for the treatment of Gaucher disease.

Develop a pipeline of innovative recombinant therapeutic proteins.

Build a targeted sales and marketing infrastructure.

Establish development and commercialization alliances with corporate partners.

Acquire or in-license new technologies, products or companies.

Leverage strength and experience of our management team and board of directors.

Recent Developments

On October 24, 2007, the AMEX halted trading in our common stock as a result of unauthorized, Israeli press reports r

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The offering

Common stock we are offering

10,000,000 shares

Common stock outstanding immediately following this offering

75,685,318 shares

AMEX symbol

PLX

Use of proceeds

The net proceeds from the securities sold by us will be added to our general corporate funds and may be used for resea

Risk factors

See ‘‘Risk factors’’ beginning on page S-5 of this prospectus supplement for a discussion of factors you should careful

The number of shares of our common stock to be outstanding after this offering is based on the number of shares outsta

5,534,892 shares of common stock available for issuance under our employee stock incentive plan as of September 15,

6,341,618 shares of common stock issuable upon the exercise of outstanding options and warrants as of September 15,

Unless otherwise stated, all information contained in this prospectus supplement assumes that the underwriters do not e

You should rely only on the information incorporated by reference or provided in this prospectus supplement and the a

Risk factors

Investment in our securities involves a high degree of risk. Our business, financial condition or results of operations co

Risks Related to Our Business

We currently have no product revenues and will need to raise additional capital to operate our business, which may not

To date, we have generated no revenues from product sales and only minimal revenues from research and development

We are not currently profitable and may never become profitable which would have a material adverse effect on our bu

We expect to incur substantial losses for the foreseeable future and may never become profitable. We also expect to co

continue to undertake preclinical development and clinical trials for our current and new drug candidates;

seek regulatory approvals for our drug candidates;

implement additional internal systems and infrastructure;

seek to license-in additional technologies to develop; and

hire additional personnel.

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Risk factors

We also expect to continue to experience negative cash flow for the foreseeable future as we fund our operating losses

We have a limited operating history which may limit the ability of investors to make an informed investment decision.

We are a clinical stage biopharmaceutical company. To date, we have not commercialized any of our drug candidates o

continuing to undertake preclinical development and clinical trials;

participating in regulatory approval processes;

formulating and manufacturing products; and

conducting sales and marketing activities.

Our operations have been limited to organizing and staffing our company, acquiring, developing and securing our prop

Our ProCellEx protein expression system is based on our proprietary plant cell-based expression technology which has

Our ProCellEx protein expression system is based on our proprietary plant cell-based expression technology. Our busi

We currently depend heavily on the success of prGCD, our lead product candidate which is in clinical development. A

We have invested a significant portion of our efforts and financial resources in the development of prGCD. Our ability

successful completion of our clinical trials for prGCD;

obtaining marketing approvals from the FDA and other foreign regulatory authorities;

Risk factors

maintaining the cGMP compliance of our manufacturing facility or establishing manufacturing arrangements with thir

the successful audit of our facilities by the FDA and other foreign regulatory authorities;

a continued acceptable safety and efficacy profile of our product candidates following approval; and

other risks described in these Risk Factors.

Any failure to commercialize prGCD or the experience of significant delays in doing so will have a material adverse ef

All of our product candidates other than prGCD are in research stages. If we are unable to develop and commercialize

A key element of our strategy is to develop and commercialize a portfolio of new products in addition to prGCD. We a

the research methodology used may not be successful in identifying potential product candidates;

competitors may develop alternatives that render our product candidates obsolete;

a product candidate may on further study be shown to have harmful side effects or other characteristics that indicate it

a product candidate is not capable of being produced in commercial quantities at an acceptable cost, or at all; or

a product candidate may not be accepted by patients, the medical community or third-party payors.

We may not obtain the necessary U.S. or worldwide regulatory approvals to commercialize our drug candidates in a tir

We will need FDA approval to commercialize our drug candidates in the United States and approvals from foreign reg

The approval process for any drug candidate may also be delayed by changes in government regulation, future legislati

delay commercialization of, and our ability to derive product revenues from, such drug candidate;

require us to perform costly procedures with respect to such drug candidate; or

otherwise diminish any competitive advantages that we may have with respect to such drug candidate.

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Risk factors

Even if we comply with all FDA requests, the FDA may ultimately reject one or more of the NDAs we file in the futur

In foreign jurisdictions, we must receive approval from the appropriate regulatory authorities before we can commercia

Clinical trials are very expensive, time-consuming and difficult to design and implement and may result in unforeseen

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigor

unforeseen safety issues;

determination of dosing issues;

lack of effectiveness during clinical trials;

slower than expected rates of patient recruitment;

inability to monitor patients adequately during or after treatment;

inability or unwillingness of medical investigators and institutional review boards to follow our clinical protocols; and

lack of sufficient funding to finance the clinical trials.

Any failure or delay in commencement or completion of any clinical trials may have a material adverse effect on our b

If the results of our clinical trials do not support our claims relating to any drug candidate or if serious side effects are i

The results of our clinical trials with respect to any drug candidate might not support our claims of safety or efficacy, th

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Risk factors

abandon a drug candidate and may delay development of other drug candidates. Any delay in, or termination of, our cl

We may find it difficult to enroll patients in our clinical trials, which could cause significant delays in the completion o

Each of the diseases or disorders that our product candidates are intended to treat is relatively rare and we expect only a

If physicians, patients, third party payors and others in the medical community do not accept and use our drugs, our abi

Even if the FDA or other foreign regulatory authorities approve any of our drug candidates for commercialization, phys

perceptions by physicians, patients, third party payors and others in the medical community, about the safety and effect

the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;

the prevalence and severity of any side effects, including any limitations or warnings contained in our product's approv

pharmacological benefit of our products relative to competing products and products under development;

the efficacy and potential advantages relative to competing products and products under development;

relative convenience and ease of administration;

effectiveness of education, marketing and distribution efforts by us and our licensees and distributors, if any;

publicity concerning our products or competing products and treatments;

reimbursement of our products by third party payors; and

the price for our products and competing products.

Because we expect sales of our current drug candidates, if approved, to generate substantially all of our product revenu

Risk factors

Because our clinical trials depend upon third-party researchers, the results of our clinical trials and such research activi

We depend upon independent investigators and collaborators, such as universities and medical institutions, to conduct

Our strategy, in many cases, is to enter into collaboration agreements with third parties to leverage our ProCellEx syste

Our strategy, in many cases, is to enter into collaboration arrangements with pharmaceutical companies to leverage our

The manufacture of our products is an exacting and complex process, and if we or one of our materials suppliers encou

The FDA and foreign regulators require manufacturers to register manufacturing facilities. The FDA and foreign regula

Risk factors

We rely on third parties for final processing of our prGCD candidate, which exposes us to a number of risks that may d

We have no experience in the final filling and freeze drying steps of the drug manufacturing process. We have entered

We have no experience selling, marketing or distributing products and no internal capability to do so.

We currently have no sales, marketing or distribution capabilities and no experience in building a sales force and distri

our inability to recruit and retain adequate numbers of effective sales and marketing personnel;

the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe our product

the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage r

unforeseen costs and expenses associated with creating and sustaining an independent sales and marketing organizatio

We may not be successful in recruiting the sales and marketing personnel necessary to sell our products and even if we

If the market opportunities for our current product candidates are smaller than we believe they are, then our revenues m

The focus of our current clinical pipeline is on relatively rare disorders with small patient populations, in particular Ga

Risk factors

We may enter into distribution arrangements and marketing alliances for certain products and any failure to successfull

While we intend to build a sales force to market prGCD and other product candidates, we do not anticipate having the

we may be required to relinquish important rights to our products or product candidates;

we may not be able to control the amount and timing of resources that our distributors or collaborators may devote to t

our distributors or collaborators may experience financial difficulties;

our distributors or collaborators may not devote sufficient time to the marketing and sales of our products; and

business combinations or significant changes in a collaborator's business strategy may adversely affect a collaborator's

We may need to enter into additional co-promotion arrangements with third parties where our own sales force is neithe

Developments by competitors may render our products or technologies obsolete or non-competitive which would have

We compete against fully integrated pharmaceutical companies and smaller companies that are collaborating with large

We specifically face competition from companies with approved treatments of Gaucher disease, including Genzyme C

We also face competition from companies that are developing other platforms for the expression of recombinant therap

Risk factors

and produce therapeutic proteins in anticipation of the expiration of certain patent claims covering marketed proteins.

Several biogeneric companies are pursuing the opportunity to develop and commercialize follow-on versions of other c

Most of our competitors, either alone or together with their collaborative partners, operate larger research and developm

developing drugs;

undertaking preclinical testing and human clinical trials;

obtaining FDA and other regulatory approvals of drugs;

formulating and manufacturing drugs; and

launching, marketing and selling drugs.

These organizations also compete with us to attract qualified personnel, acquisitions and joint ventures candidates and

If we fail to adequately protect or enforce our intellectual property rights or secure rights to third party patents, the valu

As of June 30, 2007, we had 44 pending patent applications and four joint pending patent applications, and held license

Our competitive position and future revenues will depend in part on our ability and the ability of our licensors and colla

the degree and range of protection any patents will afford us against competitors and those who infringe upon our paten

if and when patents will issue;

whether or not others will obtain patents claiming aspects similar to those covered by our licensed patents and patent ap

whether we will need to initiate litigation or administrative proceedings, which may be costly, and whether we win or l

Risk factors

We hold, or have license rights to, eight patents. If patent rights covering our products are not sufficiently broad, they m

Furthermore, the life of our patents is limited. The patents we hold relating to our ProCellEx protein expression system

We rely on confidentiality agreements that could be breached and may be difficult to enforce which could have a mater

Our policy is to enter agreements relating to the non-disclosure of confidential information with third parties, including

these agreements may be breached;

these agreements may not provide adequate remedies for the applicable type of breach; or

our trade secrets or proprietary know-how will otherwise become known.

Any breach of our confidentiality agreements or our failure to effectively enforce such agreements would have a mater

If we infringe the rights of third parties we could be prevented from selling products, forced to pay damages and requir

We have not received to date any claims of infringement by any third parties. However, as our drug candidates progres

obtain licenses, which may not be available on commercially reasonable terms, if at all;

redesign our products or processes to avoid infringement;

stop using the subject matter claimed in the patents held by others, which could cause us to lose the use of one or more

defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a s

pay damages.

Any costs incurred in connection with such events or the inability to sell our products may have a material adverse effe

If we cannot meet requirements under our license agreements, we could lose the rights to our products, which could ha

We depend on licensing agreements with third parties to maintain the intellectual property rights to certain of our produ

In addition, we are responsible for the cost of filing and prosecuting certain patent applications and maintaining certain

If we in-license drug candidates, we may delay or otherwise adversely affect the development of our existing drug cand

In addition to our own internally developed drug candidates, we proactively seek opportunities to in-license and advanc

If we are unable to successfully manage our growth, there could be a material adverse impact on our business, results o

We have grown rapidly and expect to continue to grow. We expect to hire more employees, particularly in the areas of

If we acquire companies, products or technologies, we may face integration risks and costs associated with those acqui

If we are presented with appropriate opportunities, we may acquire or make investments in complementary companies,

Risk factors

charges if future acquisitions are not as successful as we originally anticipate. In addition, our operating results may su

We depend upon key employees and consultants in a competitive market for skilled personnel. If we are unable to attra

We are highly dependent upon the principal members of our management team, especially our President and Chief Exe

We also depend in part on the continued service of our key scientific personnel and our ability to identify, hire and reta

Our collaborations with outside scientists and consultants may be subject to restriction and change.

We work with chemists, biologists and other scientists at academic and other institutions, and consultants who assist us

Under current U.S. and Israeli law, we may not be able to enforce employees' covenants not to compete and therefore

We have entered into non-competition agreements with all of our employees. These agreements prohibit our employee

Risk factors

of our employees and it may be difficult for us to restrict our competitors from gaining the expertise our former emplo

If product liability claims are brought against us, it may result in reduced demands for our products or damages that ex

The clinical testing, marketing and use of our products exposes us to product liability claims in the event that the use o

Reimbursement may not be available for our product candidates, which could diminish our sales or affect our ability to

Market acceptance and sales of our product candidates will depend on worldwide reimbursement policies. Government

Reforms in the healthcare industry and the uncertainty associated with pharmaceutical pricing, reimbursement and rela

Increasing expenditures for healthcare have been the subject of considerable public attention in the United States. Both

Risk factors

products. For example, the Medicare Prescription Drug Improvement, and Modernization Act of 2003 and the propose

Governments outside the United States tend to impose strict price controls and reimbursement approval policies, which

In some countries, particularly European Union countries, the pricing of prescription pharmaceuticals is subject to gove

Risks Relating to Our Operations in Israel

Potential political, economic and military instability in the State of Israel, where the majority of our senior managemen

Our executive office and operations are located in the State of Israel. Accordingly, political, economic and military con

Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there have been

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Risk factors

are in range of rockets that were fired from Lebanon into Israel during the war and suffered minimal damages during c

Our operations may be disrupted by the obligations of our personnel to perform military service which could have a ma

Many of our male employees in Israel, including members of senior management, are obligated to perform up to one m

Because a certain portion of our expenses is incurred in New Israeli Shekels, or NIS, our results of operations may be s

We report our financial statements in U.S. dollars, our functional currency, but we pay a meaningful portion of our exp

The tax benefits available to us require that we meet several conditions and may be terminated or reduced in the future,

We are able to take advantage of tax exemptions and reductions resulting from the ‘‘Approved Enterprise’’ status of ou

The Israeli government grants we have received for certain research and development expenditures restrict our ability t

Our research and development efforts have been financed, in part, through grants that we have received from the Office

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Risk factors

Under the Research Law, the discretionary approval of an OCS committee is required for any transfer of technology de

we may be required to pay the OCS a portion of the consideration we receive upon any sale of such technology to an en

the transfer of manufacturing rights could be conditioned upon an increase in the royalty rate and payment of increased

These restrictions may impair our ability to sell our technology assets or to outsource manufacturing outside of Israel. W

Investors may have difficulties enforcing a U.S. judgment, including judgments based upon the civil liability provision

Most of our directors and officers are not residents of the United States and most of their assets and our assets are locat

Israeli courts might not enforce judgments rendered outside Israel which may make it difficult to collect on judgments

the judgment was rendered by a court which was, according to the laws of the state of the court, competent to render th

the judgment may no longer be appealed;

the obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments

the judgment is executory in the state in which it was given.

Even if these conditions are satisfied, an Israeli court will not enforce a foreign judgment if it was given in a state whos

the judgment was obtained by fraud;

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Risk factors

there is a finding of lack of due process;

the judgment was rendered by a court not competent to render it according to the laws of private international law in Is

the judgment is at variance with another judgment that was given in the same matter between the same parties and that

at the time the action was brought in the foreign court, a suit in the same matter and between the same parties was pend

Risks Related to Investing in Our Common Stock

The market price of our common stock may fluctuate significantly.

The market price of our common stock may fluctuate significantly in response to numerous factors, some of which are

the announcement of new products or product enhancements by us or our competitors;

developments concerning intellectual property rights and regulatory approvals;

variations in our and our competitors' results of operations;

changes in earnings estimates or recommendations by securities analysts, if our common stock is covered by analysts;

developments in the biotechnology industry; and

general market conditions and other factors, including factors unrelated to our operating performance.

Further, the stock market in general, and the market for biotechnology companies in particular, has recently experience

Future sales of our common stock could reduce our stock price.

Sales by shareholders of substantial amounts of our shares, the issuance of new shares by us or the perception that thes

All liabilities of our company have survived the merger and there may be undisclosed liabilities that could harm our re

Protalix Ltd. and its counsel conducted due diligence on us that was customary and appropriate for the reverse merger t

Risk factors

revealed all our material liabilities then existing or that could be asserted in the future against us relating to our activiti

Trading of our common stock is limited.

Our common stock began trading on the American Stock Exchange in March 2007. To date, the liquidity of our comm

In connection with the merger, substantially all of the former shareholders of Protalix Ltd. entered into lock-up agreem

In the absence of an active public trading market, an investor may be unable to liquidate its investment in our common

Directors, executive officers, principal shareholders and affiliated entities own a significant percentage of our capital st

Our directors, executive officers, principal shareholders and affiliated entities beneficially own, in the aggregate, appro

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act c

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we

Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our in

financial reporting systems are compliant with Section 404, and we may identify deficiencies that we may not be able

If it is determined that we are not in compliance with Section 404, we may be required to implement new internal contr

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses,

There have been other changing laws, regulations and standards relating to corporate governance and public disclosure

We are a holding company with no operations of our own.

We are a holding company with no operations of our own. Accordingly, our ability to conduct our operations, service a

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Use of proceeds

Based on the public offering price of $5.00 per share, we estimate that we will receive total net proceeds from this offe

We will retain broad discretion over the use of the net proceeds of the securities offered by us hereby. The net proceeds

Determination of offering price

There is a material disparity between the offering price of the shares of our common stock being offered under this pro

The public offering price was determined by negotiation by us and the representative of the underwriters. The principal

the recent market prices of, and demand for, publicly traded common stock of generally comparable companies;

the information set forth or incorporated by reference in this prospectus supplement and otherwise available to the repr

our prospects for future earnings and the present state of our development;

the current status of products and product developments by our competitors;

our history and prospects, and the history and prospects of the industry in which we compete;

our past and present financial performance and an assessment of our management;

the current market price of our common stock on the American Stock Exchange;

the general condition of the securities markets at the time of this offering;

the current status of the security situation in Israel; and

other factors deemed relevant by the underwriters and us.

Selected financial data

The selected consolidated financial data below should be read in conjunction with ‘‘Management’s Discussion and Ana

Selected financial data

	Year ended December 31,					Six months ended June 30,	Period from Dec. 27, 1993 through June 30, 2007
	2002	2003	2004	2005	2006		

2006

2007

(in thousands, except share and per share amounts)

(Unaudited)

Consolidated Statement of Operations Data:

Revenues	
—	
$ 250	
$ 430	
$ 150	
—	

—

—

$
830

Cost of revenues

—

51

120

35

—

—

—

206

Gross profit

—

199

310

115

—

—

—

624

Research and development expenses, net

$
375

239

1,920

3,773

$
5,246

$
1,789

$
4,626

17,171

General and administrative expenses

502

603

807

2,131

4,525

1,710

8,490

17,486

Finance expense (income)

(11
)

3

4

(43
)

(344
)

(35
)

(506
)

(874
)

Other income

–

–

–

–

–

–

(6
)

(6
)

Net loss before change in accounting principle		$ 866		$ 646		$ 2,421		$ 5,746		$ 9,427		$ 3,464		$ 12,604

$
33,153

Cumulative effect of change in accounting principle

—

—

(37
)

(37
)

(37
)

Net loss

$
866

$
646

$
2,421

$
5,746

$
9,390

$ 3,427			
		$ 12,604	
			$ 33,116

Net loss per share of common stock, basic and diluted:

Prior to cumulative effect of change in accounting principle	$ 0.05	$ 0.03	$ 0.13	$ 0.31	$ 0.32

$
0.18

$
0.19

Cumulative effect of change in accounting principle

—

—

—

—

*

*

Net loss per share of common stock, basic and diluted(1)	$ 0.05	$ 0.03	$ 0.13	$ 0.31

$
0.32

$
0.18

$
0.19

Weighted average number of shares of common stock used in computing net loss per share of common

18,801,527

18,801,527

18,801,527

18,801,527

29,300,987

18,801,527

65,032,809

Consolidated Balance Sheet Data:

Cash and cash equivalents	$ 215	$ 1,261
		$ 1,477

$
4,741

$
15,378

$
2,003

$
22,489

Other assets

281

464

2,478

2,484

11,610

3,381

5,871

Total assets

496

1,725

3,955

7,225

26,988

5,384

28,360

Current liabilities

343

290

1,246

845

2,268

979

2,699

Liabilities

390

1,431

2,480

1,130

2,704

1,339

3,262

Shareholders’ equity

106

294

1,475

6,095

24,284

4,045

25,098

*
Represents less than $1.

(1)
Reflects the retroactive effects of the impact of our merger with Protalix Ltd. and the resulting exchange of shares of co

(2)
In connection with the merger, we effected a one-for-ten reverse stock split, therefore all share numbers presented in th

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Management’s discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our financial condition and results of operations together with

Overview

We are a biopharmaceutical company focused on the development and commercialization of recombinant therapeutic p

Our lead product development candidate is prGCD for the treatment of Gaucher disease, which we are developing usin

In addition to prGCD, we are developing an innovative product pipeline using our ProCellEx protein expression systen

Our business is conducted by our wholly owned subsidiary, Protalix Ltd., which we acquired through a reverse merger

recapitalization and as such the results of operations discussed below are those of Protalix Ltd. Prior to the merger tran

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to each of our consolidated financial statements

The discussion and analysis of our financial condition and results of operations is based on our financial statements, wh

Functional CurRency

The currency of the primary economic environment in which our operations are conducted is the dollar. As a developm

Research and Development Expense

We expect our research and development expense to increase as we continue to develop our product candidates. Resear

internal costs associated with research and development activities;

payments made to third party contract research organizations, contract manufacturers, investigative sites and consultan

manufacturing development costs;

personnel-related expenses, including salaries, benefits, travel, and related costs for the personnel involved in research

activities relating to the advancement of product candidates through preclinical studies and clinical trials; and

facilities and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilitie

Management’s discussion and analysis of financial condition and results of operations

These costs and expenses are partially funded by grants we received from the Office of the Chief Scientist of the Israel

We have multiple research and development projects ongoing at any one time. We utilize our internal resources, emplo

General and Administrative Expense

General and administrative expense consists primarily of salaries and other related costs, including share-based compen

Financial Expense and Income

Financial Expense and Income consists of the following:

interest earned on our cash and cash equivalents;

interest expense on short term bank credit and loan; and

expense or income resulting from fluctuations of the New Israeli Shekel (NIS), in which a portion of our assets and liab

Share-Based Compensation

The discussion below regarding share-based compensation relates to share-based compensation paid by Protalix Ltd., c

Until December 31, 2005, we accounted for employee share-based compensation in accordance with Accounting Princ

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Management's discussion and analysis of financial condition and results of operations

We apply Emerging Issue Task Force (''EITF'') 96-18, ''Accounting for Equity Instruments That Are Issued to Other

As of January 1, 2006, we adopted SFAS No. 123 (Revised 2004), ''Share-Based Payment'' (''SFAS 123R''), using th

The following table illustrates the pro forma effect on loss and loss per share assuming we had applied the fair value re

	Year Ended December 31,		Period from December 27, 1993 through December 31, 2005
	2004	2005	
	(in thousands, except per share data)		
Net loss as reported	$ (2,421)	$ (5,746	

)

$
(11,122
)

Add: share based employee compensation expense included in the reported net loss

149

509

732

Deduct: share-based employee compensation expense determined under fair value method

(170
)

(539
)

(788
)

Pro forma net loss	$ (2,442)	$ (5,776)	$ (11,178)
Net loss per share of common stock:			
Basic – as reported			

	$	(0.13)
	$	(0.31)
Basic – pro forma		
	$	(0.13)
	$	(0.31)
Diluted – as reported		
	$	(0.13)

$
(0.31
)

Diluted – pro forma

$
(0.13
)

$
(0.31
)

The fair value of options granted to employees during 2005 was $939,000. No options were granted during 2004. The f

2005

2006

Dividend yield

0
%

0%

Expected volatility

54
%

44%

Risk-free interest rate

3.83
%

4.77%

Expected life - in years

5.7

5.9

Protalix Ltd. had multiple classes of stock before the conversion of all preferred shares into ordinary shares in Septemb

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Management’s discussion and analysis of financial condition and results of operations

Under the Probability-Weighted Expected Return Method, the value of the ordinary shares of Protalix Ltd. is estimated

The Probability-Weighted Expected Return Method analysis presents value afforded to shareholders under four possibl

expected pre-money value at the realization date;

standard deviation around the above pre-money value;

expected date of the realization scenario occurring;

standard deviation around the expected realization scenario occurrence date (in days); and

an appropriate risk-adjusted discount rate.

SFAS 123R allows companies to estimate the expected term of the option rather than simply using the contractual term

SAB 107 defines ‘‘plain vanilla share options’’ as those having the following characteristics:

share options are granted at the money;

exercisability is conditional only on performing service through the vesting date;

if an employee terminates service prior to vesting, the employee forfeits the share options;

if an employee terminates service after vesting, the employee has a limited period of time (typically 30-90 days) to exe

share options are nontransferable and nonhedgeable.

All of the outstanding options granted by Protalix Ltd. were granted at an exercise price that was lower than the then sh

In performing the valuation, we assumed an expected 0% dividend yield in the previous years and in the next years. W

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Management’s discussion and analysis of financial condition and results of operations

shares of similar companies. In addition, we examined the standard deviation of shares of similar biotechnology comp

The risk-free interest rate in the table above has been based on the implied yield of U.S. federal reserve zero- coupon g

Results of Operations

Six Months Ended June 30, 2007 Compared to the Six Months Ended June 30, 2006

Research and Development Expenses

Research and development expenses were $5.7 million for the six months ended June 30, 2007, an increase of $3.1 mil

We expect research and development expenses to continue to increase as we enter into a more advanced stage of clinic

General and Administrative Expenses

General and administrative expenses were $8.5 million for the six months ended June 30, 2007, an increase of $6.8 mil

Financial Expenses and Income

Financial income was $506,000 for the six months ended June 30, 2007, an increase of $471,000, compared to $35,000

Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Revenues

No revenues were recorded during the year ended December 31, 2006. Revenues were $150,000 for the year ended De

Research and Development Expenses

Research and development expenses were $7.0 million for the year ended December 31, 2006, an increase of $2.3 mill

We expect research and development expenses to continue to increase as we enter into a more advanced stage of clinic

General and Administrative Expenses

General and administrative expenses were $4.5 million for the year ended December 31, 2006, an increase of $2.4 mill

Financial Expenses and Income

Financial income was $344,000 for the year ended December 31, 2006, an increase of $301,000, compared to $43,000

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues

Revenues were $150,000 for the year ended December 31, 2005, a decrease of $280,000, or 65%, from $430,000 for th

Research and Development Expenses

Research and development expenses were $4.7 million for the year ended December 31, 2005, an increase of $2.2 mill

General and Administrative Expenses

General and administrative expenses were $2.1 million for the year ended December 31, 2005, an increase of $1.3 mill

Financial Expenses and Income

Financial income was $43,000 for the year ended December 31, 2005, compared to an expense of $4,000 for the year e

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Management’s discussion and analysis of financial condition and results of operations

Liquidity and Capital Resources

Sources of Liquidity

As a result of our significant research and development expenditures and the lack of any approved products to generate

The following table summarizes our past funding sources:

Security

Year

Number of Shares

Amount(1)

Ordinary Shares

1996-2000

18,801,527
(2)

$
1,100,000

Series A Convertible Preferred Shares

2001

11,635,090

$
2,000,000

Series B Convertible Preferred Shares(3)

2004-2005

7,175,621

$
4,500,000

Series C Convertible Preferred Shares(4)

2005

5,513,422

$
7,700,000

Ordinary Shares(5)

2006

10,637,686

$
16,000,000

(1)
Gross proceeds; does not include proceeds from warrant exercises.

(2)
Includes the issuance of ordinary shares to founders.

(3)
During 2005, 1,035,569 Series B Preferred Shares were converted on a 1:1 basis into Series C Preferred Shares for no a

(4)
In connection with such funding, warrants to purchase an additional 8,862,803 Series C Preferred Shares were granted

(5)
In connection with such funding, warrants to purchase 3,875,416 ordinary shares were issued for no additional conside

Cash Flows

Net cash used in operations was $4.9 million for the six months ended June 30, 2007. The net loss for the six months e

Net cash used in operations was $2.3 million for the six months ended June 30, 2006. The net loss for the three months

Net cash used in operations was $5.1 million for the year ended December 31, 2006. The net loss for 2006 of $9.4 mill

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Management’s discussion and analysis of financial condition and results of operations

Net cash used in operations was $3.2 million for the year ended December 31, 2005. The net loss for 2005 of $5.7 mill

Future Funding Requirements

We expect to incur losses from operations for the foreseeable future. We expect to incur increasing research and develo

We believe that our existing cash and cash equivalents and short-term investments will be sufficient to enable us to fun

Our future capital requirements will depend on many factors, including the progress and results of our clinical trials, th

We will need to finance our future cash needs through public or private equity offerings, debt financings, or corporate c

Effects of Inflation and Currency Fluctuations

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has

Currency fluctuations could affect us by increased or decreased costs mainly for goods and services acquired outside o

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of December 31, 2005 and 2006 or as of June 30, 2006 and 2007. See N

Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (the ‘‘FASB’’) issued FASB Interpretation (‘‘FIN’’) No. 48,

In September 2006, the FASB issued SFAS No. 157, ‘‘Fair Value Measurements’’ (‘‘SFAS 157’’). SFAS 157 defines

In September 2006, the SEC released SAB No. 108, ‘‘Considering the Effects of Prior Year Misstatements when Quan

On February 15, 2007, the FASB issued SFAS No. 159, ‘‘The Fair Value Option for Financial Assets and Financial Li

In June 2007, the Emerging Issues Task Force (‘‘EITF’’) issued EITF 07-3, ‘‘Accounting for Nonrefundable Advance

Management’s discussion and analysis of financial condition and results of operations

Contractual Obligations

The following table summarizes our significant contractual obligations at September 30, 2007:

Total

Less than 1 year				
1-3 years				
3-5 years				
More than 5 years				
Operating lease obligations	$ 696	$ 333	$ 362	$ 1
Purchase obligations	—			

$
3,511

$
3,511

—

—

—

Other long term liabilities reflected on the balance sheet under GAAP

$
629

—

—

—

$
629

Selected Quarterly Financial Data (unaudited)

Three Months Ended,

2005

2006

2007

March 31

June 30

Sept. 30

Dec. 31

March 31

June 30

Sept. 30

Dec. 31

March 31

June 30

Revenues

$
150

—

—

—

—

–

–

–

–

–

Cost of revenues

35

–

–

–

–

–

–

–

–

–

–

Gross profit

115

—

Net loss before change in accounting principle	$ 957	$ 1,092	$ 1,767	$ 1,930	$ 1,596
	$ 1,868	$ 2,499	$		

3,464

$
3,450

$
9,154

Cumulative effect of change in accounting principle

—

—

—

—

$
(37
)

—

—

—

Net loss for the period

$
957

$
1,092

$
1,767

$

1,930

$
1,559

$
1,868

$
2,499

$
3,464

$
3,450

$
9,154

Net loss per share of common stock, basic and diluted prior to cumulative effect of change in acc

$
0.05

$

0.06

$
0.09

$
0.10

$
0.08

$
0.10

$
0.12

$
0.06

$
0.05

$
0.14

Cumulative effect of change in accounting principle

—

—

—

—

—

—

—

—

—

—

—

—

Net loss per share of common stock

$
0.05

$
0.06

$
0.09

$
0.10

$
0.08

$
0.10

$
0.12

$
0.06

$
0.05

$
0.14

Business

We are a biopharmaceutical company focused on the development and commercialization of recombinant therapeutic p

Our lead product development candidate is prGCD for the treatment of Gaucher disease, which we are developing usin

In addition to prGCD, we are developing an innovative product pipeline using our ProCellEx protein expression systen

Our ProCellEx protein expression system consists of a comprehensive set of technologies and capabilities for the devel

technology, although there can be no assurance that any such patents will be granted. In some cases, we may be able to

Our ProCellEx protein expression system is built on flexible custom-designed bioreactors made of polyethylene and op

We have successfully demonstrated the feasibility of our ProCellEx system by expressing, on an exploratory, research

Our goal is to become a leading fully integrated biopharmaceutical company focused on the development and commerc

Industry Overview

Recombinant proteins have revolutionized the treatment of a variety of diseases and disorders. Recombinant proteins a

As a result, the market for pharmaceutical therapeutics has undergone a transformation as recombinant proteins and oth

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Business

Mammalian cell-based systems are the current industry standard for expression of recombinant therapeutic glycoprotei

Mammalian cell-based expression systems have become the dominant system for the expression of recombinant protei

Despite the utility and widespread use of mammalian cell-based systems, they have a number of disadvantages. CHO c

Several companies and research institutions have explored alternatives to mammalian cell-based production technologi

ProCellEx: Our Proprietary Protein Expression System

ProCellEx is our proprietary production system that we have developed based on our plant cell culture technology for t

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Business

flexible bioreactor system. Cell growth, from scale up through large-scale production, takes place in flexible, sterile, p

Our ProCellEx system is capable of producing proteins with an amino acid structure practically equivalent to that of th

Competitive Advantages of Our ProCellEx Protein Expression System

We believe that our ProCellEx protein expression system, including our advanced genetic engineering technology and

Ability to Penetrate Certain Patent-Protected Markets. We seek to develop recombinant proteins that we believe we

Significantly Lower Capital and Production Costs. Plant cells have a number of dynamic qualities that make them w

More Consistent and Potent End Product Relative to Mammalian Based Systems. Our ProCellEx protein expression

Business

mammalian cell-based systems, including the proteins for the treatment of Gaucher disease. Such post-expression mod

Elimination of the Risk of Viral Transmission or Infection by Mammalian Components. By nature, plant cells do no

Broad Range of Expression Capabilities. Unlike bacterial and yeast cell-based systems, which are unable to produce

Our Strategy

Our goal is to become a leading fully integrated biopharmaceutical company focused on the development and commerc

Obtain Regulatory Approval for prGCD for the Treatment of Gaucher Disease. We commenced enrollment and treat

Develop a Pipeline of Innovative Recombinant Therapeutic Proteins. We are leveraging our ProCellEx protein expre

Business

disease and therapeutic market segments, including treatments for Fabry disease and female infertility disorders. We b

Build a Targeted Sales and Marketing Infrastructure. We plan to establish our own, internal sales and marketing capa

Establish Development and Commercialization Alliances with Corporate Partners. We believe that our technology a

Acquire or In-License New Technologies, Products or Companies. We continuously seek attractive product candidat

Leverage Strength and Experience of Our Management Team and Board of Directors. Our management team has ex

Our Pipeline Drug Candidates

Our Lead Product Candidate, prGCD

prGCD, our lead proprietary product candidate, is a plant cell expressed recombinant Glucocerebrosidase enzyme (GC

Increased Glycan Efficacy and Consistency. We believe that our ProCellEx protein expression system produces reco

efficacy and consistency. This quality increases the effective consistency in potency and further increases the potential

Longer Half-Life. The data generated in preclinical and human clinical trials relating to the half-life of prGCD in the s

Cost-Effective. prGCD is potentially less expensive to produce as the manufacturing process does not require the lar

As such, we believe that prGCD's potential advantages may lead prGCD to become a highly efficacious and cost-effec

Gaucher Disease Background

Gaucher disease, a hereditary, genetic disorder with severe and debilitating symptoms, is the most prevalent lysosomal

Current Treatments for Gaucher Disease

The standard of care for Gaucher disease is enzyme replacement therapy using recombinant GCD to replace the mutate

The only other approved drug for the treatment of Gaucher disease is Zavesca (miglustat), marketed by Actelion Ltd. Z

Business

prGCD Development Program

We believe the clinical development path for prGCD will be similar to that followed by the existing enzyme replaceme

Laboratory Testing and Preclinical Studies of prGCD

We have conducted several in vitro tests and in vivo preclinical studies of prGCD. Our preclinical rodent and primate t

Our laboratory and preclinical data demonstrate that prGCD has the potential to be an efficacious enzyme replacement

an equivalent to superior level of enzymatic activity (see Figure 1);

enhanced uptake based on observed GlcCer substrate degradation (see Figure 2); and

a prolonged half-life (see Figure 3).

As shown in Figure 1, we compared the enzymatic activity of prGCD and Cerezyme using an in vitro assay where incr

Figure 1: prGCD and Cerezyme Enzymatic Activity

As shown in Figure 2, we compared the uptake of increasing amounts of Cerezyme and prGCD into the target cell, usi

Business

resulting enzymatic activity in the cells. We believe that the ability of the plant cells to directly generate the required t

Figure 2: prGCD and Cerezyme Cellular Uptake

Furthermore, the data generated in preclinical trials relating to pharmacokinetic parameters, specifically the half-life of

Figure 3: prGCD and Cerezyme Half-Life Data

prGCD	
Cerezyme	
Primates	
~13.0-20.0 minutes	
~ 6.8-8.0 minutes(1)	
Humans	
~10.5-14.5 minutes	
~3.6-10.4 minutes(2)	

(1)
Source: Cerezyme NDA — PharmTox review

(2)
Source: Cerezyme labeling approved by FDA for package insert

Prior to submitting an NDA, if at all, we intend to conduct further, standard preclinical studies of prGCD.

Phase I Clinical Trial

We completed a phase I clinical trial of prGCD in June 2006 which was performed under an FDA Investigational New

All doses administered to subjects in the phase I clinical trial, including the highest dose, which was the same dosage c

Figure 4: Adverse Events presented by: Dose Group, Severity and Relation to Study Treatment (Incidents; Subjects (%

Relation between Event to Drug

15 U/kg

30 U/kg

60 U/kg

Placebo

Events
Severity

Total

Unrelated to drug(1)

0;0
(0%)

0;0
(0%)

2;1
(17%)

0;0
(0%)

Moderate

2

Remotely related to drug(2)

4;2
(33%)

1;1
(17%)

2;1
(17%)

1;1
(17%)

Mild

8

Possibly related to drug(3)

0;0
(0%)

0;0
(0%)

0;0
(0%)

0;0
(0%)

0

Probably related to drug(4)

0;0
(0%)

0;0
(0%)

0;0
(0%)

0;0
(0%)

0

Related to drug(5)

0;0
(0%)

0;0
(0%)

0;0
(0%)

0;0
(0%)

0

(1)
The event is clearly related to other factors, such as a subject's clinical state, therapeutic interventions or concomitant m

(2)
The event was most likely produced by other factors, such as a subject's clinical state, therapeutic interventions or conc

(3)
The event has a reasonable temporal relationship to the study drug administration and follows a known response pattern

(4)
The event follows a reasonable temporal sequence from the time of drug administration, and follows a known response

(5)
The event follows a temporal sequence from the time of drug administration and follows a known response pattern to th

There were no serious adverse events and no subjects withdrew from the trial or discontinued treatment due to an adver

In addition, as illustrated in Figure 3 above, the half-life of prGCD was found to be significantly longer than that of Ce

Further, no neutralizing antibodies or adverse immunological responses were detected in any of the subjects treated in t

We believe the results of our biochemical, biological and preclinical studies and pharmacokinetic data from our phase I

Phase III Clinical Trial

After the conclusion of the phase I clinical trial and discussions with the FDA, we applied to commence a pivotal phase

Other Drug Candidates in Our Pipeline

We are developing other recombinant therapeutic proteins to be expressed by our ProCellEx protein expression system

additional therapeutic candidates for development by testing candidates in-house and through collaborations with acad

PRX-102

We are developing a proprietary alpha Galactosidase enzyme, currently titled PRX-102, which is a therapeutic enzyme

We are currently in the research phase of the development of PRX-102 and expect to initiate animal evaluation testing

PRX-111

We are developing two variants of Follicle Stimulating Hormone (FSH), a human fertility hormone targeted at the fem

Acetylcholinesterase

In August 2007, we entered into an agreement with the Yissum Research and Development Company, the technology t

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Business

received an exclusive, worldwide right and license to certain technology, including patents and certain patent applicati

Strategic Collaborations

Teva Pharmaceutical Industries

In September 2006, we entered into a Collaboration and Licensing Agreement with Teva for the development and man

Weizmann Institute of Science

In March 2006, we entered into a Research and License Agreement with the Yeda Research and Development Compan

Intellectual Property

We maintain a proactive intellectual property strategy which includes patent filings in multiple jurisdictions, including

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Business

Our competitive position and future success depend in part on our ability, and that of our licensees, to obtain and levera

Our patent portfolio consists of several patent families (consisting of patents and/or patent applications) covering our te

In April 2004, we entered into a Collaborative Research Agreement with Icon Genetics AG (which was subsequently a

Manufacturing

Our drug product candidates, including prGCD, must be manufactured in a sterile environment and in compliance with

manufacturing facilities that will satisfy our production needs for the foreseeable future. Although this will result in a s

Our current facility in Israel has been granted ‘‘Approved Enterprise’’ status, and we have elected to participate in the

Raw Materials and Suppliers

We believe that the raw materials that we require throughout the manufacturing process of our current and potential dru

Development and regulatory approval of our pharmaceutical products are dependent upon our ability to procure active

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and significant com

We specifically face competition from companies with approved treatments of Gaucher disease, including Genzyme ar

We also face competition from companies that are developing other platforms for the expression of recombinant therap

proteins. Competitors developing alternative expression technologies include Crucell N.V., Shire and GlycoFi, Inc. (w

Several biogeneric companies are pursuing the opportunity to develop and commercialize follow-on versions of other c

Key differentiating elements affecting the success of our product candidates are likely to be their potency and efficacy

Scientific Advisory Board

In the second quarter of 2007 we began to reorganize our scientific advisory board and appoint new members of such b

Name	Affiliation
Professor Ernest Beutler, M.D.	Chairman of the Department of Molecular and Experimental Medicine, The Scripps Research Institute American Academy of Arts and Sciences, Member The Institute of Medicine of the National Academies The National Academy of Sciences, Member American Society of Hematology, President (1978) Western Association of Physicians, President (1988)
Professor Aaron Ciechanover	Laureate of the Nobel Prize in Chemistry Distinguished research Professor at the Cancer and Vascular Biology Research Center of the Rappap
Professor Gad Galili, Ph.D.	Chairman of the Department of Plant Sciences, The Weizmann Institute of Science, Rehovot, Israel
Professor Ari Zimran, M.D.	Director of the Gaucher Clinic, Shaare Zedek Medical Center, Jerusalem, Israel, Associate Professor of Medicine, Hebrew University-Hadassah Medical School, Jerusalem, Israel

Government Regulation

The testing, manufacture, distribution, advertising and marketing of drug products are subject to extensive regulation b

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Business

The regulatory process, which includes overseeing preclinical studies and clinical trials of each pharmaceutical compou

The FDA review process can be lengthy and unpredictable, and we may encounter delays or rejections of our applicatio

Clinical trials are normally performed in three sequential phases and generally take two to five years, or longer, to com

After completion of clinical trials of a new drug product, FDA and foreign regulatory authority marketing approval mu

None of our products under development has been approved for marketing in the United States or elsewhere. We may n

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Business

financial condition and results of operations. See ‘‘Risk Factors — We may not obtain the necessary U.S. or worldwid

The United States federal government regulates healthcare through various agencies, including but not limited to the fo

Medicare is the federal healthcare program for those who are (i) over 65 years of age, (ii) disabled, (iii) suffering from

International Regulation

We are subject to regulations and product registration requirements in many foreign countries in which we may sell ou

Pharmaceutical products may not be imported into, or manufactured or marketed in, the State of Israel absent drug regi

The relevant legislation of the European Union requires that medicinal products, including generic versions of previous

Israeli Government Programs

The following is a summary of the current principal Israeli tax laws applicable to us and Protalix Ltd., and of the Israel

General Corporate Tax Structure in Israel

Generally, Israeli companies are subject to corporate tax at the rate of 31% on taxable income and are subject to real ca

Law for the Encouragement of Capital Investments, 1959

The Law for the Encouragement of Capital Investments, 1959, known as the Investment Law, provides certain incentiv

The Investment Law was significantly amended effective April 2005. Protalix Ltd. will continue to enjoy the tax benef

Under the Investment Law prior to its amendment, a company that wished to receive benefits had to receive approval f

An Approved Enterprise may elect to forego any entitlement to the grants otherwise available under the Investment La

A company that has an Approved Enterprise program is eligible for further tax benefits if it qualifies as a foreign inves

qualifies as a foreign investors' company and has an Approved Enterprise program is eligible for tax benefits for a 10-

If a company that has an Approved Enterprise program is a wholly owned subsidiary of another company, then the per

Percent of
Foreign Ownership

Rate of
Reduced Tax

0-49%

25%

49-74%

20%

74-90%

15%

90-100%

10%

Our facility in Israel has been granted ‘‘Approved Enterprise’’ status, and it has elected to participate in the alternative

A company that has elected to participate in the alternative benefits program and that subsequently pays a dividend out

The Investment Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property ar

The benefits available to an Approved Enterprise are conditioned upon terms stipulated in the Investment Law and regu

Pursuant to the March 2005 amendment to the Investment Law, the approval of the Investment Center is required only

The amended Investment Law specifies certain conditions for an Approved Enterprise to be entitled to benefits. These

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Business

the Approved Enterprise's revenues from any single country or a separate customs territory may not exceed 75% of the

at least 25% of the Approved Enterprise's revenues during the benefits period must be derived from sales into a single

There can be no assurance that Protalix Ltd. will comply with the above conditions in the future or that Protalix Ltd. w

From time to time, the Israeli Government has discussed reducing the benefits available to companies under the Investm

Encouragement of Industrial Research and Development Law, 1984

In the past, Protalix Ltd. received grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade

Under the Israeli Law for the Encouragement of Industrial Research and Development, 1984 and related regulations, th

Additionally, under the Research Law, Protalix Ltd. is prohibited from transferring the OCS financed technologies and

In March 2005, an amendment to the Research Law was enacted. One of the main modifications included in the amend

in the event of a sale of the know-how itself to a non affiliated third party, provided that upon such sale the owner of th

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Business

addition, the amendment provides that if the purchaser of the know-how gives the selling Israeli company the right to

in the event of a sale of the company which is the owner of know-how, pursuant to which the company ceases to be an

in the event of an exchange of know-how such that in exchange for the transfer of know-how outside of Israel, the recip

Another provision in the amendment concerns the transfer of manufacturing rights. The research committee may, in sp

The State of Israel does not own intellectual property rights in technology developed with OCS funding and there is no

Special Provisions Relating to Taxation under Inflationary Conditions

We are taxed in Israel under the Income Tax Law (Inflationary Adjustments), 1985, generally referred to as the Inflatio

Where a company's equity, as calculated under the Inflationary Adjustments Law, exceeds the depreciated cost of its fi

Where a company's depreciated cost of fixed assets exceeds its equity, the excess multiplied by the applicable annual r

Subject to specified limitations, depreciation deductions carryforwards on fixed assets and losses are adjusted for inflat

Under the Inflationary Adjustments Law, results for tax purposes are measured in real terms, in accordance with chang

Law for the Encouragement of Industry (Taxes), 1969

We believe that Protalix Ltd. currently qualifies as an ‘‘Industrial Company’’ within the meaning of the Law for the En

Business

The following corporate tax benefits, among others, are available to Industrial Companies:

amortization of the cost of purchased know-how and patents over an eight-year period for tax purposes;

accelerated depreciation rates on equipment and buildings;

under specified conditions, an election to file consolidated tax returns with other related Israeli Industrial Companies; a

expenses related to a public offering are deductible in equal amounts over three years.

Eligibility for the benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any g

Tax Benefits for Research and Development

Under specified conditions, Israeli tax laws allow a tax deduction by a company for research and development expendi

Tax Ruling and Lock-up Agreements Related to the Merger

In connection with the merger of Protalix Ltd. with our wholly-owned subsidiary, Protalix Acquisition Co. Ltd., which

Furthermore, under applicable tax law incorporated by reference into the tax ruling obtained by Protalix Ltd. from the I

We and Protalix Ltd. are entitled to issue up to 25% of our respective share capital to third parties or a higher number o

Notwithstanding the limitations described above, the following transactions shall not be subject to any limitation on the

According to the tax ruling, until the second anniversary of the closing of the merger, the operation of our company and

Most of Protalix Ltd.'s operations and activities shall be directed to research and development activities. The Encourag

Business

research and development activity to include certain expenses incurred by a company in connection with the transition

The consideration received and to be received in connection with the issuance of our shares or rights, or those of Protal

At least 75% of the research and development expenditures of Protalix Ltd. shall be made in Israel. However, the Israel

Employees

As of September 30, 2007, we had 89 employees, of whom 17 have a Ph.D. or M.D. in their respective scientific fields

Company Background

Our principal business address is 2 Snunit Street, Science Park, POB 455, Carmiel, Israel 20100, where our executive o

Our wholly-owned subsidiary and sole operating unit, Protalix Ltd., is an Israeli corporation and was originally incorpo

ProCellExtm is our trademark. Each of the other trademarks, trade names or service marks appearing in this prospectus

Available Information

Our corporate website is www.protalix.com. We make available on our website, free of charge, our Securities and Excl

Our website also includes printable versions of our Code of Business Conduct and Ethics and the charters for each of th

Protalix BioTherapeutics, Inc.
2 Snunit Street
Science Park
POB 455
Carmiel 20100, Israel
Attn: Mr. Yossi Maimon, Chief Financial Officer

Management

Our directors and executive officers, their ages and positions as of September 15, 2007, are as follows:

Name	Age	Position
Directors		
Eli Hurvitz	75	Chairman of the Board

Phillip Frost, M.D

71

Director

David Aviezer, Ph.D., MBA

43

Director, President and Chief Executive Officer

Yoseph Shaaltiel, Ph.D.

54

Director and Executive VP, Research and Development

Amos Bar-Shalev(2)(3)

54

Director

Zeev Bronfeld(1)

56

Director

Yodfat Harel Gross(2)(3)

35

Director

Jane H. Hsiao, Ph.D., MBA(3)

60

Director

Eyal Sheratzky(1)

39

Director

Sharon Toussia-Cohen(1)(2)

48

Director

Executive Officers

Einat Brill Almon, Ph.D.

48

Vice President, Product Development

Yossi Maimon, CPA

37

Chief Financial Officer, Treasurer and Secretary

Iftah Katz

43

Vice President of Operations

(1)
Member of Nominating Committee

(2)
Member of Audit Committee

(3)
Member of Compensation Committee

Eli Hurvitz. Mr. Hurvitz serves as Chairman of our Board of Directors and has served as a director of Protalix Ltd. s

Phillip Frost, M.D. Dr. Frost has served as a director of Protalix Ltd. since August 2006 and as our director since De

Management

the Board of Regents of the Smithsonian Institution, a member of the Board of Trustees of the University of Miami, a

David Aviezer, Ph.D., MBA. Dr. Aviezer has served as Chief Executive Officer of Protalix Ltd. since 2002 and its d

Yoseph Shaaltiel, Ph.D. Dr. Shaaltiel founded Protalix Ltd. in 1993 and has served as a member of our Board of Dir

Amos Bar-Shalev. Mr. Bar-Shalev has served as a director of Protalix Ltd. since 2005 and as our director since Dece

Zeev Bronfeld. Mr. Bronfeld has served as a director of Protalix Ltd. since 1996 and as our director since December

Yodfat Harel Gross. Ms. Harel Gross has served as our director since June 2007. Since 2006, Ms. Harel Gross has se

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Management

Orbotech, Ltd., a company providing high-tech inspection and imaging solutions for bare printed circuit board (PCB),

Jane H. Hsiao, Ph.D., MBA. Dr. Hsiao has served as a director of Protalix Ltd. since August 2006 and as our directo

Eyal Sheratzky. Mr. Sheratzky has served as a director of Protalix Ltd. since 2005 and as our director since Decembe

Sharon Toussia-Cohen. Mr. Toussia-Cohen has served as a director of Protalix Ltd. since 2004 and as our director si

Einat Brill Almon, Ph.D. Dr. Almon joined Protalix Ltd. in December 2004 as its Vice President, Product Developm

Management

Yossi Maimon, CPA. Mr. Maimon joined Protalix Ltd. on October 15, 2006 as its Chief Financial Officer and becan

Iftah Katz. Mr. Katz joined our company on February 28, 2007 as our Vice President of Operations. Prior to joining

Capitalization

The following table presents our capitalization as of June 30, 2007:

on an actual basis; and

on a pro forma as adjusted basis to reflect the sale of 10,000,000 shares of common stock at a public offering price of $

This table should be read in conjunction with ‘‘Management’s Discussion and Analysis of Financial Condition and Res

As of June 30, 2007

Actual

Pro forma
as adjusted

(Unaudited)

(in thousands of US dollars, except share data)

Debt:	
Short-term debt	$ 2,699
	$ 2,699
Long-term debt	563
	563

Total debt

3,262

3,262

Shareholders’ equity:

Common Stock, par value $.001 per share; 150,000,000 authorized shares, 65,665,181 issued and out

66

76
(1)

Additional paid-in capital	58,148	103,988 (1)	
Deficit accumulated	(33,116)	(33,116)	
Total shareholders' equity	25,098	70,948	

Total capitalization	$ 28,360	$ 74,210

The discussion and table above does not include an aggregate of 11,876,510 shares of common stock reserved for issua

(1) Does not include 20,137 shares of common stock issued after June 30, 2007 in connection with the exercise of employe

Dilution

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offeri

Our net tangible book value on June 30, 2007 was approximately $25.1 million, equivalent to $0.38 per share of comm

subtracting our liabilities from our total assets and deducting goodwill, intangible assets and debt issuance costs; and

dividing the difference by the number of shares of common stock outstanding.

After giving effect to adjustments relating to the offering, our pro forma net tangible book value on June 30, 2007, at a

an increase in total assets to reflect the net proceeds of the offering received by us as described under ‘‘Use of Proceed

the addition of the 10,000,000 shares of common stock offered in this prospectus supplement to the number of shares o

The following table illustrates the immediate increase in our pro forma net tangible book value of $0.56 per ordinary sh

Assumed public offering price per share of common stock	$ 5.00
Net tangible book value per share of common stock as of June 30, 2007	$ 0.38

Increase in net tangible book value per share of common stock attributable to the offering

0.56

Pro forma net tangible book value per share of common stock as of June 30, 2007 after giving effe

0.94

Dilution per share of common stock to new investors

$
4.06

The table below summarizes, as of June 30, 2007 on a pro forma basis, the differences for our existing shareholders an

	Shares issued		Total consideration		
	Number	%	Amount	%	Average price per share

(in thousands of US dollars, except per share data)

Our existing shareholders(1)	65,665,181	86.78 %	$ 50,228	50.11 %	$ 0.80	
New shareholders in this offering	10,000,000	13.22				

50,000

49.89

5.00

Total

75,665,181

100.0
%

$
100,228

100.0
%

The discussion and table above also do not include an aggregate of 11,876,510 shares of common stock we have reserv

(1)
Does not include 20,137 shares of common stock issued after June 30, 2007 in connection with the exercise of employe

Description of capital stock

We may use this prospectus supplement to offer common stock. The following briefly summarizes the general terms ar

Description of Common Stock

Our authorized capital stock consists of 150,000,000 shares of common stock, par value $0.001 per share, and 100,000

The following summary of provisions of our common stock is not complete and a full understanding requires a review

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vo

Registration Rights

We have agreed to register for resale approximately 65,074,095 shares of our common stock. Such shares were issued i

Lock-up Restrictions

Substantially all of the holders of the 65,074,095 shares of our common stock that are subject to the registration rights a

Certain United States federal tax considerations to non-United States holders

The following is a general description of the material United States federal income tax considerations with respect to th

an individual citizen or resident of the United States;

a corporation or other entity taxable as a corporation or a partnership or entity taxable as a partnership created or organ

an estate whose income is subject to United States federal income tax regardless of its source; or

a trust (x) whose administration is subject to the primary supervision of a United States court and which has one or mo

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our co

This description does not address all aspects of United States federal income taxation that may be relevant in light of a

Moreover, except as set forth below, this description does not address the United States federal estate and gift or alterna

This description is based on current provisions of the Internal Revenue Code, 1986, as amended (the ‘‘Code’’), United

This discussion is not a comprehensive description of all of the U.S. federal tax consequences that may be relevant wit

Certain United States federal tax considerations to non-United States holders

Distributions

We have not paid any dividends on our common stock and we do not plan to pay any dividends for the foreseeable futu

Subject to the discussions below under ‘‘Status as United States Real Property Holding Corporation’’ and ‘‘Backup W

Except as may be otherwise provided in an applicable United States income tax treaty, if you are a non-United States h

Sale or Exchange of Our Common Stock

If you are a non-United States holder, you generally will not be subject to United States federal income or withholding

such gain effectively is connected with your conduct of a trade or business in the United States; or

if you are an individual, you are present in the United States for a period or periods aggregating 183 days or more in th

Status as United States Real Property Holding Corporation

If you are a non-United States holder, under certain circumstances gain recognized on the sale or exchange of, and cert

Certain United States federal tax considerations to non-United States holders

U.S. Federal Estate Tax

Shares of our common stock that are owned or treated as owned by an individual who is not a citizen or resident (as de

Backup Withholding Tax and Information Reporting

United States backup withholding tax and information reporting requirements generally apply to certain payments to ce

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and

If you are a non-United States holder, under current Treasury regulations, backup withholding will not apply to distribu

Backup withholding is not an additional tax. Rather, the United States income tax liability of persons subject to backup

The foregoing description is for general information only and is not intended to constitute a complete analysis of all ta

Underwriting

Underwriting

We are offering the shares of common stock described in this prospectus supplement through the underwriters named b

Underwriters	Number of shares of common stock
UBS Securities LLC	7,000,000
CIBC World Markets Corp.	3,000,000

Total

10,000,000

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. Howeve

Our shares of common stock are offered subject to a number of conditions, including:

receipt and acceptance of our common stock by the underwriters, and

the underwriters' right to reject orders in whole or in part.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronic

INDEMNIFICATION

We have agreed to indemnify the underwriters and their controlling persons against certain liabilities, including liabilit

Over-allotment Option

We have granted the underwriters an option to buy up to 1,500,000 additional shares of common stock. The underwrite

Commissions and Discounts

Shares sold by the underwriters to the public will initially be offered at the offering price set forth on the cover of this p

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Underwriting

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwri

No exercise

Full exercise

Per share

$
0.35

$
0.35

Total	$ 3,500,000	$ 4,025,000

We will pay all of the expenses of this offering, except for the underwriting discounts and commissions. We will pay th

No Sales of Similar Securities

We, our executive officers and directors listed in ‘‘Management’’ and certain beneficial owners of our common stock,

American Stock Exchange Listing

Our common stock is listed on the American Stock Exchange under the symbol ‘‘PLX.’’

Price Stabilization, Short Positions

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect th

stabilizing transactions;

short sales;

purchases to cover positions created by short sales;

imposition of penalty bids;

syndicate covering transactions; and

passive market making.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or slowing a decline in the mar

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Underwriting

stock on the open market to cover positions created by short sales. Short sales may be ‘‘covered’’ shorts, which are sh

The underwriters may close out any covered short position by either exercising their over-allotment option, in whole or

Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short pos

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in

The underwriters and their affiliates have provided, and may provide, certain commercial banking, financial advisory a

Electronic Distribution

A prospectus supplement and the accompanying prospectus in electronic format is being made available on Internet we

NOTICE TO INVESTORS

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area, or EEA, which has implemented the Prospectus Dir

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulate

Underwriting

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2)

in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prosp

As used above, the expression ‘‘offered to the public’’ in relation to any of our common stock in any Relevant Membe

The EEA selling restriction is in addition to any other selling restrictions set out below.

UNITED KINGDOM

Our common stock may not be offered or sold and will not be offered or sold to any persons in the United Kingdom otl

ISRAEL

Neither the offering contemplated by this prospectus supplement and the accompanying prospectus nor the securities o

FRANCE

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with th

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Underwriting

of investors (cercle restreint d'investisseurs) acting for their own account, with ''qualified investors'' and ''limited cir

ITALY

The offering of shares of our common stock has not been cleared by the Italian Securities Exchange Commission (Com

Any offer, sale or delivery of shares of our common stock or distribution of copies of this prospectus supplement and th

Any investor purchasing shares of our common stock in the offering is solely responsible for ensuring that any offer or

This prospectus supplement and the accompanying prospectus and the information contained herein are intended only f

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures o

GERMANY

Shares of our common stock may not be offered or sold or publicly promoted or advertised by any underwriter in the F

SPAIN

Neither the common stock nor this prospectus supplement and the accompanying prospectus have been approved or reg

Underwriting

except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30b

SWEDEN

This is not a prospectus under, and has not been prepared in accordance with the prospectus requirements provided for

SWITZERLAND

The common stock may not and will not be publicly offered, distributed or re-distributed on a professional basis in or f

Legal matters

The validity of the issuance of the shares of common stock offered by this prospectus supplement will be passed upon f

Experts

The consolidated financial statements of Protalix BioTherapeutics, Inc. and its subsidiary as of December 31, 2006 and

Incorporation by reference

We incorporate by reference the filed documents listed below, except as superseded, supplemented or modified by this

our Annual Report on Form 10-K, for the year ended December 31, 2006, as amended by our Annual Report on Form

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2007, and June 30, 2007;

our Current Reports on Form 8-K filed with the Commission on February 5, 2007, February 7, 2007 (as amended by a

the description of our common stock contained in our Registration Statement on Form 8-A filed with the Commission

All documents filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this pro

2 Snunit Street
Science Park
POB 455
Carmiel, Israel 20100
972-4-988-9488
Attn: Yossi Maimon, Chief Financial Officer

Where you can find more information

This prospectus supplement and the accompanying prospectus are a part of a registration statement on Form S-3, as am

We file annual, quarterly and special reports, proxy statements and other information with the Commission. You may r

Disclosure of Commission position on indemnification for Securities Act liabilities

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or perso

PROSPECTUS
5,714,286 Shares

PROTALIX BIOTHERAPEUTICS, INC.
Common Stock
We or selling securityholders may, from time to time, offer to sell common stock. Each time we or a selling securityho

We or selling securityholders may, from time to time, offer to sell the common stock through public or private transac
To the extent that any selling securityholder resells any securities, the selling securityholder may be required to provid
Our common stock is traded on the AMEX under the symbol ‘‘PLX.’’
Our securities may not be sold without delivery of the applicable prospectus supplement describing the method and ter

Investing in our common stock involves a high degree of risk. You should read and consider carefully the risk factors

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of
The date of this Prospectus is September 26, 2007.

Table of contents

Forward-looking statements

The statements set forth and incorporated by reference in this prospectus, which are not historical, constitute ‘‘forward

Examples of the risks and uncertainties include, but are not limited to, the following:

- the inherent risks and uncertainties in developing drug platforms and products of the type we are

- delays in our preparation and filing of applications for regulatory approval;

- delays in the approval or potential rejection of any applications we file with the United States

- any lack of progress of our research and development (including the results of clinical trials we

- obtaining on a timely basis sufficient patient enrollment in our clinical trials;

- the impact of development of competing therapies and/or technologies by other companies;

- our ability to obtain additional financing required to fund our research programs;

- the risk that we will not be able to develop a successful sales and marketing organization in a t

- our ability to establish and maintain strategic license, collaboration and distribution arrangeme
- potential product liability risks and risks of securing adequate levels of product liability and
- the availability of reimbursement to patients from health care payors for procedures in which our
- the possibility of infringing a third party's patents or other intellectual property rights;
- the uncertainty of obtaining patents covering our products and processes and successfully enforci
- the possible disruption of our operations due to terrorist activities and armed conflict, includi

In addition, companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advan

About this prospectus

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the C
Each time that we or our securityholders sell any securities under this prospectus, we will provide a prospectus supple
The registration statement we filed with the Commission includes exhibits that provide more detail on descriptions of
You should rely only on the information incorporated by reference or provided in this prospectus and any prospectus s
This prospectus, and any prospectus supplement issued in relation to it, contain our trademarks and trademarks of our
ProCellExtm is our trademark. Each of the other trademarks appearing in this prospectus belongs to its respective hold
Our principal business address is 2 Snunit Street, Science Park, POB 455, Carmiel, Israel 20100, where we maintain o

Summary of business

We are a clinical stage biopharmaceutical company focused on the development and commercialization of recombinan
Our lead product development candidate is prGCD for the treatment of Gaucher disease, which we are developing usi
In addition to prGCD, we are developing an innovative product pipeline using our ProCellEx protein expression syste

Risk factors

Investment in our securities involves a high degree of risk. Our business, financial condition or results of operations co
Risks Related to this Offering
If we effect an underwritten offering of our common stock, we may offer the shares of our common stock at a signific
We effected a reverse merger on December 31, 2006. Therefore, all quoted sales prices of our common stock through
We will have broad discretion in how we use the proceeds of any offering we conduct under this prospectus and we m
We will retain broad discretion over the use of the net proceeds of any securities offered by us hereby, and you will be

Use of proceeds

We will retain broad discretion over the use of the net proceeds of the securities offered by us hereby. Unless the appli

We will not receive any proceeds from the sale of securities by any selling securityholder.

4

Selling securityholders

We are registering for resale the shares covered by this prospectus to permit the selling securityholders identified belo

The following table sets forth:

- the name of the securityholders;
- the number and percentage of shares of our common stock that the securityholders beneficially own
- the number of shares of our common stock that may be offered for resale for the account of the se
- the number and percentage of shares of our common stock to be beneficially owned by the securityh

The number of shares in the column ‘‘Number of Shares Being Offered’’ represents all of the shares of our common st

This table is prepared solely based on information supplied to us by the listed securityholders and other public docume

Number of Shares

Beneficially Owned

Prior to Offering

Number of

Shares Being

Offered

Number of Shares

Beneficially Owned

After Offering

Shareholders

Number

Percent

Number

Percent

Bio-Cell Ltd.(1)

14,466,319

22.0
%

403,502

14,062,817

20.3
%

Meytav Technological Enterprises Initiation Center Ltd.

1,301,026

2.0

36,289

1,264,737

1.8

Dr. Yoseph Shaaltiel(2)

3,188,431

4.8

88,933

3,099,498

4.5

Doron Peleg

662,363

1.0

18,475

643,888

*

Prof. Gad Galili

349,017

*

9,735

339,282

*

Techno-Rov Holdings (1993) Ltd.(3)

6,186,046

9.4

172,544

6,013,502

8.7

Marathon Investments Ltd.(4)

6,556,381

10.0

182,874

6,373,507

9.2

Dan Volpert & Nati Volpert and Ofer Drori JT TEN

210,607

*

5,874

204,733

*

Dan Volpert

14,232

*

397

13,835

*

Avraham Eylon

159,971

*

4,462

155,509

*

Amos Naim

233,818

*

6,522

227,296

*

Dror Shomrat

96,905

*

2,703

94,202

*

Michael Scheinbach

87,743

*

2,447

85,296

*

Silverstream International Asset Management Ltd.

175,485

*

4,895

170,590

*

Meni Mor

423,414

*

11,810

411,604

*

Tomer Klein

146,167

*

4,077

142,090

*

A. Sheratzky Holdings Ltd.

188,496

*

5,258

183,238

*

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Number of Shares Beneficially Owned Prior to Offering	Number of Shares Being Offered	Number of Shares Beneficially Owned After Offering			
Shareholders	Number	Percent	Number	Percent	
Nehemia Tanne	652,834	*			

18,209

634,625

*

Remer Holdings Inc.

566,710

*

15,807

550,903

*

Nir Margalit

10,933

*

305

10,628

*

Avner Pinsker

10,994

*

307

10,687

*

Pontifax (Cayman) L.P.(5)

2,826,964

4.2

83,521

2,743,443

3.9

Pontifax (Israel) L.P.(6)

3,093,380

4.6

91,392

3,001,988

4.2

The Zabludowicz Trust

2,981,245

4.5

83,154

2,898,091

4.2

Docor International B.V.

1,571,005

2.4

43,819

1,527,186

2.2

Atara Technology Ventures Ltd.

359,401

*

10,025

349,376

*

Ziff Asset Management, L.P.

2,650,002

4.0

73,915

2,576,087

3.7

Shimon Yaakobov

239,437

*

6,678

232,759

*

Hertzel Baibabiov, Nir Omid, Ronny Filo,

Yaron Lizbona, Tomer Sun, Dorit Murten JT TEN

147,877

*

4,125

143,752

*

Frost Gamma Investment Trust(7)

9,766,273

14.8

264,134

9,205,596

13.7

Dr. Jane Hsiao(8)

1,134,060

1.7

31,632

1,102,428

1.6

Glenn L. Halpryn(9)

820,557

1.2

21,827

760,720

1.1

Ernest M. Halpryn(10)

488,998

*

13,639

475,359

*

IVC Investors Ltd.

1,956,181

3.0

54,563

1,901,618

2.7

Steven Jerry Glauser, TTEE, Steven Jerry Glauser Trust dated 3/8/02

1,467,119

2.2

40,922

1,426,197

2.0

Subbarao Uppaluri

56,702

*

1,582

55,120

*

Steven D. Rubin

56,702

*

1,582

55,120

*

Stephen H. Bittel

195,658

*

5,457

190,201

*

Ann D. Singer and Joseph A. Singer TTEE, Ann D. Singer Revocable Trust 2/18/98

46,441

*

1,295

45,146

*

Joseph S. Levy, TTEE, Dr. Joseph S. Levy Revocable Trust, dated 6/17/98

232,204

*

6,477

225,727

*

Carole R. Levy, TTEE, Carole R. Levy Revocable Trust dated 6/17/98

232,204

*

6,477

225,727

*

C.C.R. Trustees (1999) Ltd.(11)

3,375,628

4.9

145,937

3,229,691

4.4

*
less than 1%.

(1)
Zeev Bronfeld, one of our directors, is a director and Chief Executive Officer of Biocell Ltd. Bi

(2)
Includes 244,324 shares of our common stock issuable upon exercise of outstanding options within

(3)
Amos Bar-Shalev, one of our directors, is the manager of Techno-Rov Holdings and has the power to

(4)
Sharon Toussia-Cohen, one of our directors, is a director and Chief Executive Officer of Marathon

(5)
Consists of 2,826,964 shares of our common stock, 1,378,278 of which shares are owned of record a

(6)
Consists of 3,093,380 shares of our common stock, 1,508,169 of which shares are owned of record a

(7)
Frost Gamma, L.P. is the sole and exclusive beneficiary of Frost Gamma Investments Trust. Dr. Phi

(8)
Does not include 387,542 shares of common stock issuable upon exercise of outstanding options tha

(9)
Does not include 1,956,181 shares of common stock held by IVC Investors Ltd. Glenn Halpryn is a b

(10)
Does not include 1,956,181 shares of common stock held by IVC Investors Ltd. Ernest Halpryn is th

(11)
C.C.R. Trustees is the trustee of our 2006 Stock Incentive Plan. To comply with certain Israeli s

David Aviezer, Ph.D., MBA, 49,793 shares of common stock;

Einat Brill Almon, Ph.D., 13,492 shares of common stock; and

Yossi Maimon, 17,293 shares of common stock.

Plan of distribution

We, or any selling securityholders, may sell the securities offered under this prospectus:

.
through underwriters, which may include, but are not limited to, UBS Securities LLC and CIBC Worl

- through dealers;

- through agents; or

- directly to purchasers.

Each prospectus supplement relating to an offering of securities will state the terms of the offering, including:

- the names of any underwriters, dealers, or agents;

- the public offering or purchase price of the offered securities and the net proceeds that we will

- any underwriting discounts and commissions or other items constituting underwriters' compensation

.
any discounts, commissions, or fees allowed or paid to dealers or agents; and

.
any securities exchange on which the offered securities may be listed.

Distribution Through Underwriters
We, or any selling securityholders, may offer and sell securities from time to time to one or more underwriters who wo
Distribution Through Dealers
We, or any selling securityholders, may offer and sell securities from time to time to one or more dealers who would p
Distribution Through Agents
We, or any selling securityholders, may offer and sell securities on a continuous basis through agents that become part
8

Direct Sales
We, or any selling securityholders, may sell directly to, and solicit offers from, institutional investors or others who ma
General Information
Underwriters, dealers, or agents participating in an offering of securities may be deemed to be underwriters, and any d
We, or any selling securityholders, may offer to sell securities either at a fixed price or at prices that may vary, at mark
In connection with an underwritten offering of securities, the underwriters may engage in over-allotment, stabilizing tr
Under agreements entered into with us, underwriters and agents may be entitled to indemnification by us against certai
In compliance with the guidelines of the National Association of Securities Dealers, Inc., or the NASD, the maximum
Although we expect that delivery of securities generally will be made against payment on or about the third business d
Certain of our securityholders may have pledged shares of their common stock in connection with borrowing arrangen
9

Legal matters
The validity of the issuance of the shares of common stock offered by this prospectus will be passed upon for us by M
Experts
The consolidated financial statements of Protalix BioTherapeutics, Inc. and its subsidiary as of December 31, 2006 an
Incorporation by reference
We incorporate by reference the filed documents listed below, except as superseded, supplemented or modified by this

- our Annual Report on Form 10-K, for the year ended December 31, 2006, as amended by our Annual Re

- our Quarterly Report on Form 10-Q for the quarters ended March 31, 2007, and June 30, 2007;

- our Current Reports on Form 8-K filed with the Commission on February 5, 2007, February 7, 2007 (

- the description of our common stock contained in our Registration Statement on Form 8-A filed wit

All documents filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this reg

2 Snunit Street
Science Park
POB 455
Carmiel, Israel 20100
972-4-988-9488
Attn: Yossi Maimon, Chief Financial Officer

10

Where you can find more information

This prospectus is part of a registration statement on Form S-3 that we filed with the Commission under the Securities

We file annual, quarterly and current reports, proxy statements and other information with the Commission. You may

Disclosure of commission position on indemnification for securities act liabilities

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or pers

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