



ENGLISH TRANSLATION FROM HEBREW

ELRON ANNOUNCES TRANSACTION FOR INVESTMENT AND OPTION TO ACQUIRE CARTIHEAL

Investor Presentation, July 16, 2020



ELRON

COMMENTS



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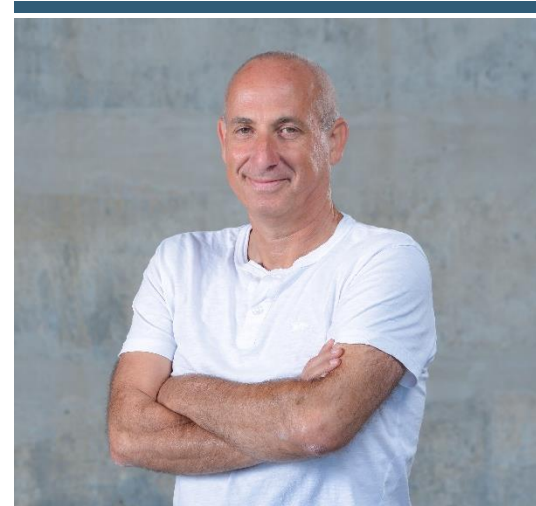
These estimates, in whole or in part, may not materialize, or may materialize in a manner materially different than expected. The principal factors that may affect this are developments in Elron's and its group companies' fields of operation; failure to meet goals; inability to realize technologies; modifications in technologies; modifications in work plan, goals and/or strategy; guidance and determinations by regulatory authorities; unforeseen regulatory difficulties; failure to obtain regulatory approvals; regulatory developments and changes in fields of operation; unforeseen developments in the course of clinical trials and trial results; reliance on third parties including data analysis services; feedback from the medical and scientific community; regulatory changes and restrictions on supply of raw materials for manufacture; inability to obtain financing; delays or malfunctions in development or manufacture; or if any risk associated with Elron and its group companies and the course of product development or sales occurs. In addition, the spread of the coronavirus (COVID-19) may lead to difficulties or delays in recruiting patients for clinical trials or initiating trial sites; operational constraints amassing raw material inventories; significant potential difficulties in raising capital for group companies; budget cuts among potential customers and subsequent decisions to increase product life-cycles rather than adopt new technology solutions; potential difficulties for group companies in closing commercial transactions or generating leads and managing lengthy and complex sale-cycles, among other things, due to mobility constraints between countries; a worldwide global slowdown that will make it difficult to execute exit transactions. In addition, as of the date of this presentation, the capital markets are experiencing high volatility, including significant stock price falls, due to the market response to the spread of the coronavirus (COVID-19).

All amounts are fully attributed to Elron and RDC unless specified otherwise.

CONFERENCE CALL PARTICIPANTS



YARON ELAD
CEO



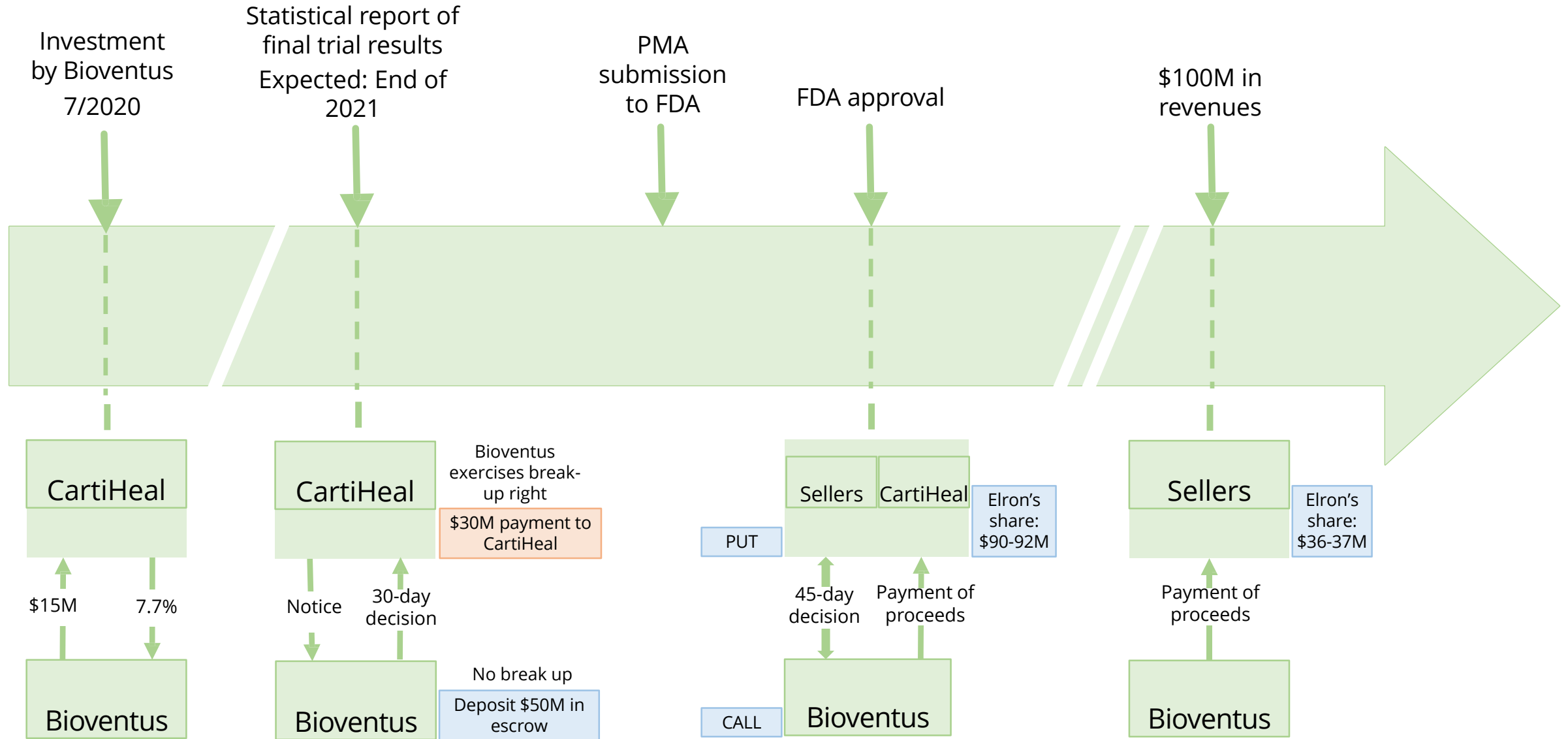
ZVIKA SLOVIN
Head of Medtech
Chairman of CartiHeal

TRANSACTION HIGHLIGHTS



- Announcement** >> On July 16, 2020 Elron announced the signing of definitive agreements for an investment in CartiHeal and an option to acquire CartiHeal by Bioventus LLC
-
- Transaction** >>
- **A \$15-20M investment in CartiHeal** at a pre-money value of \$180M, of which \$15M was invested immediately
 - **An exclusive call option for Bioventus** to acquire 100% of CartiHeal's share capital
 - **A put option for CartiHeal** to sell 100% of its share capital to Bioventus, exercisable upon FDA approval
-
- Elron's Expected Proceeds** >>
- \$126-129M in the aggregate, comprising of:
- \$90-92M upon FDA approval
 - \$36-37M at achievement of a sales milestone (at least \$100M in revenues during a consecutive 12-month period)
- The potential consideration represents a 5-7x multiple on Elron's investment in CartiHeal
-
- Conditions Precedent** >>
- Pivotal clinical trial success (see next slide) and FDA approval with a label consistent in all respects with pivotal clinical trial success
-
- Security** >>
- **Sellers to Bioventus:** A portion of the proceeds will be deposited in escrow to secure indemnification obligations of the sellers to Bioventus (Elron's share: \$12M)
 - **Bioventus to CartiHeal:** Payment of a \$30M break-up fee to CartiHeal if Bioventus exercises its right to terminate the transaction within 30 days of receiving the pivotal clinical trial results
 - **Bioventus to CartiHeal:** Release of a \$50M escrow deposit to CartiHeal and forfeiture of Bioventus's shares in CartiHeal if Bioventus does not complete the acquisition following exercise of the call option or put option

TIMELINE



THANK YOU. ELRON

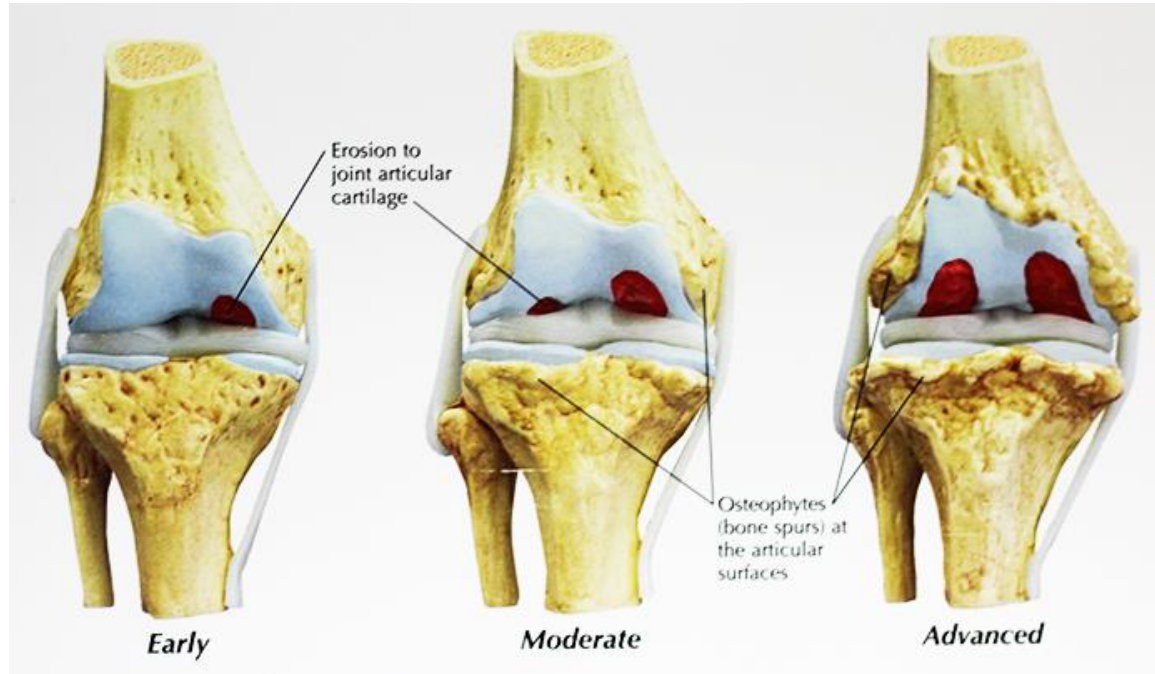
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The Future of Joint Repair

July 16, 2020

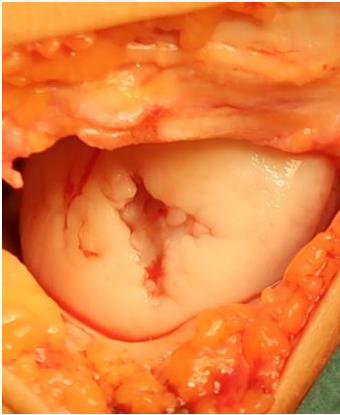


Osteoarthritis (OA) is a slowly progressive disease where cartilage of the synovial joint degenerates

Indications: Cartilage Lesions, Osteochondral Defects & OA in the Knee, Ankle & Great Toe

Knee

Cartilage Lesions



Osteochondral Defects



Osteoarthritis



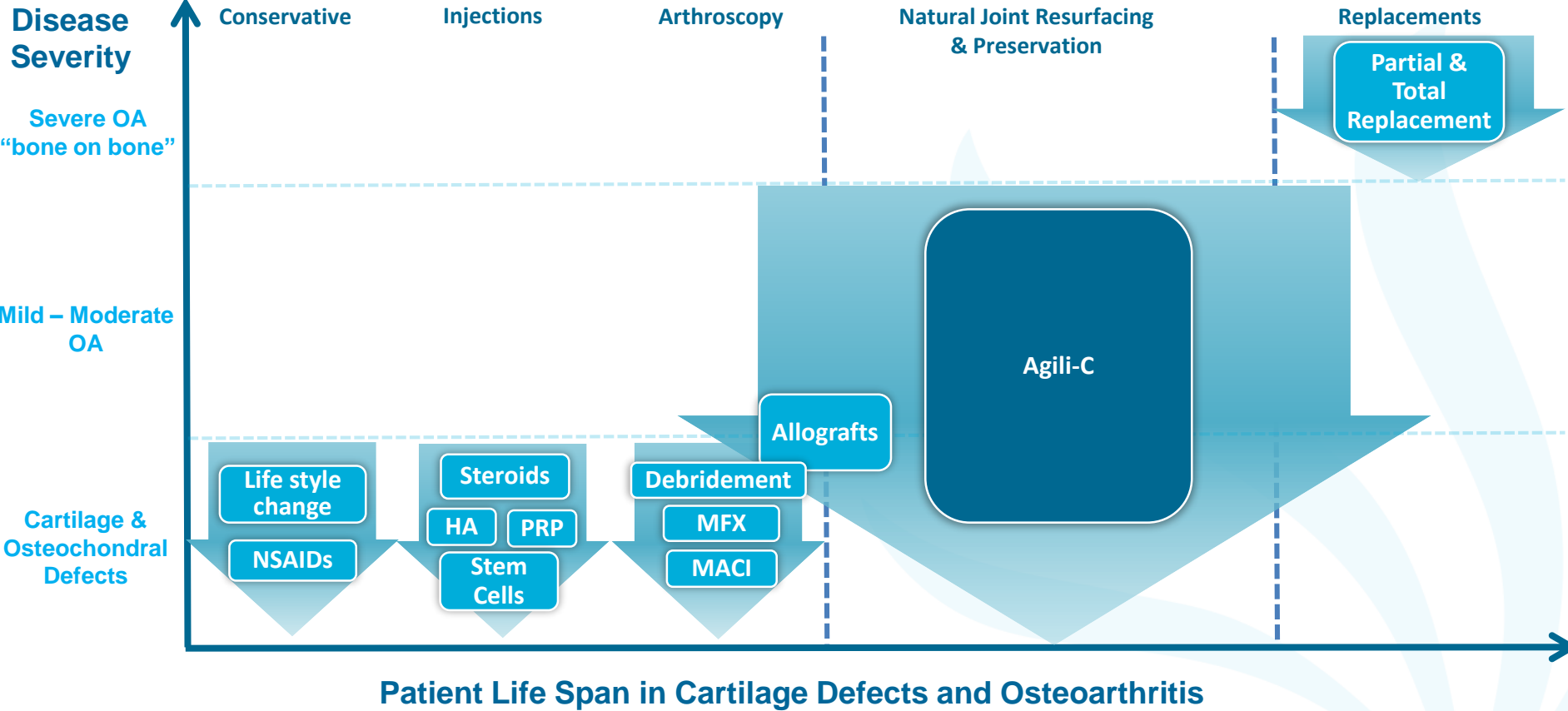
Ankle



Great Toe



Agili-C – a Solution for an Unmet Need in Joint Preservation

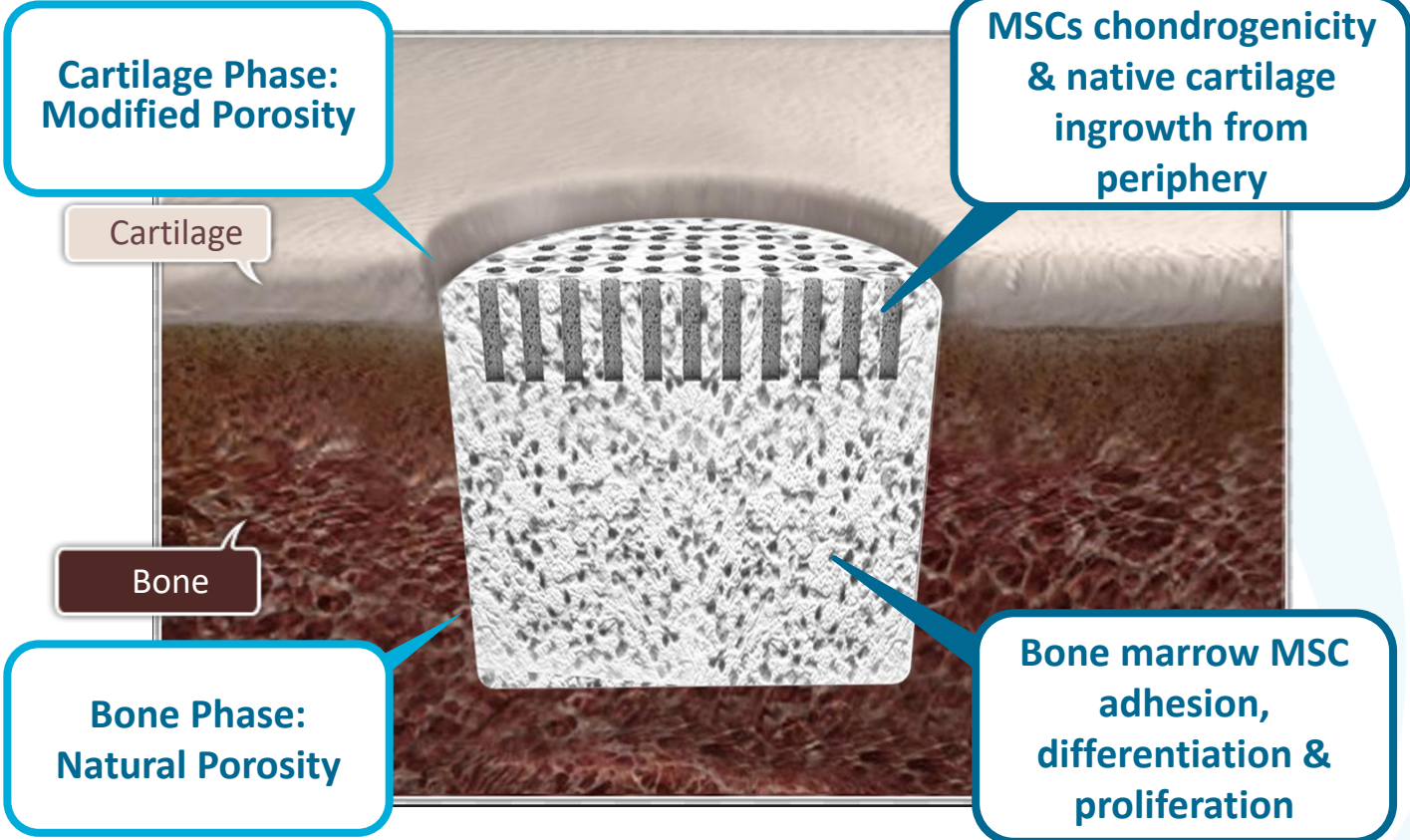
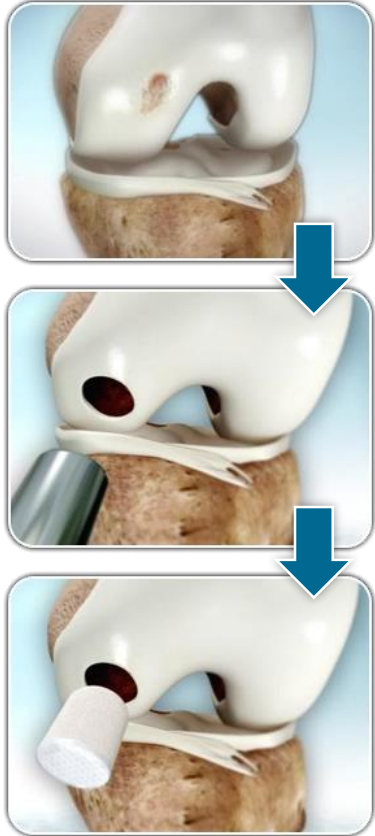


Agili-C:

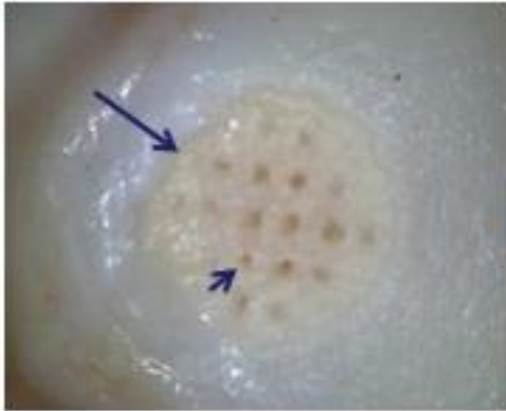
Bio-Degradable



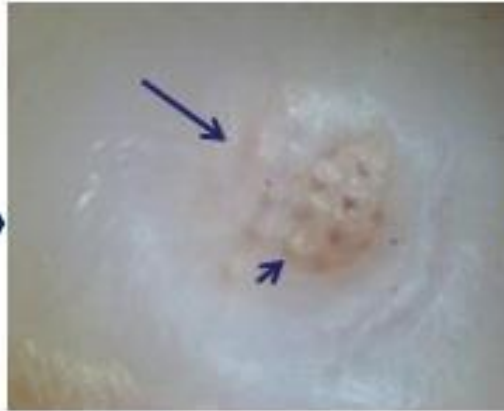
Agili-C Implant: B-Phasic, Bio-degradable



Goat model



3 weeks post Op



6 weeks post Op



12 weeks post Op

Cartilage flow from implant periphery towards the center is enhanced by cartilage formation from the drilled holes

Pre-op MRI



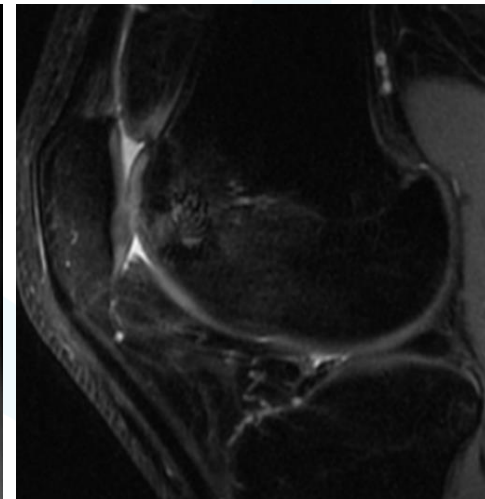
Implantation



X-ray 24
month post op



MRI 24
month post op



	Baseline	6M	12M	18M	24M
KOOS Pain	38	74	92	100	100
KOOS Overall	46	81	90	100	100

Orthopedics • This Week



Courtesy of CartiHeal

GETTING CARTILAGE REPAIR RIGHT — AFTER 25 YEARS

Robin Young • Thu, May 30th, 2019

<https://ryortho.com/-gnttieg/2019/05/sraey-25-refta-thgir-riaper-egaltirac>

If the Agili-C study shows clear superiority over microfracture and debridement for the treatment of joint surface knee lesions it will truly be a landmark event.

Agili-C™ vs. Surgical Standard of Care (SSOC) for the Treatment of Joint Surface Lesions of the Knee

Primary Endpoint: To demonstrate the superiority of Agili-C vs. SSOC (MFX & Debridement) according to change from baseline to 24 months in the average overall KOOS score

**Multicenter,
Unblinded,
Randomized,
2 Arms
Agili-C:SSOC – 2:1**

**Adaptive
Sample Size**

N = 250-500

Study Length:

24 months + annual
follow-up till last
Subject out

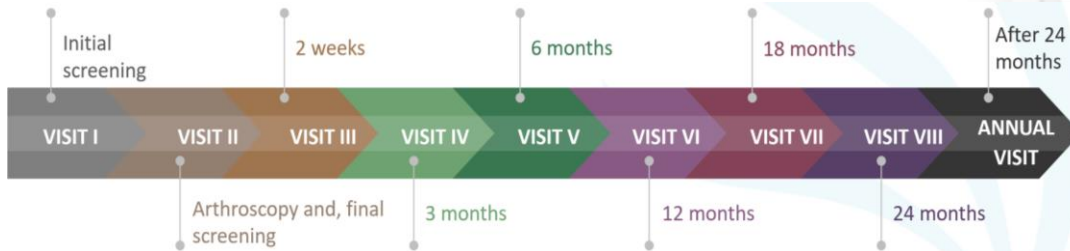


Fig. 020 Debridement and microfracture

Debridement



Microfracture





Knee injury and Osteoarthritis Outcome Score (KOOS)

KOOS KNEE SURVEY

Today's date: _____ Date of birth: _____

Name: _____

INSTRUCTIONS: This survey asks for your view about your knee. This information will help us keep track of how you feel about your knee and how well you are able to perform your usual activities. Answer every question by ticking the appropriate box, only one box for each question. If you are unsure about how to answer a question, please give the best answer you can.

Symptoms

These questions should be answered thinking of your knee symptoms during the **last week**.

S1. Do you have swelling in your knee?

Never Rarely Sometimes Often Always

S2. Do you feel grinding, hear clicking or any other type of noise when your knee moves?

Never Rarely Sometimes Often Always

S3. Does your knee catch or hang up when moving?

Never Rarely Sometimes Often Always

S4. Can you straighten your knee fully?

Always Often Sometimes Rarely Never

S5. Can you bend your knee fully?

Always Often Sometimes Rarely Never

Stiffness

The following questions concern the amount of joint stiffness you have experienced during the **last week** in your knee. Stiffness is a sensation of restriction or slowness in the ease with which you move your knee joint.

S6. How severe is your knee joint stiffness after first wakening in the morning?

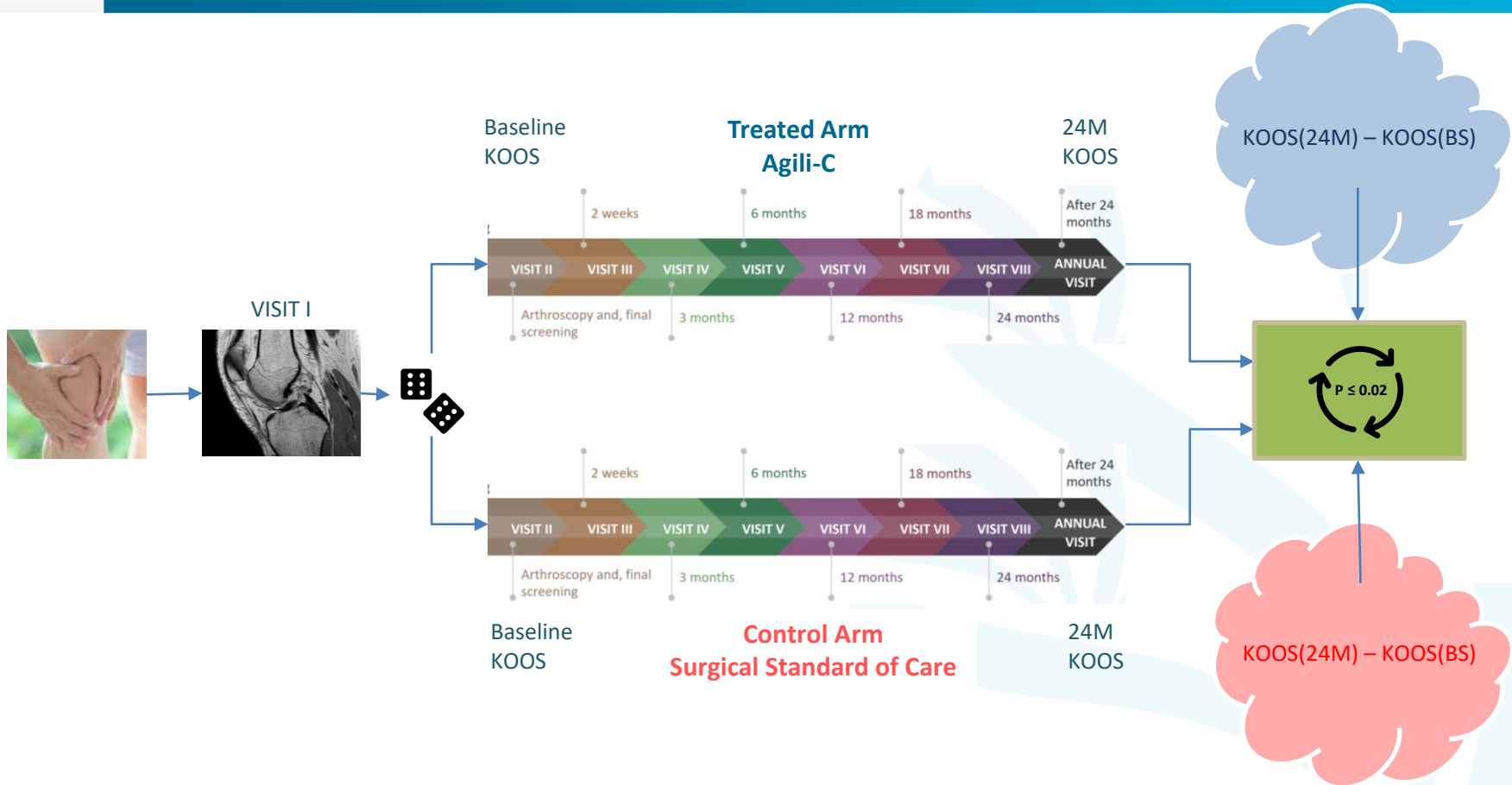
None Mild Moderate Severe Extreme

S7. How severe is your knee stiffness after sitting, lying or resting **later in the day**?

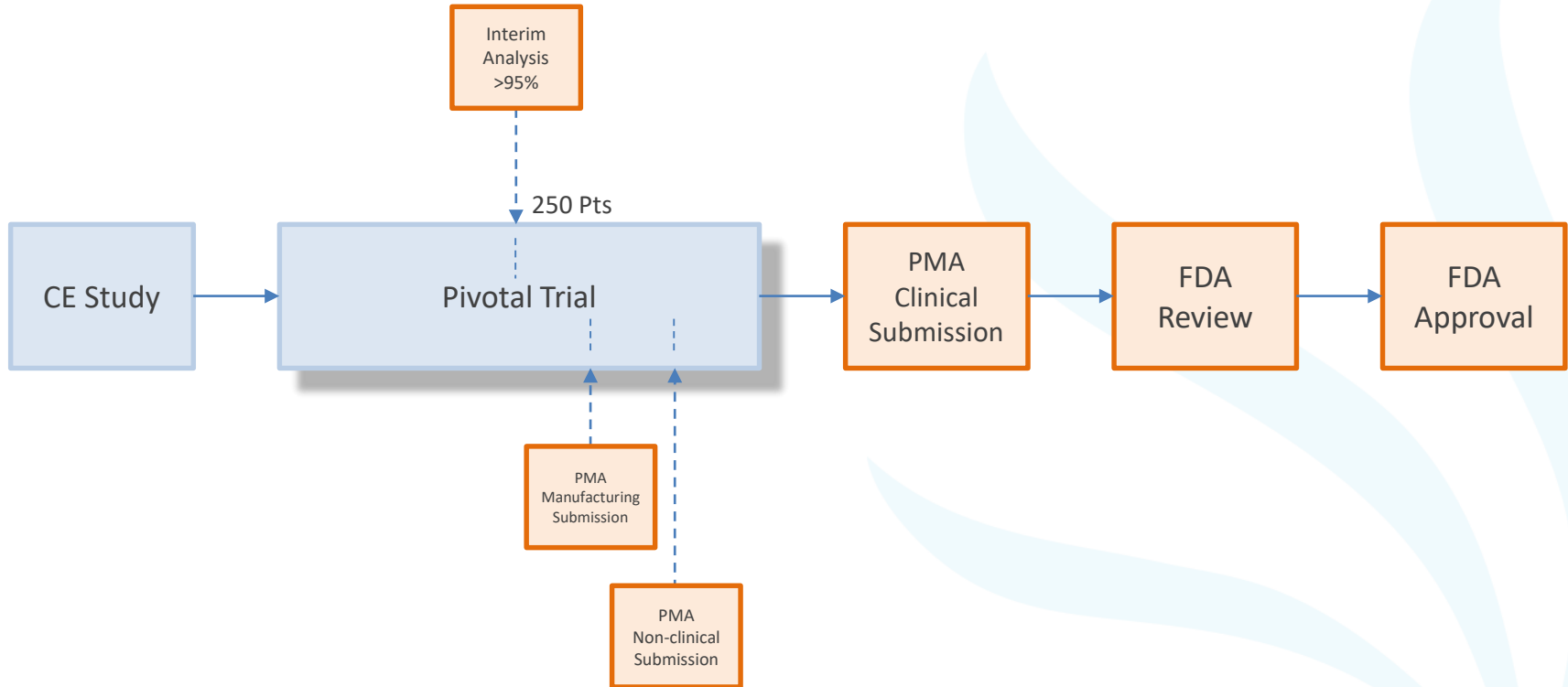
None Mild Moderate Severe Extreme

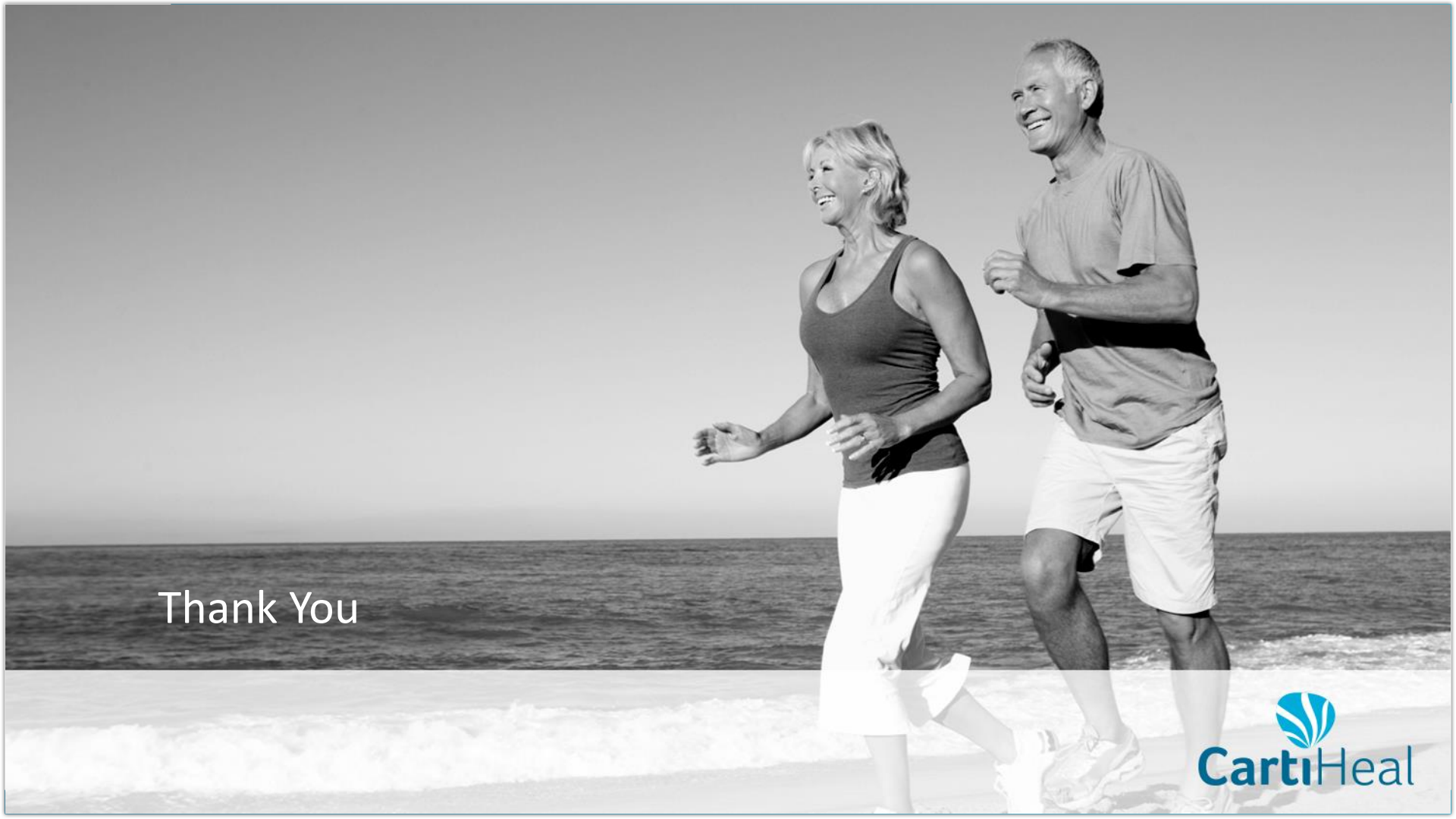


Randomized Controlled Study, an approximate diagram



Regulatory Application Process





Thank You

