



**Translation of Immediate Report Filed by Elron on February 28, 2023 with the  
Israeli Securities Authority**

**Re: CartiHeal - Settlement Agreement**

Further to Section 3 of part A and Note 3.A of Elron Ventures Ltd.'s (the “**Company**” or “**Elron**”) quarterly report for the third quarter of 2022, regarding the sale of CartiHeal (2009) Ltd (“**CartiHeal**”) to Bioventus LLC (“**Bioventus**”) (the “**Transaction**”) and further to the Company's immediate report dated February 14, 2023, regarding the completion of the milestone for the prepayment of the next payment in the Transaction (the “**Immediate Report**”), the content of which is incorporated herein by reference, the Company updates that on February 27, 2023, Elron, in its capacity as the representative of the former shareholders of CartiHeal (the “**Sellers**”) signed a settlement agreement with Bioventus, as described below (the “**Updated Agreement**”).

Further to the occurrence of the milestone for the prepayment of the next payment in the Transaction, as detailed in the Immediate Report, Bioventus approached the Company as the Sellers’ representative to discuss certain changes in the parameters of the Transaction and as a result thereof, the parties executed the Updated Agreement, the main points of which are as follows:

1. At the request of Bioventus, the Sellers have been afforded a period of 30 days commencing on the date of execution of the Updated Agreement (the “**Interim Period**”), in order to enable Bioventus to raise funding that will allow it to pay the entire balance of the debt which is non-contingent consideration in respect of the Transaction (approximately \$215 million plus interest accrued from the date of the Transaction, of which Elron’s share is approximately \$59 million plus interest (“**Entire Indebtedness**”)) instead of the payments schedule stipulated in the Transaction, according to which the payments thereof were to be made in several installments until January 2027.
2. As of the date of execution of the Updated Agreement, ownership of the CartiHeal shares have been returned to the Sellers. To the extent that Bioventus pays the Entire Indebtedness during the Interim Period as stated above, the CartiHeal shares will be returned to Bioventus, and if such amount is not paid, the ownership of the CartiHeal shares will remain with the Sellers after the end of the Interim Period.
3. The CartiHeal shares have been returned to the Sellers in circumstances where CartiHeal should have resources sufficient for its operations until the end of the Interim Period and thereafter. In addition, Bioventus paid the Sellers an amount of \$10 million which will be held, at this stage, by Elron as the Sellers' representative. In no event shall this amount be refunded to Bioventus. If Bioventus pays the Entire Indebtedness as stated above, this amount shall be deducted from future contingent consideration (and not from the debt which is not contingent consideration) to the extent that it is realized in the future (the milestone therefor remains unchanged as stated in Note 3.A to the quarterly



report - Agili-C sales and other revenues arising from the commercialization of other technologies of CartiHeal which will generate revenues of at least \$75 million during a period of 12 consecutive months. The aggregate contingent consideration that will remain is \$125 million. Elron's share is approximately \$34 million). In addition, the parties have mutually released each other from any obligation in connection with the Transaction or in general and neither party shall have any claim in connection with the Transaction.

4. Bioventus has the option to extend the Interim Period by two additional periods of 15 days each, in exchange for an additional sum of \$5 million for each extension and an aggregate of up to \$10 million which will be held by Elron as the Sellers' representative. To the extent these amounts are paid, such amounts will not be refunded to Bioventus in any event but will be offset against the payment of the balance of the non-contingent Entire Indebtedness (thus the balance of the Entire Indebtedness will be reduced from \$215 to \$205 million plus interest).
5. During the Interim Period, Bioventus undertook to make available to the Sellers all the necessary information and support of Bioventus personnel in order to continue the operational plans of CartiHeal in accordance with its work plan.
6. In the circumstances, the Updated Agreement establishes two alternatives at the end of the Interim Period:
  - a. Bioventus will be able to pay the Entire Indebtedness (which is non-contingent consideration - US\$215 million plus interest) which will be paid to the Sellers, the possession of the CartiHeal shares will be returned to Bioventus and the Sellers will continue to be entitled to the contingent consideration in the future subject to its terms.
  - b. Bioventus will not be able to pay the Entire Indebtedness (which is non-contingent consideration), CartiHeal will remain in the possession of the Sellers (Elron will hold approximately 27.5% of the share capital of CartiHeal, on a fully diluted basis), Bioventus' payment in the amount of \$10- \$20 million will remain in the possession of the Sellers and the abovementioned mutual release shall be in effect. It should be noted that with the signing of the Transaction in July 2022, an immediate payment of approximately \$100 million was received (Elron's share was approximately \$33 million).

It is clarified that there is no certainty as to the ability of Bioventus to raise the necessary funding to pay the non-contingent consideration by the end of the Interim Period or at all.

Elron's share in the aforementioned amounts and in CartiHeal's share capital (on a fully diluted basis) is approximately 27.5%.