



Translation of Immediate Report Filed by Elron on November 22, 2023 with the Israeli Securities

Authority

Re: Agreement for the Sale of CartiHeal

Further to Section 24 of Part A of the Annual Report for 2022 of Elron Ventures Ltd. (the “**Company**”) regarding CartiHeal (2009) Ltd. (“**CartiHeal**”), the contents whereof are incorporated herein by reference, the Company hereby updates that on November 22, 2023 a definitive agreement (the “**Agreement**”) was signed by CartiHeal and Smith & Nephew USD Limited (the “**Acquirer**”), a fully owned subsidiary of Smith & Nephew, plc, for the acquisition of the entire share capital of CartiHeal by the Acquirer (the “**Transaction**”).

Transaction Closing:

The Transaction will be completed after the satisfaction of conditions precedent as are customary in such transactions, are met and upon the satisfaction of an operational condition precedent, namely the completion by CartiHeal of the manufacture of a certain quantity of Agili-C implants within a period of three months, with the possibility of an additional one month extension, as well as the preservation of the ongoing operational ability of CartiHeal’s manufacturing laboratory in Israel, all as detailed in the Agreement. CartiHeal has sufficient liquid resources to satisfy the conditions precedent.

CartiHeal estimates the said conditions precedent will be completed during the first quarter of 2024.

Transaction Consideration:

The consideration for the Transaction amounts to up to \$330 million for all of CartiHeal’s shareholders, subject to adjustments, and is comprised of an immediate consideration and a contingent consideration, detailed as follows:

1. Immediate consideration amounting to \$180 million, subject to customary financial adjustments and certain transaction costs (of which approximately \$18 million will be held in escrow for 12 to 18 months, mainly to secure certain indemnification obligations of the sellers to the Acquirer, as is customary in such transactions) (“**Immediate Consideration**”); and
2. Contingent consideration amounting to \$150 million, subject to adjustments, payable at such time when, if during the 10-year period following Transaction closing, the sales of the Agili-C™ and certain other products specified in the Agreement shall generate at least \$100 million in net revenues during a consecutive 12-month period (the “**Contingent Consideration**”).

The Company’s share in the consideration is currently estimated at approximately \$87 million, comprised of: (1) Immediate Consideration amounting to approximately \$47 million (subject to adjustments as stated) payable at the Transaction closing (of which approximately \$5 million will be held in escrow for 12 to 18 months), and (2) Contingent Consideration amounting to approximately \$40 million payable at such time and under the conditions described above.

CartiHeal’s book value in the Company’s financial statements as of September 30, 2023, is approximately \$66 million. As of the Transaction closing as detailed above, the Company is expected to recognize the



Company's share of the Immediate Consideration it received in cash and the fair value of the Company's share of the Contingent Consideration, as will be evaluated according to its fair value and, on the other hand, the Company will deduct the balance of its investment in CartiHeal from its financial statements. The gain or loss as a result of the Transaction will be impacted by the said valuation of the Contingent Consideration parameter, which has not yet been completed.

The Company estimates that the Transaction closing is expected to take place during the first quarter of 2024.

Forward Looking Statements: The forecasted data and estimates noted above are forward-looking in nature, as defined in the Israel Securities Law, 5728- 1968, based on the Company's and CartiHeal's estimates at this time, of which there is no assurance as to their existence or they may exist in a different manner than expected, inter alia, due to the non-fulfillment of conditions stipulated in the Transaction or due to the existence of grounds for indemnification according to the Agreement or due to the results of the valuation of the Contingent Consideration and its impact on the gain or loss that will be recognized in Elron's reports, and also due to other events related to the parties to the Transaction as well as external factors and events.

In the circumstances, there is no certainty as to the closing of the Transaction and/or the timing thereof and/or regarding the results and various effects of the Transaction on the Company and its reports.