

ELRON

Translation of Immediate Report concerning a transaction with a controlling shareholder or director that does not require approval of the shareholders, filed with the Israeli Securities Authority on January 31, 2018

On January 31, 2018, following the approval of the Compensation Committee on January 31, 2018, the Company's Board of Directors approved the following resolutions in accordance with the Companies' Regulations (Reliefs for Interested Parties' Transactions), 5760-2000 (the "**Reliefs Regulations**"):

As of the date hereof, compensation for the directors not related to the controlling shareholders¹, who hold office on the date of the resolution and as shall hold office from time to time (the "**Independent Directors**"), is the compensation in the maximum amount set forth with respect to compensation paid to an external director in a dual listed company within its meaning in the Companies' Relief Regulations (Reliefs for Public Companies Whose Shares are Listed on a Stock Exchange Outside Israel), 5760-2000 (the "**Reliefs Regulations for Dual Listed Companies**").

It was resolved to approve that until October 1, 2020², the compensation of the Company's Independent Directors, including the external directors, shall remain in the maximum amounts set forth with respect to compensation paid to an external director in a dual listed company within its meaning in the Reliefs Regulations for Dual Listed Companies.

Furthermore, in accordance with Regulation 1A of the Reliefs Regulations, it was resolved that following abovementioned date, the compensation paid to the Independent Directors of the Company (including external directors), shall include the maximum amounts that are determined in the Companies Regulations (Rules on Compensation and Expenses for an External Director), 5760-2000 (the "**Compensation Regulations**"), with respect to compensation paid to an external director with equity of the Company's type (as of this date, a company rated D which is not a dual listed company), including the maximum amounts that are paid to an expert external director, insofar as such definition applies with respect to the candidate for office.

The compensation for external directors of the Company does not exceed the maximum amount according to Regulations 4, 5 and 7 of the Compensation Regulations.

¹ The controlling shareholders and/or their relatives and/or with respect to whom the controlling shareholders have a personal interest, including when the compensation due to their office is paid to a controlling shareholder of the Company.

² The date on which the Company's external director's term of office is expected to end, which term of office was approved prior to the date the Company ceased being a dual listed company.

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Reasons for the resolution of the Board of Directors and the Compensation Committee:

1. The proposed compensation does not exceed the maximum permitted amount under the Compensation Regulations and is consistent with the rules which were determined with respect to directors' remuneration in the Company's compensation policy.
2. In accordance with the Compensation Regulations, the annual compensation amount to be granted to each external director of the Company shall be identical (other than an increment to an expert external director in accordance with the Compensation Regulations).
3. The proposed compensation is appropriate and reasonable under the circumstances of the matter, and in comparison to other companies, in view of the time, investment and responsibility required from external directors who hold office with a public company of the Company's size.
4. Continued payment of compensation according to the Reliefs Regulations for Dual Listed Companies so long as the term of office of external directors appointed prior to the expiration of the reporting obligations in the United States. shall not have expired, is consistent with the law and with what was presented to the general meeting and the external directors on the date of appointment.

Sincerely Yours,

Elron Electronic Industries Ltd.

Signatories:

Ari Bronshtein, CEO

Yaron Elad, CFO