

# ELRON

## Translation of Immediate Report Filed by Elron Electronic Industries Ltd. (TASE: ELRN) (the "Company") on June 3, 2019 with the Israeli Securities Authority

### Increasing Scope of D&O Insurance Policy

1. On July 4, 2018, the Company's shareholders approved the Company's engagement in a directors' and officers' liability insurance policy from July 1, 2018 (the "**Current Policy**") through Clal Insurance Company Ltd. ("**Clal**", the "**Commencement Date of the Initial Insurance Period**"), which is controlled by IDB Development Corporation Ltd., whose controlling shareholder is the Company's controlling shareholder, for a period of 18 months until December 31, 2019 (the "**Initial Insurance Period**"). The main terms of the Current Policy are detailed in the immediate report published by the Company on May 29, 2018 (ISA ref. no. 2018-01-044517) which is incorporated herein by reference. In addition, on same date, the general meeting of the Company's shareholders approved, in advance, the Company's engagement in an insurance policy as aforesaid after expiration of the Initial Insurance Period, all including by way of extension of the Current Policy and/or through the purchase of new policies (whether from Clal or from any other insurance company), and also approved the possibility to expand the policy, whether during the Initial Insurance Period or thereafter, in the event that as a result of changes in the Company's business and/or stock exchanges on which it is traded, the need shall arise for the expansion of the events and/or the scope covered by the policy, subject to the fulfillment of following conditions:
  - 1.1. The Compensation Committee and the Board of Directors shall approve the engagement in the policies and shall determine that there were no significant changes in the insurance terms compared to the terms of the Current Policy. In this regard, a change in the insurance coverage shall not be considered a significant change, as long as the premium is in accordance with the provisions of Section 1.2 below.
  - 1.2. The increase in annual insurance fees will not exceed 50% of the annual insurance fees paid under the Current Policy.
  - 1.3. This resolution will be in effect for a period of three years from the Commencement Date of the Initial Insurance Period.
2. It was further approved that the aforesaid resolutions also constitute a resolution to approve a framework transaction, as such term is defined under the Israeli Companies Regulations (Reliefs in Interested Party Transactions), 5760-2000 ("**Relief Regulations**" and "**Framework Transaction**", respectively), which shall also allow for the renewal of the insurance for directors and officers who are controlling shareholders in the Company or their relatives, and also for officers with respect to whom the Company's controlling shareholder has or may have a personal interest in their employment and office terms, as shall be from

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time to time, and further the purchase of policies from Clal in accordance with the aforementioned terms, as required under applicable law.

For further details regarding the resolution of the general meeting of the Company's shareholders, including regarding the approval of the Framework Transaction, see the aforementioned immediate report published by the Company on May 29, 2018 (ISA ref. no. 2018-01-044517).

3. In view of the resolution in principal of the Company's Board of Directors from June 3, 2019 to prepare for a public offering of the Company's ordinary shares by way of publishing a shelf offering report (pursuant to a shelf prospectus from February 25, 2019) (for further details, see immediate report published today (ISA ref. no. 2019-01-055414)), the Board of Directors of the Company resolved on same date, and following the approval of the Compensation Committee from May 26, 2019, to approve, in accordance with Regulations 1(3), 1A1 and 1B(5) to the Relief Regulations, to expand the scope of the Current Policy through Clal, such that it shall also include coverage in case the Company shall elect to issue more than 20% of its share capital (the "**Coverage Expansion**" and the "**Updated Policy**", respectively).
4. Moreover, the Board of Directors, following the aforesaid approval of the Compensation Committee, resolved, on the same date, to determine that the change in insurance coverage is not a significant change, after it found that the increase in the insurance fees payable for a period of one year under the Updated Policy does not exceed 50% of the insurance fees paid for a period of one year under the Current Policy. The annual premium due under the Updated Policy is expected to amount to approximately \$120,000.

## **Summary of the Reasons of the Compensation Committee and the Board of Directors behind the approval of the Engagement:**

5. The Company's Compensation Committee and Board of Directors unanimously approved the engagement in the Updated Policy due to the reasons summarized below:
  - 5.1. Expanding the coverage under the Current Policy such that it shall also include coverage in case the Company shall issue more than 20% of its share capital, is required due to the resolution in principal of the Company's Board of Directors to prepare for a public offering of the Company's ordinary shares.
  - 5.2. Due to the Coverage Expansion, the increase in annual insurance fees under the Updated Policy will not exceed 50% of the annual insurance fees paid under the Current Policy.
  - 5.3. Considering all of the above, the Compensation Committee and the Board of Directors approved the engagement with Clal under the Updated Policy, and determined that there

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were no significant changes in the insurance terms compared to the terms of the Current Policy.

The engagement in the Current Policy complies with the terms determined by the general meeting of the Company's shareholders, constituting, among others, a Framework Transaction under the Relief Regulations. Furthermore, the insurance policy's terms pertaining to controlling shareholders in the Company or their relatives, or to officers with respect to whom the Company's controlling shareholders have or may have a personal interest in their engagement, are identical to the terms of the policy pertaining to the other Company's officers; are on market terms, and may not significantly affect the Company's profits, assets or liabilities.

**Sincerely,  
Elron Electronic Industries Ltd.**