

ELRON

Translation of Immediate Report Filed by Elron Electronic Industries Ltd. (TASE: ELRN) (the "Company") on November 27, 2019 with the Israeli Securities Authority

Renewal of D&O Insurance Policy

1. Further to the resolution taken at the Company's general meeting of shareholders on July 4, 2018 to approve the Company's engagement in a directors' and officers' liability insurance policy from July 1, 2018 (the "**Previous Policy**") through Clal Insurance Company Ltd. ("**Clal**"), which is held 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 main terms of the Previous 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), and further to the resolution taken by the Company's board of directors to approve, in accordance with the Israeli Companies Regulations (Reliefs in Interested Party Transactions), 5760-2000 ("**Relief Regulations**") an increase in the scope of the Previous 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 "**Updated Policy**"), as detailed in the immediate report published by the Company on June 3, 2019 (ISA ref. no. 2019-01-055420) which is incorporated herein by reference, the Company hereby announces that on November 27, 2019, following approval by the Company's compensation committee, the Company's board of directors approved the engagement with Clal in a directors' and officers' liability insurance policy for a 12-month period from January 1, 2020, for the same premium paid under the Updated Policy – approximately USD 120,000 per annum (the "**New Policy**").
2. The terms of the New Policy are the same as those of the Updated Policy, except for an increase in the deductible for securities claims in the U.S. from USD 200,000 to USD 500,000. In the view of the Company's insurance consultants, this increase is in line with market developments.
3. Following the compensation committee's approval, the Company's board of directors determined that there were no material changes in the insurance terms compared to both the Previous Policy and the Updated Policy, and, following the compensation committee's approval, approved the New Policy, pursuant to the Relief Regulations.

Summary of the explanations given by the compensation committee and board of directors for approving the engagement:

1. There were no material changes in the insurance terms compared to the terms of the Updated Policy.

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2. The engagement with Clal according to the New 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.
3. 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; and are on market terms.

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