

ELRON

Translation of Immediate Report Filed by Elron Electronic Industries Ltd (the “Company”) on March 26, 2021 with the Israeli Securities Authority

Further to Section 2.2.2 of Part I (Description of Corporation's Business) of the Company's annual report for 2020 published on March 15, 2021 (the “Periodic Report”), regarding (inter alia) the receivership proceedings over the shares of the Company's controlling shareholder, Discount Investment Corporation Ltd. (“DIC”) and regarding the Tel-Aviv District Court's approval of the sale of its shares to Mega Or Holdings Ltd. (“Mega Or”) and the investors group led by it, based on its offers (the “Sale Transaction”) and further to the Company's immediate report of March 17, 2021 regarding the approval by the Israeli Ministry of Communication to transfer the control in Cellcom Israel Ltd. (“Cellcom”) and in other companies in the Cellcom group, the Company hereby updates that on March 25, 2021, DIC reported that the first stage of the Sale Transaction was completed, in which DIC shares, constituting approximately 47.4% of its outstanding share capital, were transferred to Mega Or and additional purchasers, of which Mega Or acquired DIC shares constituting approximately 24.9% of its outstanding share capital.

In accordance with DIC's report, upon the completion of the aforesaid transfer of its shares, the “material adverse effect event” term set forth in Mega Or's offer to the receivers appointed by the court expired. For details see Note 2.2.2. to the Periodic Report.

In view of DIC's report, according to which, upon the completion of the aforesaid transfer of DIC shares and as of such date, it is considered a company without a controlling shareholder (as the term “control” is defined under the Israeli Securities Law, 5728-1968) and is no longer considered a tier company (as such term is defined under the Israeli Concentration Law, 5773-2013 – the “Concentration Law”), the Company hereby updates that as of such date, it is considered a “first-tier company” (as such term is defined under the Concentration Law).