

ELRON

Translation of Immediate Report Filed by Elron on August 6, 2020 with the Israeli Securities Authority

Tel-Aviv, August 6, 2020 - Further to the description set forth under Section 25.3 of "Part I – Description of Corporation's Business" in Elron's annual periodic report for 2019, published on March 19, 2020, Elron Electronic Industries Ltd. ("Elron") (TASE: ELRN) hereby announces with respect to Pocared Diagnostics Ltd. ("Pocared") as follows:

Elron and RDC Rafael Development Corporation Ltd. ("RDC", 50.1% held by Elron) signed an agreement (the "Transaction") with several of Pocared's shareholders, led by Naftali Investments Ltd. which is owned by the Oudi Recanati family (the "Buyers"), whereby:

- The Buyers undertook to fund Pocared's current operations and the continuation of its efforts to obtain external financing, while interim financing was already advanced by the Buyers during July.
- Elron and RDC will transfer most of their holdings to the Buyers, as well as most of the balance of the loans previously granted to Pocared by them (hereinafter collectively: "the Securities"), such that Elron's consolidated holding in Pocared will decrease from approximately 71% prior to the Transaction (including 26% through RDC), to approximately 10% of Pocared's issued capital.
- In addition to their remaining holding in Pocared, Elron and RDC will be entitled to a portion of any future consideration that the Buyers may receive from the Securities that were transferred.
- Elron and RDC will retain customary minority rights in Pocared.

Upon completion of the Transaction, Elron and RDC will have no obligation to make any further investment in Pocared.

As a result of the Transaction, Pocared ceased to be a consolidated company of Elron and as of the third quarter of 2020 will be treated in accordance with the equity method of accounting. Elron is examining additional accounting implications due to the termination of Pocared's consolidation which will be reflected in the third quarter reports for 2020, including the possible impact on profit or loss.