



Investors Presentation  
March 2012

# Forward-Looking Information

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# ELRON

ELECTRONIC  
INDUSTRIES LTD.

A member of the IDB Holding Group

- Established in 1962.
- Publicly traded technology holding company.
- Specializes in med-tech investments.
- Proven track record of identifying, building, developing and exiting companies.
- Proceeds from exits totaled ~\$250 million during the last three years.
- Strategic partnership with Rafael (Israeli MoD's largest R&D organization) and access to its state of the art technologies through jointly owned subsidiary, RDC.
- Solid and lasting networks with major global med-tech companies.
- Access to substantial and quality deal flow.

# MAJOR EXITS > 2009-2011

During the last three years Elron led exits amounting to over \$400m in the aggregate

## MEDINGO

Sale of company to Roche for \$200m\*



Sale of holdings to Discount Investment Corp and Clal Industries and Investments for \$60m



Sale of company to Enablece for \$50m



Sale of company to Alvarion for \$30m



Sale of company to Wave Systems Corp for \$13m



Sale of assets to Microsoft for \$35m

June 2009

October 2009

May 2010

June 2010

September 2011

November 2011

\* Including earn out and escrow amounts



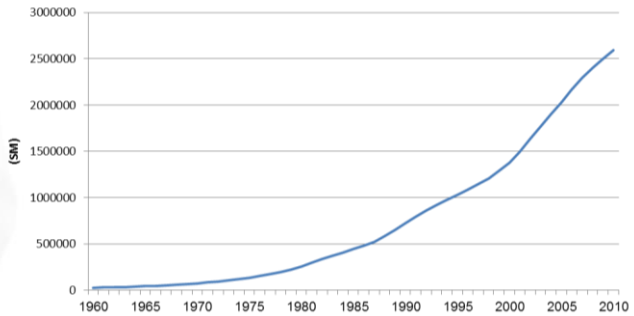
U.S. health expenditures in 2010 amounted to:

**2,594** billion US dollars

which translates to

**8,402** US dollars per person

**17.9%** of the GDP



U.S. healthcare spending: constant and significant growth

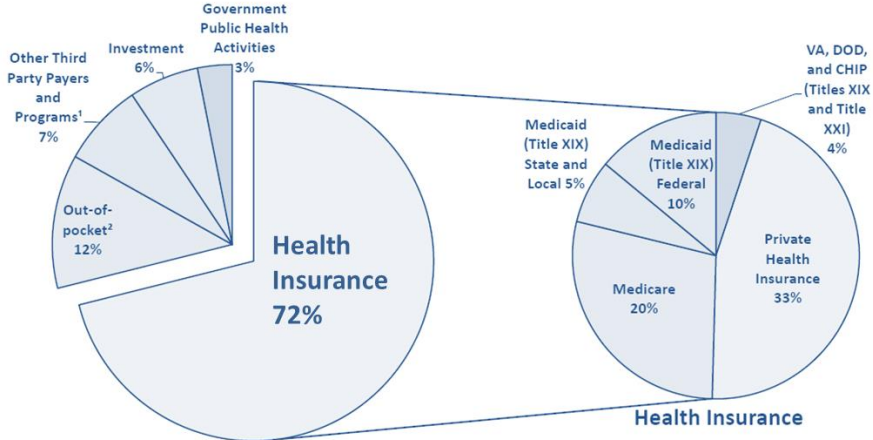
Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.

# ELRON > MED TECH > HEALTHCARE MARKET

Annual healthcare spending per person is expected to increase to \$12,000 in 2015



Source: Wells Fargo Insurance Services.



<sup>1</sup>Includes workable health care, other private revenues, Indian Health Service, workers' compensation, general assistance, maternal and child health, vocational rehabilitation, Substance Abuse and Mental Health Services Administration, school health, and other federal and state local programs.  
<sup>2</sup>Includes co-payments, deductibles, and any amounts not covered by health insurance.  
 Note: Sum of pieces may not equal 100% due to rounding.

Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group ("The Nation's Health Dollar, Calendar Year 2010: Where It Came From").

## THE MED-TECH MARKET

### TOP FORTUNE 500 COMPANIES 2011: Medical Products & Equipment

Rank	Company	Fortune 500 rank	Revenues		Profits	
			\$ millions	% change from 2009	\$ millions	% change from 2009
1	 <b>Medtronic</b>	158	15,817.0	8.3	3,099.0	42.9
2	<b>Baxter</b>	192	12,843.0	2.2	1,420.0	-35.6
3	 <b>Boston Scientific</b>	305	7,806.0	-4.7	-1,065.0	N.A.
4	 <b>BD</b>	316	7,540.1	4.5	1,317.6	7.0
5	<b>stryker</b>	323	7,320.0	8.9	1,273.4	15.0
6	 <b>ST. JUDE MEDICAL</b>	436	5,164.8	10.3	907.4	16.8

Issue date: May 23, 2011

Source: Fortune magazine: <http://money.cnn.com/magazines/fortune/fortune500/2011/industries/>

## M&As IN THE US AND EUROPE

2007-H1 2011

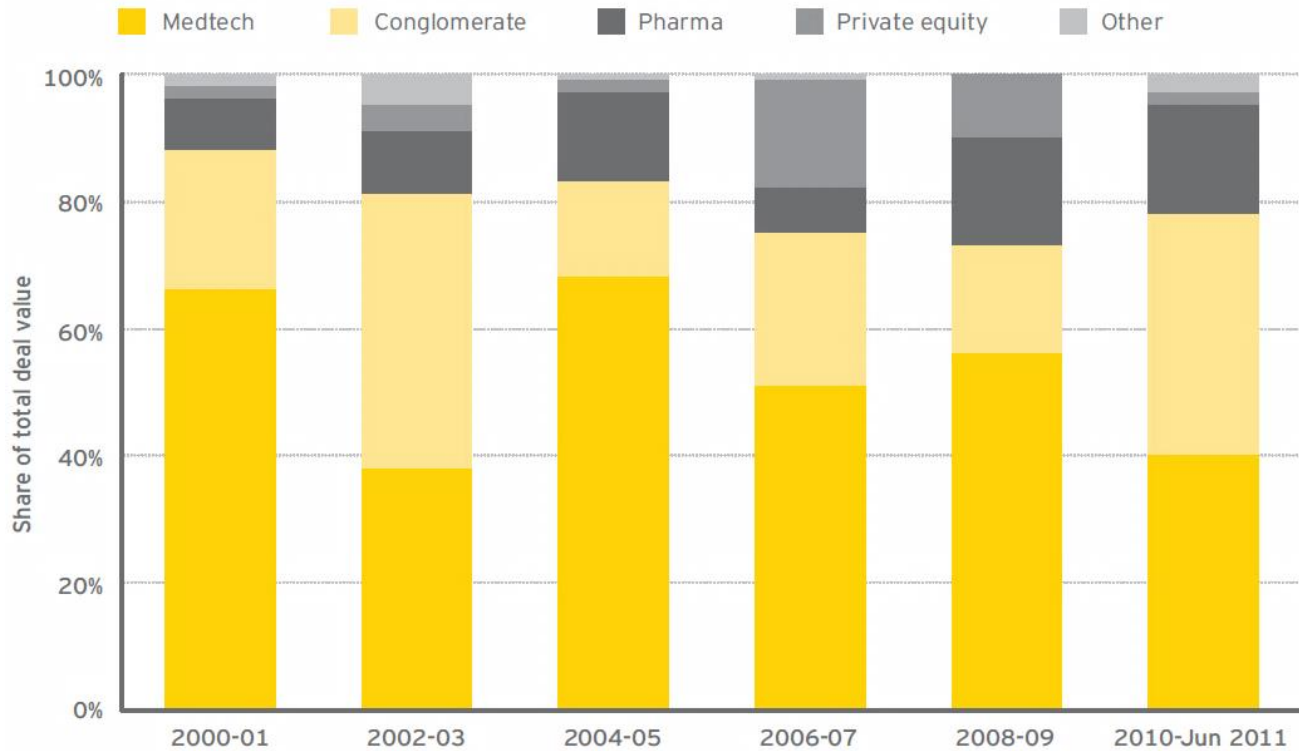
Type	2007	2008	2009	2010	H1 2011
Number of M&As	309	238	171	201	135
Total value of M&As	\$61,968	\$30,709	\$15,725	\$30,624	\$47,340
Average deal size	\$348	\$274	\$175	\$243	\$351
Number of M&As more than US\$1 billion	15	6	2	7	7

Source: Ernst & Young and Capital IQ Average deal size calculated using deals with announced values.



## THE MED-TECH MARKET US & EUROPEAN M&As BY TYPE OF BUYER

2000-H1 2011



Source: Ernst & Young, Capital IQ, Windhover and BMO Capital Markets





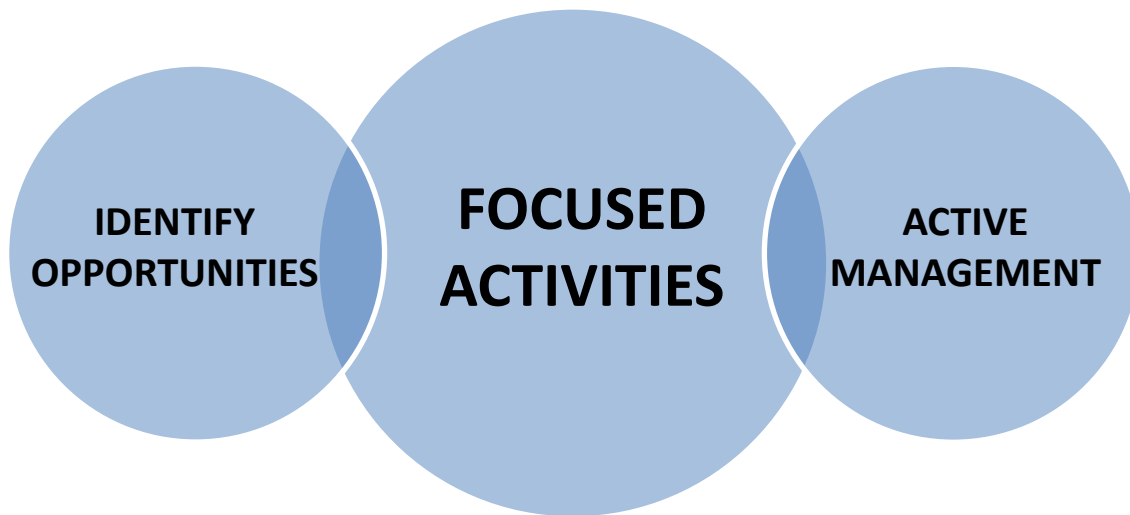
# \$150m

invested in med-tech  
companies during the last 5  
years



GROUP COMPANIES / MED-TECH:





- Leverage know-how, expertise, and international network to identify and realize opportunities.
- Enhance value of group companies by providing assistance in the advancement of their technology, forming & advancing multinational strategic relationships, and providing access to capital.
- Focus on investments in a manner which vests us with influence on their direction and management.
- Aim for significant holdings in core assets and investments in companies with significant exit potential

# MAIN INVESTMENTS 2011 >



Increased holdings  
from 32% to 41%



Increased holdings  
from 23% to 29%



New investment  
through RDC

**SMARTWAVE**

New investment  
through RDC

**NAVITRIO**  
AN ELRON COMPANY

Elron's new  
digital venture



# GROUP COMPANIES OVERVIEW



## BrainsGate

- Elron's holding: 29%
- Device for treating ischemic stroke in 24 hour window post symptom onset, as opposed to treatment with the tPA protein which is only approved for use during 3-4.5 hour window
- Electrical stimulation of SPG (a nerve center located behind the nasal cavity) to increase blood flow to the brain using a miniature implantable electrode; minimally invasive
- Main partners: Johnson & Johnson, Boston Scientific, Pitango
- ~\$64m have been invested to date, of which ~\$18m by Elron

The direct cost of strokes in the US amounted to

**\$73.7**

billion in 2010

- 15** million people suffer from strokes in the western hemisphere each year
- 5%** of stroke victims receive treatment in the limited 3-4.5 hour window
- >** Ischemic stroke is the number one cause of severe long term disability

Sources: World Health Organization website:  
[http://www.who.int/cardiovascular\\_diseases/en/cvd\\_atlas\\_15\\_burden\\_stroke.pdf](http://www.who.int/cardiovascular_diseases/en/cvd_atlas_15_burden_stroke.pdf).  
American Heart Association: Heart Disease and Stroke Statistics – 2010 Update.

- BrainsGate conducted a clinical trial that included approximately 300 patients to prove the efficacy of its system, which it voluntarily suspended in order to update the trial protocol.
- The trial results strengthen the assessment that BrainsGate's treatment has a considerable clinical effect, which is **stronger** than the effect found in current treatments.
- In June 2011, BrainsGate completed the process of updating its protocol and renewed patient enrollment outside the U.S., following approval by its steering committee and key opinion leaders.
- The updated protocol is based on conclusions from the clinical results obtained thus far, on improvements to equipment supporting the implantation procedure and its supplemental services, and on the results of discussions between BrainsGate and the FDA.
- BrainsGate is currently conducting negotiations with the FDA in order to receive its agreement over the updated trial protocol and begin patient enrollment in the U.S.

➤ **BrainsGate expects to complete the clinical trial during 2013.**





- Innovative real-time and automated system for infectious diseases diagnosis using optical technology
- The system's first application is diagnosis of urinary tract infection (UTI)
- The system is designed for use by major microbiological laboratories and hospitals, as an alternative to the current microbiological diagnostic method of growing pathogen cultures, which is manual, lengthy and expensive
- Elron's holding: 41%
- Main partner: SCP Vitalife
- ~\$57m have been invested to date, of which ~\$23m by Elron

The global microbiology diagnostic market is expected to total approximately

**\$3**

billion in 2012

**125**

million urine cultures are performed each year worldwide

**70%**

of urine cultures return with negative results, after antibiotics have been unnecessarily administered



Sources: Venture Planning 2006 Automated Microbiology Report. Interviews conducted by Pocared with leading microbiology laboratories managers. Frost & Sullivan – U.S. Diagnostics Markets, December 2006, European IVD Market, September 2006' Frost & Sullivan Global IVD Market Outlook, May 2005

- The company commenced a diagnostic trial in support of its planned application filing to the FDA at five of the world's leading medical centers.
- The object of the trial is to assess the efficacy of the system's first application, diagnosis of UTI.
- Currently, the centers are undergoing staff training and the sample processing procedure is being suited to the system's diagnostic method, upon completion of which the sample collection process will begin.
- During the third quarter of 2011, Elron increased its holding in the company after purchasing another shareholder's shares and completing another payment in the current capital raising. Elron's holding in Pocared is currently ~41%.

➤ **In December 2011, the company received CE certification.**

➤ **The company expects to complete the FDA trial in the second half of 2012.**





- Miniature device under development for the continuous remote monitoring of chronic heart failure (CHF) patients, inserted beneath the skin or attached to the patient's torso in patch form.
- Kyma's remote monitoring is intended to enable early treatment, and as a result, reduced hospitalization admissions.
- RDC's holding: 67%
- ~\$5.5m have been invested to date.

### **Kyma's clinical advantage:**

- Data is transferred continuously & wirelessly.
- Device is based on unique radar technology (RFIC) that enables direct & precise measurement of fluid in the lungs. There is currently no solution that enables direct measurements.
- The device provides measurements of various cardiothoracic parameters (multipoint E.K.G., respiratory sinus, wall motion, posture-movement, and others), and is thus intended to be a comprehensive solution for CHF patients.





kyma

The estimated direct and indirect cost of heart failure in the U.S. in 2009 amounted to

**\$37.2** billion

This amount is expected to increase to \$44.6 billion in 2015 and \$57.0 billion in 2020.

**45%** of this amount was spent on hospitalizations.

Remote patient monitoring for heart failure has the potential to yield annual cost savings of up to \$6.4 billion in the U.S.

- > The patch device is currently undergoing clinical trials.
- > Kyma expects to receive CE certification by the end of the year.

Sources: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group. American Heart Association: Heart Disease and Stroke Statistics – 2009 Update, Heart Disease and Stroke Statistics – 2012 Update. New England Healthcare Institute: Research Update – Remote Physiological Monitoring

# SMARTWAVE

MEDICAL

- Miniature implantable atrial defibrillator, under development.
- The defibrillator immediately and automatically detects and terminates atrial fibrillation (AF) episodes (a type of irregular heartbeat), without the need for hospitalization.
- The device delivers electrical pulses to restore the heart's normal rhythm (electrical cardioversion).
- RDC's holding: 100%
- ~\$0.5m have been invested to date

## SmartWave's clinical advantage:

- Thanks to the application of a unique waveform, the device terminates AF episodes with minimal patient discomfort.
- Current treatments include: drug therapy, which is often ineffective and has numerous side effects; cardiac ablation, which requires hospitalization & sedation, and more often than not does not prevent recurrence of the disease shortly after.
- SmartWave's device is expected to slow down disease progression, and improve patient quality of life.

> The device is currently undergoing pre-clinical trials.



The estimated direct cost of AF in the U.S. in 2008 amounted to approximately

**\$26** billion

**There is currently no other implantable atrial defibrillator.**





As part of its plan for growth and entry into new fields, Elron established a **POWERHOUSE** for investments in technology based digital ventures

NAVITRIO invests in the following fields:



ELECTRONIC  
COMMERCE



ADD-ONS,  
FEATURES, &  
APPLICATIONS



CLOUD BASED  
MANAGEMENT &  
OPTIMIZATION  
SYSTEMS



SOCIAL  
NETWORKS



In addition NAVITRIO will invest in companies and incubate technology based projects that are health and pharma related, leveraging Elron's networks and business development med-tech resources



e-health



m-health



social health



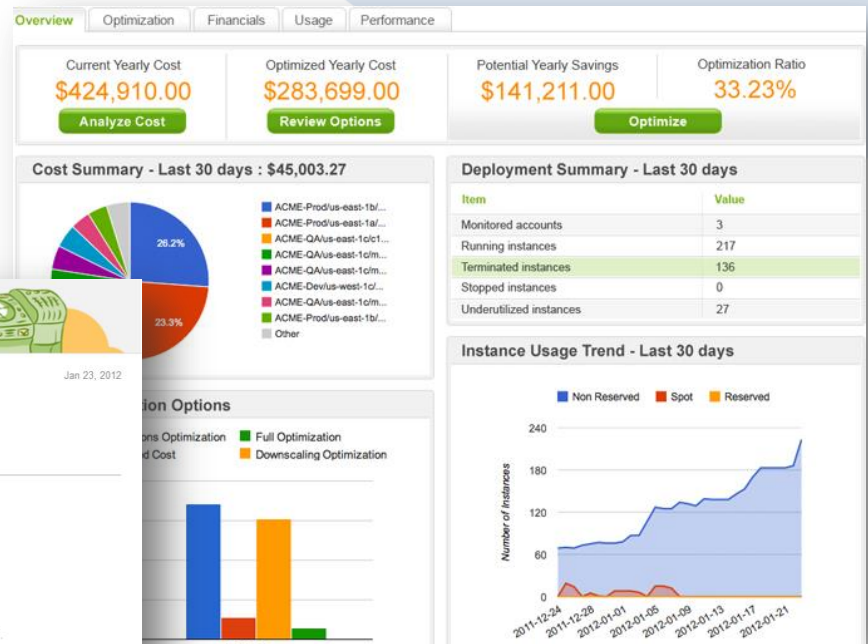


Entrepreneurs: Dr. Boris Goldberg, Vitaly Tavor & Sharon Wagner

NAVITRIO's holding: 43% (following completion of investment)

Launch: February 2012

System for optimization of resources and costs related to the cloud environment that delivers an average of 40% cloud-related cost reductions



Hi, John Doe Jan 23, 2012

**You may save up to:**  
**\$481,653 (44.04%)** [Click for Details](#)  
of your annual EC2 cost

**Notifications:**

- \$92,852** Your last 32 days EC2 compute cost is **\$92,852**. [Click here for more details.](#)
- 68%** In the last 32 days your spending increased by **68%** compared to the previous period. [Click here for more details.](#)
- 1** In the last 32 days you had **1** instances with CPU usage consistently above 60%. [Click here for more details.](#)
- 111** In the last 32 days you had **111** instances with average CPU usage consistently below 5%. [Click here for more details.](#)

**Cloudyn's What's New:**  
Lately we have added few nice features to the Cloudyn's website:

- Notifications: You are now able to subscribe to a bi-weekly mail
- Optimization Justifications: Now each optimization recommendation shows its justification graph, explaining you why the reasoning behind each recommendation
- The reports: The site reports were added the intuitive navigation to other related reports



The company launched its beta version at the beginning of February 2012.

Approximately four months later, the company achieved impressive results:

**150K**

managed AWS servers

**41%**

cloud related cost reductions on average

**400%**

increase in the company's client base

**20+**

million cloud-managed dollars

"The new Cloudyn service actually tells you how to change your image provisioning and your price plans at Amazon so that you can achieve the results that you want at the lowest possible cost. This is the first time that someone has addressed the economics of public cloud computing in this manner"

Bernd Harzog, Analyst - Virtualization Performance and Capacity Management, The Virtualization Practice





RDC

Strategic partnership between Elron and Rafael, through a jointly owned subsidiary, that has access to state of the art technologies developed by Rafael and exclusive rights to commercialize them



RAFAEL



ELRON

Rafael – Advanced Defense Systems develops & manufactures state of the art armaments for the Israel Defense Forces and Israel's defense systems, and has broad international business activities. The company is considered a world leader in various technology fields, such as image processing, navigation, armored protection, electro-optics and micro-mechanics, and invests over NIS 500 million each year in R&D.

**Incubating and developing companies and ventures based on or benefiting from Rafael's development and technology**

## 2011

- Led exits amounting to ~\$55m in the aggregate, of which Elron recorded a profit of ~\$31m
- Invested ~\$37m in group companies (including RDC)
- GIVEN IMAGING announced record revenues in the fourth quarter and year 2011
- POCARED commenced FDA trials and received CE certification
- BRAINSGATE is conducting negotiations with the FDA in order to receive its agreement over the updated trial protocol and to begin patient enrollment in the U.S.
- Completed investments in KYMA, SMARTWAVE, & NAVITRIO

## 2012/2013 (forecast)

- Completion of FDA trials by POCARED (2012)
- CE certification by KYMA (2012)
- Completion of clinical trials by BRAINSGATE (2013)
- Launch support of 4 new cloud platforms by CLOUDYN (2012)

# ELRON > SUMMARY



- Leading investor with hands-on investment & management capabilities
- Focus on medical devices: ~\$150m invested by Elron in med-tech over last 5 years
- Broad business development platform that encompasses largest global med-tech companies
- The way Elron works: identify opportunities / focus / development / active management
- Aim for significant holdings in core assets
- New e-health and digital activities – future growth engine

# ELRON > FINANCIAL DATA

<b>Effective Public Holdings (Market value as of March 7, 2012)</b>	<b>(\$m)</b>
Given Imaging	152.3
Other holdings	5.5
<u>Total Public Holdings</u>	<u>157.8</u>
<b>Private Holdings (Book value as of December 31, 2011)</b>	
Pocared	5.0
BrainsGate	0.4
Other holdings <sup>1</sup>	22.3
<u>Total Private Holdings</u>	<u>27.7</u>
<b>Financial Assets, net (as of December 31, 2011)</b>	<b>9.4</b>
<b>Cash (as of December 31, 2011)</b>	<b>31.1</b>
<b><u>TOTAL</u> <sup>2</sup></b>	<b><u>226.0</u></b>
<i>Price per share on TASE (in \$) (as of March 7, 2012)</i>	4.2
<i>Elron's Market Value (as of March 7, 2012)</i>	125.4

<sup>1</sup> Mainly Jordan Valley which is recorded as an available for sale investment at fair value.

<sup>2</sup> The above financial data is based on publicly available information and does not represent a valuation, investment advice, or a financial opinion of any kind.



[info@elron.com](mailto:info@elron.com)