



**INVESTOR PRESENTATION / NOVEMBER 2013**

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# ELRON Q3/13 > **HIGHLIGHTS**

# NEWS Q3

- **GIVEN IMAGING: Record sales during Q3/13-** Sales amounted to \$50m, a 10% increase compared to Q3/12.
- **GIVEN IMAGING** is releasing "trapped profits".
- The PillCam SB 3 received marketing clearance in the U.S. and Japan. Given Imaging expects to begin recognizing sales in Japan in 2014.
- The PillCam COLON 2 received reimbursement approval in Japan effective January 1, 2014.
- **BRAINSGATE:** 365 out of 450 patients were recruited for the FDA trial. Patient recruitment is expected to be completed during H1/14.
- **POCARED:** Urine sample collection is underway for the FDA trial on urinary tract infection (UTI) diagnosis. The trial is expected to be completed during 2014.
- **KYMA:** The company closed a \$10m investment round led by Ganot Capital, with the participation of RDC.
- **CARTIHEAL:** The company completed the recruitment of more than 50 patients for a clinical trial being conducted at medical centers in Europe.
- During September, consideration in the value of \$3.5m was received from the Enablence-debentures transaction.

**ELRON 2010-2013:  
BACK TO A TECHNOLOGY  
HOLDING COMPANY**

# **FOCUS ON MEDICAL DEVICES**

- Our main focus since 2009 has been investing in medical device companies.
- The value of M&As in this industry in the U.S. and Europe totaled \$35b over the last year.
- We leverage our know-how, expertise, and international network to identify and realize opportunities.
- We have successfully built and exited several medical device companies over the past few years, such as Medingo and Sync-Rx.
- We have access to disruptive technologies in this field, including through our partnership with Rafael, which enables us to access military technology.



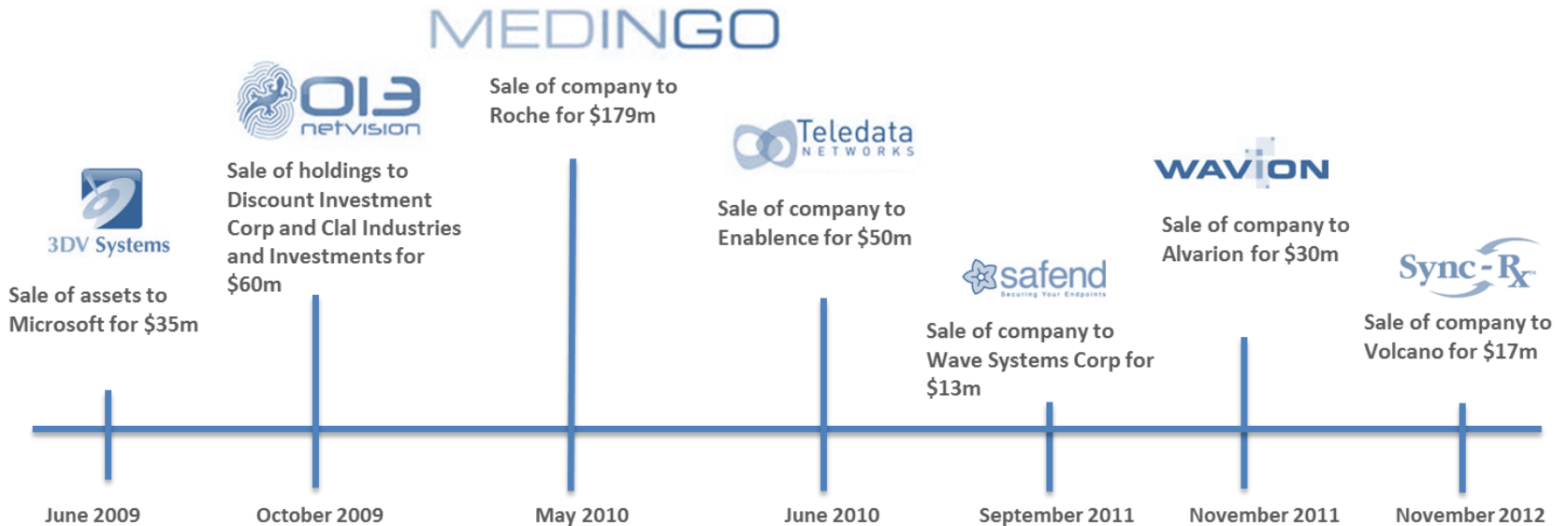
# **FOCUS ON MEDICAL DEVICES**

# \$180m

**invested by Elron in med-tech  
companies during the last few years**



# **SINCE 2009, ELRON LED EXITS AMOUNTING TO \$400M IN THE AGGREGATE**





# **SPECIALTY OVER DIVERSITY**

- Investments which afford us significant influence and active involvement
- Early-stage companies, where control or joint control can be acquired at a reasonable value
- Flexibility for long-term support and commitment
- Game changers with significant exit potential



# **OUR STRATEGIC ALLIANCE**



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 in civilian markets

**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.**

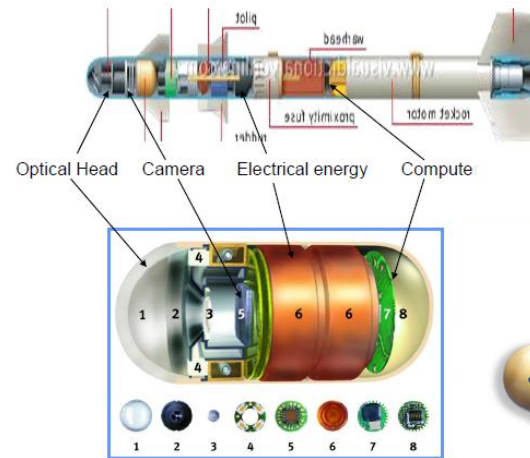
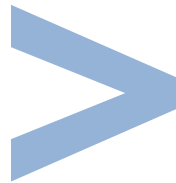
**The company is considered a world leader in various technology fields, such as image processing, navigation, armored protection, electro-optics and micro-mechanics, and invests over NIS 500 million each year in R&D.**

# OUR STRATEGIC ALLIANCE



Combining Rafael's extensive scientific know-how, advanced R&D capabilities, technological innovation and resourcefulness with Elron's strong financial base, access to capital markets, management skills and strategic expertise

**GIVEN IMAGING:**  
From military missile  
technology to video  
endoscopic capsule



## CURRENT RESOURCES

**\$23m** cash balance as of Sep. 30, 2013







**\$25m** unutilized credit line from Silicon Valley Bank

**\$13m** cash balance at RDC as of Sep. 30, 2013

**We continue to seek new investment opportunities in the medical device industry, and have resources sufficient to support both existing and new group companies**

**ELRON 2013/4 >**  
**CATALYSTS**

# MAJOR GROUP HOLDINGS

	<b>Business</b>	<b>Shareholdings</b>	<b>Elron's investment</b>
	world leader in GI medical devices and pioneer of capsule endoscopy	<b>30%</b> <b>(8.36% by RDC)</b>	<b>NA</b>
	real-time & automated microbiology laboratory system	<b>41%</b>	<b>\$27.4m</b>
	treatment of ischemic stroke in 24h window post symptom onset	<b>30%</b>	<b>\$21.2m</b>
	non-invasive remote monitoring of chronic heart failure patients	<b>64% (by RDC only)</b>	<b>\$8.5m</b>
	remote monitoring of patients at risk of vision loss from AMD	<b>22%</b>	<b>\$6.5m</b>
	implants for cartilage repair and regeneration	<b>32%</b>	<b>\$5m</b>



- **Elron's holding: 30%**
- **Founded: 2000**
- **First investment by Elron: 2005**
- **~\$70m have been invested to date, of which ~\$21m by Elron**
- **Main partners: Johnson & Johnson, Boston Scientific, Pitango, Cipio Partners**
- **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 a 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**

The direct and indirect cost of stroke  
in the U.S. in 2010 was estimated at

**\$73.7b**

**15** million people suffer a stroke  
worldwide each year

**5%** of stroke victims receive treatment  
in the limited 3-4.5 hour window

**15-30%** of stroke survivors are left  
permanently disabled

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 report - 2010, 2013.

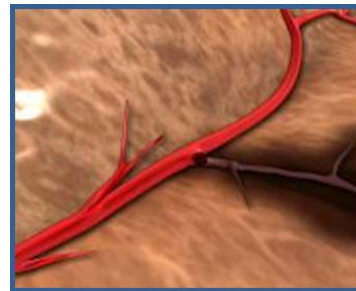
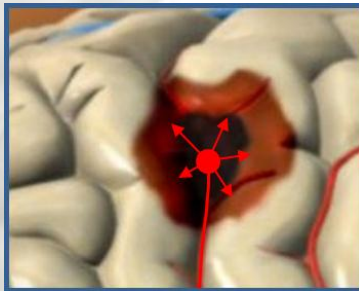




## WHY 24 HOURS?

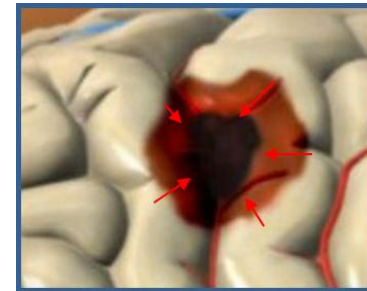
### tPA (current treatment): dissolve clot

- Restores blood flow to the blocked blood vessel
- Due to the temporary interruption in blood flow, the blood vessel becomes brittle
- In addition, the treatment compromises coagulation
- The risk of hemorrhage just 3 hrs after stroke onset increases 10X

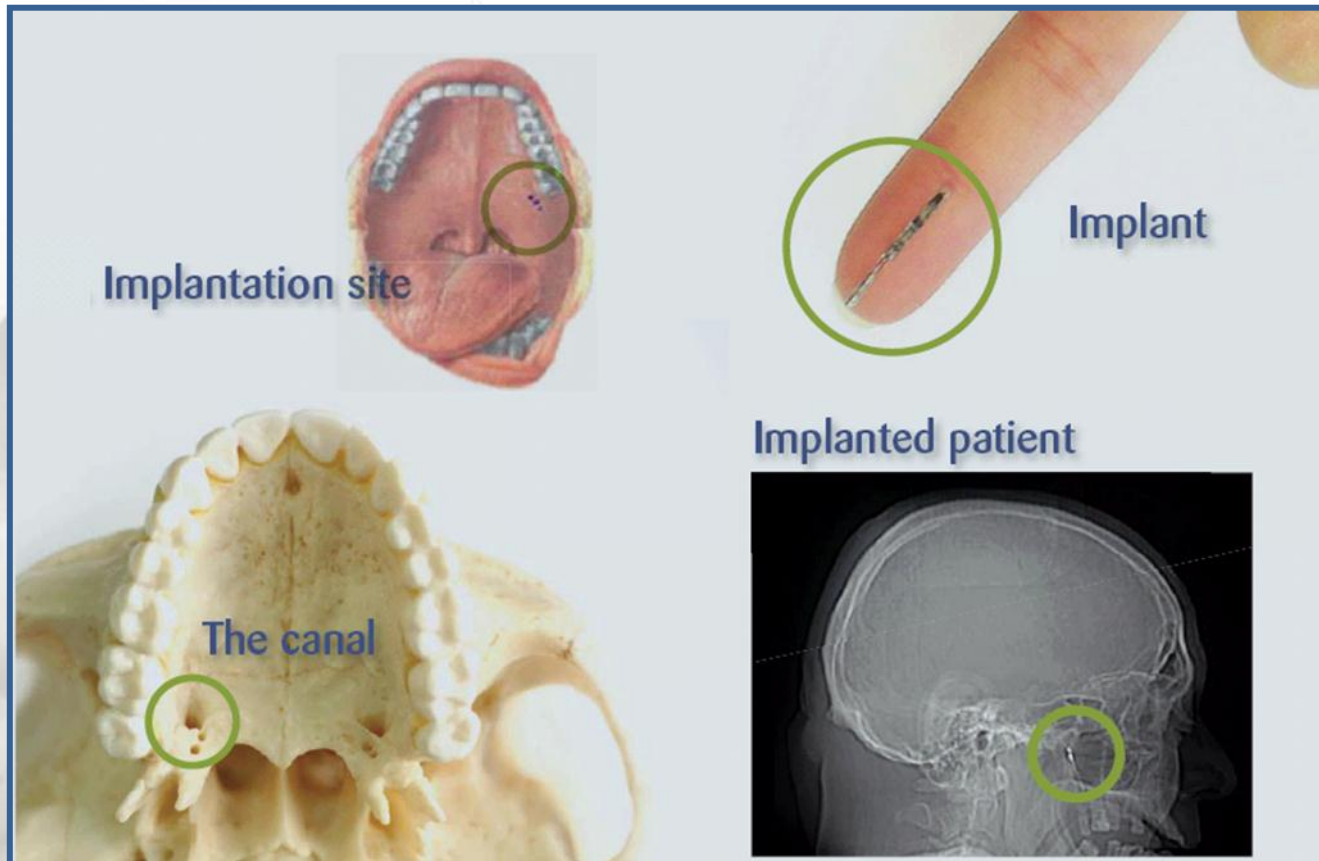


### SPG stimulation: augment cerebral blood flow

- Electrical stimulation induces dilation of cerebral blood vessels, and thus augments blood flow
- The stimulation avoids manipulating the blood clot, and treats only surrounding tissue
- The risk of hemorrhage is not induced
- Treatment may be administered during a broad window of up to 24 hrs



## IMPLANT AND IMPLANTATION SITE



- In 2010 BrainsGate completed a clinical trial on approximately 300 patients, whose results strengthened the assessment that BrainsGate's treatment has a considerable clinical effect, which is stronger than the effect found in current treatments.
- Since June 2011, BrainsGate has been enrolling patients in an additional clinical study to prove its treatment's safety efficacy, which is expected to support BrainsGate's planned PMA submission to the FDA.
- To date, BrainsGate has enrolled 365 patients at 67 medical centers in the United States, Europe and Asia.

## CATALYST 2013/4 >

During Q1/14, follow up data will be received on 350 patients, which will undergo interim analysis by the DSMB.

Considering the number of patients enrolled to date, BrainsGate updated that enrollment will end during H1/14 after 450 patients are enrolled.





- **Elron's holding: 41%**
- **Founded: 2004**
- **First investment by Elron: 2007**
- **~\$66m have been invested to date, of which ~\$27m by Elron**
- **Main partner: SCP Vitalife**
- **Real-time and automated microbiology laboratory system, using optical technology**
- **The system is designed for use by major microbiological laboratories and hospitals, as an alternative to current microbiology practice, bacteria culturing, which is an expensive, labor-intensive, time-consuming process**
- **The system's first application is diagnosis of urinary tract infection (UTI); other potential applications include swabs (throat, nasal and others), blood, sputum, and cerebrospinal fluid**

The global microbiology diagnostic market at 2013 is expected to total approximately

**\$4.5b**

**125**

million urine cultures are performed each year in the U.S.

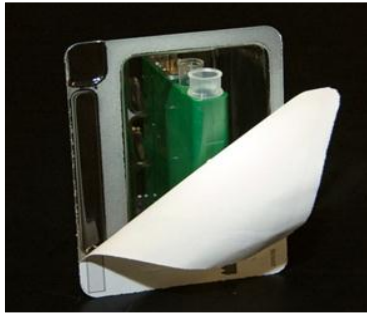
**70%**

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

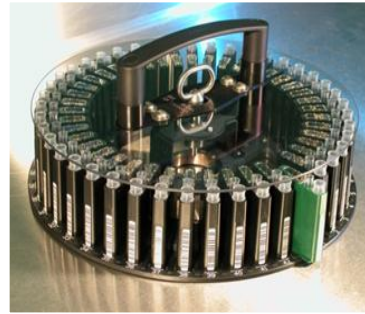


Sources: Frost & Sullivan - Strategic Analysis of the Global In Vitro Diagnostics Market, July 2010. Interviews conducted by Pocared with leading microbiology laboratories managers.

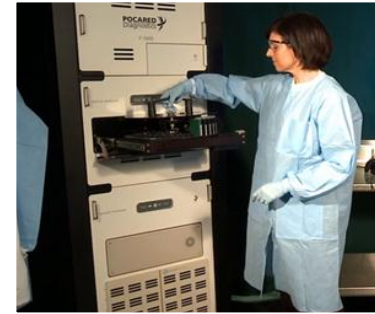
## DIAGNOSIS IN UNDER 20 MINUTES:



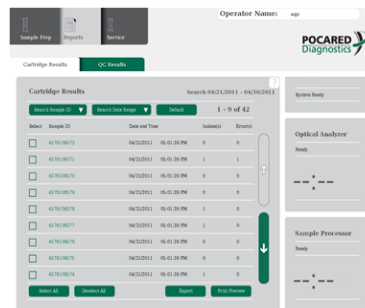
urine sample  
cartridge



a complete  
cartridge carousel



transfer carousel to  
optical analyzer  
module



Operator Name: egi

Cartridge Results

Select	Sample ID	Date and Time	Instance	Result
<input type="checkbox"/>	4378100073	06/20/2011 05:41:29 PM	0	0
<input type="checkbox"/>	4378100073	06/20/2011 05:41:29 PM	1	1
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Optical Analyzer: Busy

Sample Processor: Busy

results...

- In December 2011, the company received CE certification.
- Pocared is collecting urine samples for a diagnostic trial to prove the efficacy of its system's first application, UTI diagnosis. The trial is expected to support its planned FDA submission. The diagnostic trial is being carried out at five of the world's leading medical centers.

## CATALYST 2013/4 >

The company expects to complete the FDA trial during 2014.





- Market cap - ~\$660m (November 2013)
- Q3/13 revenues - \$50m ;2012 revenues - \$181m
- Cash and financial assets - ~\$140m (as of Sept. 30, 2013)
- In the United States, Given Imaging completed an 885-patient, multi-center pivotal clinical trial with the PillCam COLON 2 capsule
- In Japan, the PillCam COLON 2 received marketing clearance and reimbursement approval; Given Imaging estimates the addressable market in Japan to be ~1m procedures each year
- In the U.S. and Japan, the PillCam SB 3 received marketing clearance
- The company decided to release "trapped profits"



## 2013/4 >

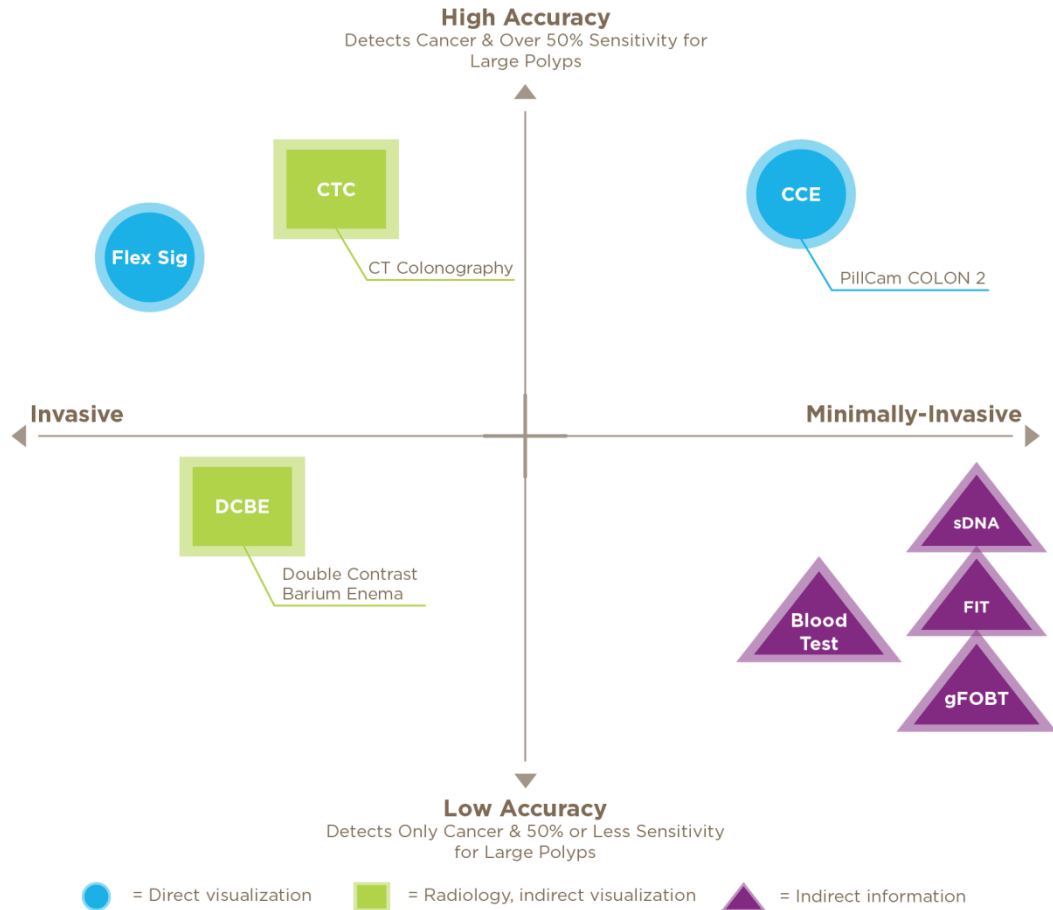
**PillCam COLON 2 received reimbursement approval in Japan effective January 1, 2014**

**Given Imaging expects to begin recognizing sales of the PillCam SB 3 in Japan in 2014**

**Given Imaging intends to review possible avenues for the use of the trapped profits in a manner that is in its and its shareholders' best interests**



## PILLCAM COLON 2:



**Sources:** <http://www.guideline.gov/content.aspx?id=14346>; <http://www.webmd.com/colorectal-cancer/which-test-should-i-have-to-screen-for-colorectal-cancer#zx3796>; Lieberman D. Screening for colorectal cancer. *New England Journal of Medicine*. 2009; 361:12; Spada C et al. Second generation PillCam COLON capsule compared with colonoscopy. *Gastrointest Endosc*. 2011;74(3):581-589; Eliakim R et al. Prospective multicenter performance evaluation of the second generation capsule compared with colonoscopy. *Endoscopy* 2009; 41:1026-1031; Berrington de Gonzalez D, Kim K, Yee J. CT colonography: perforation rates and potential radiation risks. *Gastrointest Endosc Clin N Am*. 2010 April; 20(2):279-291.

**ELRON 2015 +  
CARTIHEAL  
NOTAL VISION  
KYMA**

# ELRON 2015+



- Elron's holding: 32%
- Founded in 2009; First investment by Elron in 2012.
- \$13m invested in company to date, including \$5m by Elron.
- Other investors include Accelmed (owned by Mori Arkin) and Access Medical Ventures.
- Implants for repairing cartilage and osteochondral defects in loadbearing joints, such as the knee and ankle.
- First product is indicated for treatment of cartilage defects in the knee.
- The implant's unique structure, comprising of a coral scaffold with biological modifications, causes the implant to biodegrade, and promotes the regeneration of native cartilage in its place.
- No current treatment has succeeded in regenerating native cartilage. Existing regeneration treatments have succeeded in regenerating "hyaline-like" cartilage only, which has limited loadbearing capabilities.
- 35m people in the U.S. alone suffer from cartilage injuries. The cartilage repair market is expected to exceed \$3 billion.

The company completed the recruitment of more than 50 patients for a clinical trial being conducted at medical centers in Europe.

In 2014, the company intends to expand the trial to include 200 patients and to examine different implant sizes.

# ELRON 2015+

1 day post-op:



6 months post-op:



# ELRON 2015+



## NOTAL VISION™ Your Sight is Our Vision

- Elron's holding : 22%
- Founded in 2000; First investment by Elron in 2003.
- \$27m invested in company to date, including \$6.5m by Elron.
- Remote monitoring of patients at risk of vision loss from AMD.
- AMD destroys sharp, central vision, necessary for common tasks such as facial recognition, driving, reading, and watching television.
- There are two types of AMD, dry (non-neovascular) and wet (neovascular). About 90% of blindness is associated with wet AMD. However, when wet AMD is detected early, irreversible vision loss can be prevented.
- Notal Vision's ForeseeHome is the first FDA cleared, teleconnected, home-based system to provide frequent monitoring of AMD patients and enable early detection of visual changes.
- The patient checks his or her vision once-a-day, and in the case of a significant change in test scores, both the patient and doctor are notified immediately.
- AMD is the leading cause of severe vision loss and blindness in adults over age 55, and affects more than 9.1m individuals in the U.S. This number is expected to increase to almost 20m by 2020.



**The National Eye Institute (NEI) has invited Notal Vision to conduct a study of 1500 patients in 44 major U.S. retinal centers to evaluate the ForeseeHome.**

Macular Degeneration Association website: <http://maculardegenerationassociation.org/about-md/>.

# ELRON 2015+



- Elron's holding (through RDC): 37%
- Founded in 2008; First investment by Elron in 2009.
- \$10.5m invested in company to date, including \$8.5m by RDC.
- Miniature device 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.
- The 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.
- Kyma's remote monitoring is intended to enable early treatment of lung edema, and as a result, reduce hospitalization admissions.
- Data is transferred continuously & wirelessly.
- The device is designed to provide 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.
- Remote patient monitoring for heart failure is estimated as having the potential to yield annual national cost savings in the U.S. of up to \$6.4 billion.



**The patch device received CE certification; FDA clearance is expected in H1/14.**

**The company closed a \$10m investment round led by Ganot Capital, with the participation of RDC.**

**ELRON Q3/13 >**  
**FINANCIALS**

<b>Public Holdings <sup>1</sup></b> <b>(Market value as of Nov. 8, 2013)</b>	<b>(\$m)</b>
Given Imaging	177.2
Other holdings	1.1
<u>Total Public Holdings</u>	<u>178.3</u>
<b>Private Holdings <sup>1</sup></b> <b>(Book value as of Sept. 30, 2013)</b>	
Pocared	1.9
BrainsGate	1.3
Jordan Valley	11.4
Other holdings <sup>2</sup>	16.2
<u>Total Private Holdings</u>	<u>30.8</u>
<b>Financial Assets, net (as of Sept. 30, 2013)</b>	<b>2.0</b>
<b>Debt (as of Sept. 30, 2013)</b>	<b>(4.0)</b>
<b>Cash <sup>3</sup> (as of Sept. 30, 2013)</b>	<b>29.4</b>
<b>TOTAL <sup>4</sup></b>	<b>236.5</b>
<i>Price per share on TASE (in \$) (as of Nov. 8, 2013)</i>	<i>7.4</i>
<i>Elron's Market Value (as of Nov. 8, 2013)</i>	<i>219.8</i>

<sup>1</sup> Includes Elron's direct holdings and its effective indirect holdings through RDC and Navitirio.

<sup>2</sup> Mainly Notal Vision and Aqwise which are recorded as investments measured at fair value.

<sup>3</sup> Includes Elron's cash balance and 50.1% of RDC's cash balance.

<sup>4</sup> The above financial data are based on publicly available information and do not represent a valuation, investment advice, or a financial opinion of any kind.



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Looking ahead, Elron should always understand that the ever evolving changes in the high tech industry will be exponential, and therefore, success will depend on choosing the right niches in the world market in which it can maintain and improve its relative advantage.

### Mr. Uzia Galil, Elron's founder



# **ELRON >**

## **THE BOTTOM LINE**

- **Unique access to Israel's world-class human capital, R&D resources, universities, & scientific institutions**
- **An operational holding company with the ability to provide long-term commitment to group companies**
- **Strategic alliance with Rafael and access to state of the art military technologies, and exclusive rights to commercialize them in civilian markets**
- **Proven expertise at identifying opportunities and building technology leaders**
- **Proven strategy of hands-on involvement in day-to-day operation of group companies**
- **Lean and experienced management team**

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