

**DISCOVER.** INNOVATION

March 2015

## Forward-Looking Information

This presentation is for information purposes only. By this presentation, Elron does not intend to solicit offers to purchase its securities and the presentation does not constitute an invitation to receive such offers. Elron may make improvements and/or changes in the features or content presented herein at any time. Elron shall not be liable for any loss, claim, liability or damage of any kind resulting from the investor's reliance on or reference to any detail, fact or opinion presented herein. The presentation is not intended to provide a comprehensive description of Elron's activities, and Elron urges investors to consider the information presented herein in conjunction with its public filings including its annual and other periodic reports. Nothing in this presentation should be considered "investment advice", as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995.

Certain statements made over the course of this presentation may be forward-looking in nature, as defined in Section 21E of the U.S. Securities Exchange Act of 1934, and in Section 32A of the Israel Securities Law, 5728-1968. Such forward-looking statements involve known and unknown risks, uncertainties, forecasts, assessments, estimates or other information, which relates to a future event or matter whose occurrence is not certain and which is not within the sole control of Elron, and other factors which may cause the actual results, performance and achievements of Elron to be materially different from any future results, performance and achievements implied by such forward-looking statements. These forward looking statements are not proved facts and are based on Elron's subjective assessments which rely on analysis of general information, public publications, researches and reviews, which do not include any liability as to the accurateness or completeness of the information contained there and their accurateness hasn't been examined by Elron. The realization of these forward looking statements will be affected by factors that cannot be assessed in advance and which are not within the control of Elron. Elron assumes no obligation to update the information in this presentation and disclaims any obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

**ELRON.** SEEKING TO CHANGE  
THE FACE OF HEALTHCARE

# 2015. SNAPSHOT

- Operational holding company
- A portfolio of companies with significant exit potential
- Continuing to examine new investments in cutting-edge med-tech technologies
- Financial results 2014:
  - \$85.5m: profit
  - \$287.2m: exit proceeds
  - \$110m: dividend distributed
  - \$15.9m: investments
  - \$159.9m: cash balance

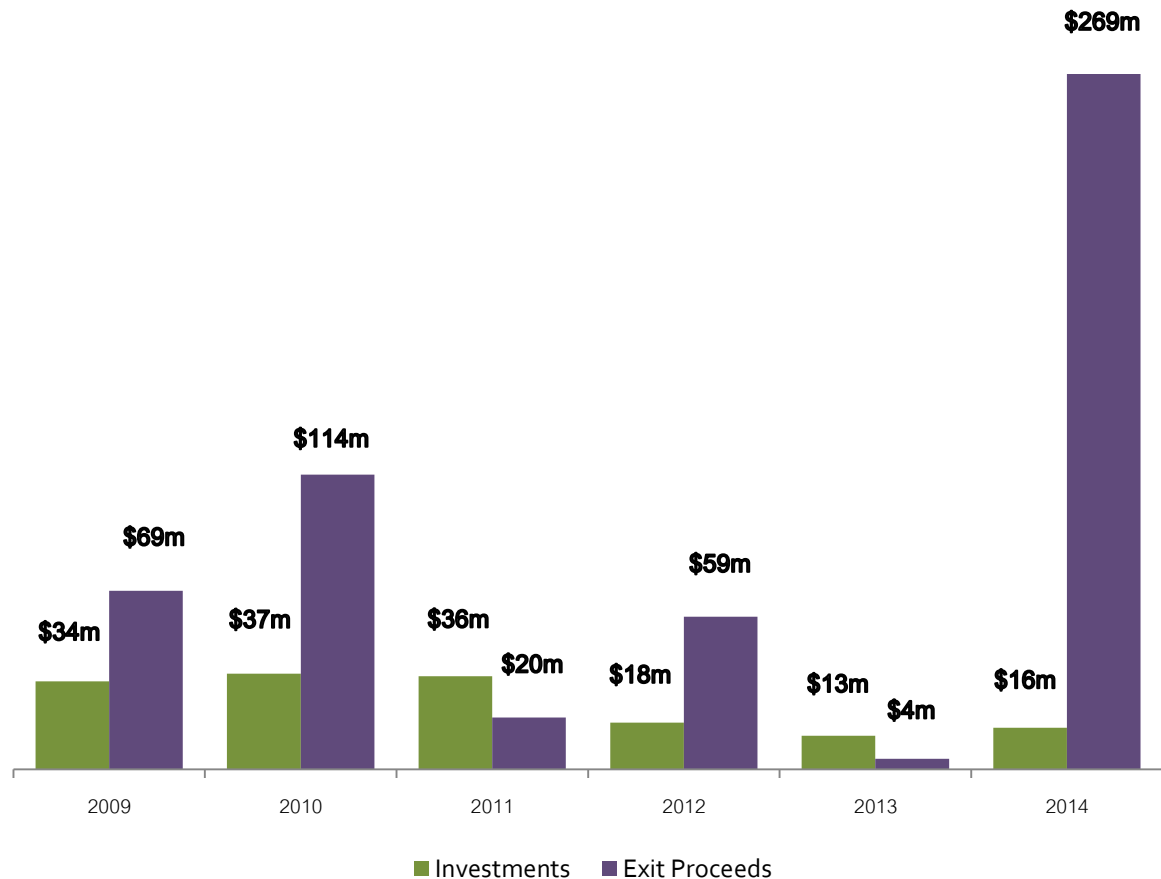
## CHANGING THE FACE OF

<b>STROKE CARE</b>	BRAINSGATE 30%	<b>\$25m</b> invested (Elron)	<b>\$81m</b> invested (total)
<b>MICROBIOLOGY</b>	POCARED 53%	<b>\$42m</b> invested (Elron)	<b>\$82m</b> invested (total)
<b>AMD</b>	NOTAL VISION 21%	<b>\$8.5m</b> invested (Elron)	<b>\$37m</b> invested (total)
<b>ORTHOPEDICS</b>	CARTIHEAL 33%	<b>\$6.3m</b> invested (Elron)	<b>\$16m</b> invested (total)
<b>HEART FAILURE</b>	KYMA 53%	<b>\$11.4m</b> invested (Elron)	<b>\$18.2m</b> invested (total)

# ELRON. RESULTS

- Aggregate value of exits: ~\$1.4b
- Elron's and RDC's total exit proceeds (after tax): ~\$573m
- ~\$200m invested in med-tech companies in recent years

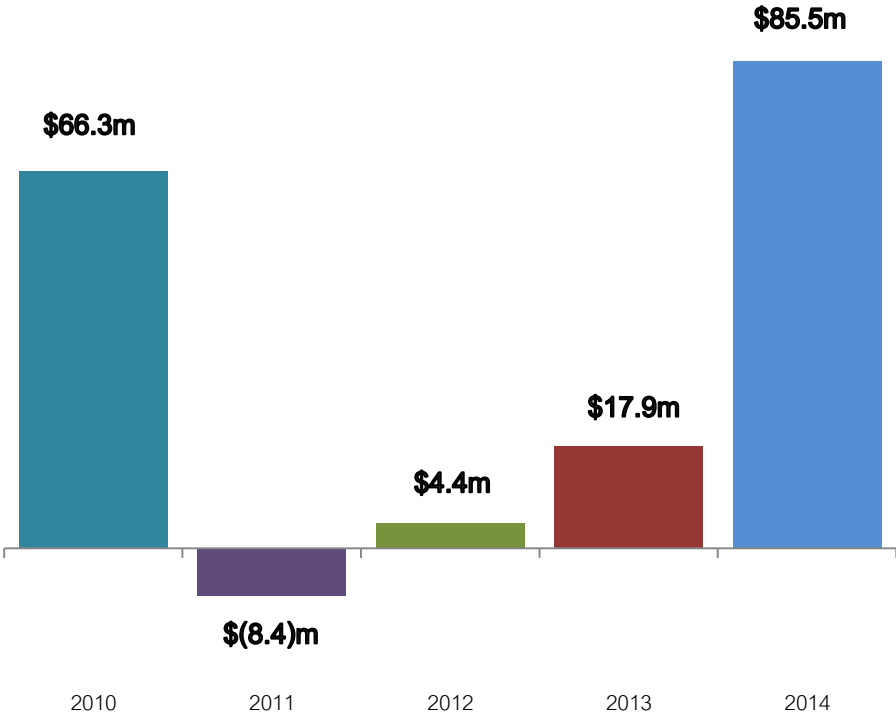
## INVESTMENTS AND EXIT PROCEEDS



# ELRON. RESULTS

- 4 out of the last 5 years were profitable

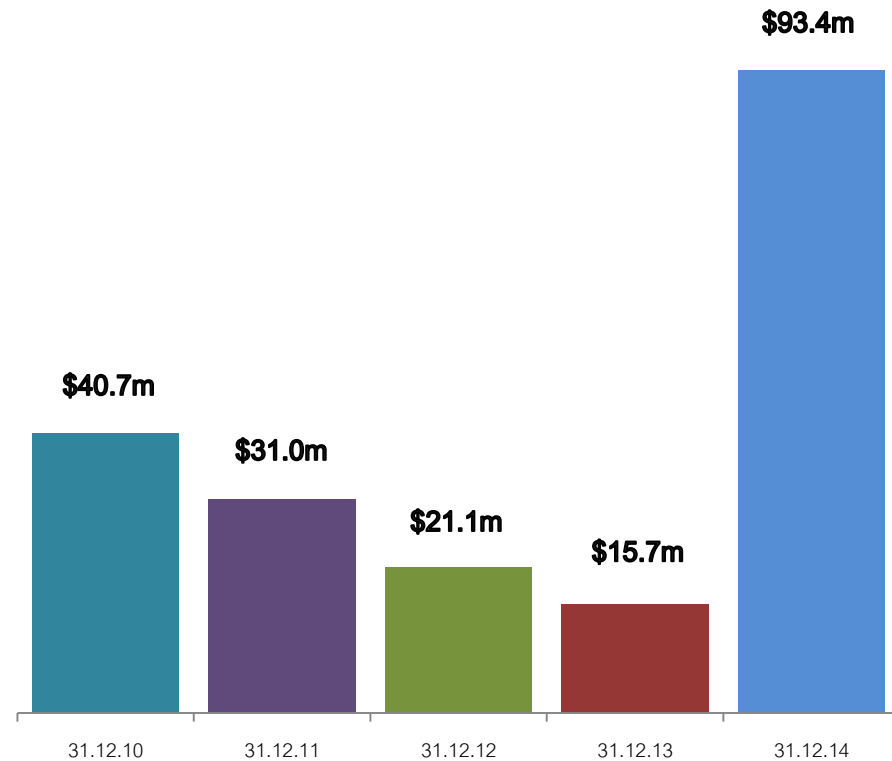
## PROFIT DEVELOPMENT



# ELRON. RESULTS

- 2014: positive cash flow of ~\$184m
- \$110m dividend distributed in 2014
- \$15m dividend distributed in 2012
- No debt

## NET CASH BALANCE DEVELOPMENT



# RDC. ASSET

- Exclusive rights to commercialize Rafael's military technologies in civilian markets
- The Rafael-Elron agreement is exclusive and indefinite
- The agreement is in effect as long as Elron maintains a holding in RDC

## STRATEGIC ALLIANCE

### THE CASE OF RDC: PARTNERSHIP WITH RAFAEL



+ jointly held by Elron (50.1%) and Rafael (49.9%)

+ Rafael: Israeli provider of defense systems with \$2b in annual sales

**15**



companies established by RDC to date

**12%**

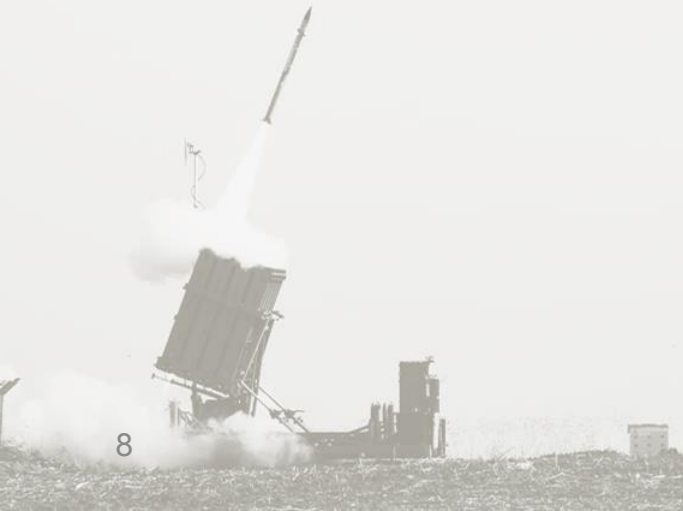


avg. annual return to shareholders since inception in 1993

**\$235m**



exit proceeds since 2009





**ELRON.** PROMISE

**Elron's holding:** 30%

**Founded:** 2000

**First investment:** 2005

**Total investment:** \$81m (\$25m by Elron)

**Main partners:** Johnson & Johnson, Boston Scientific, a leading global healthcare company, Pitango, Cipio Partners

## BRAINSGATE

### ELECTRICAL STIMULATION BASED TREATMENT FOR ISCHEMIC STROKE

- ▶ Treatment of ischemic stroke in a **24 hour window** post symptom onset
- ▶ Current treatment (tPA protein) is approved for use during a **3-4.5 hour window only**
- ▶ BrainsGate's treatment is based on **electrical stimulation** of the SPG (a nerve center behind the nasal cavity) using a miniature electrode
- ▶ The electrode is implanted in a **simple procedure** under local anesthesia
- ▶ The electrode's activation induces dilation of cerebral blood vessels, and **augments cerebral blood flow**



**\$95b** is the estimated cost of stroke in the U.S. projected for 2015

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

**5%** of stroke victims receive treatment due to the limited treatment window

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

## BRAINSGATE

### STATUS

- ▶ In 2010 BrainsGate completed a clinical trial on 300 patients with results that strengthened the assessment that the treatment is effective and safe
- ▶ BrainsGate is currently conducting another clinical trial that is expected to support its planned PMA submission to the FDA
- ▶ The trial is being conducted at medical centers in the U.S., Europe and Asia, and is expected to include 800-1000 patients
- ▶ To date, BrainsGate has enrolled ~530 patients

## CATALYST. 2015 ▶

**BrainsGate estimates that enrollment of 600 patients for an interim analysis of the FDA trial's results will be completed during 2015**

# WHY 24 HOURS?



## BRAINSGATE

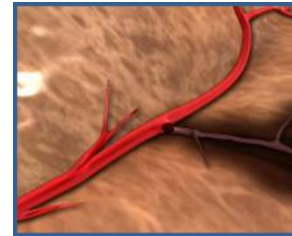
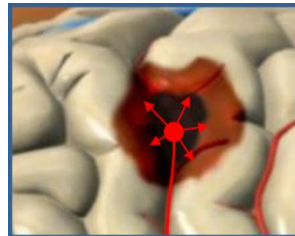
### tPA (current treatment): dissolve clot

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



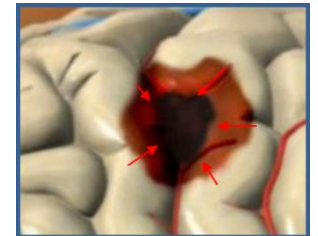
### SPG stimulation: augment cerebral blood flow

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



Elron's holding: 53%

Founded: 2004

First investment: 2007

Total investment: \$82m (\$4.2m by Elron)

Main partner: SCP Vitalife



## POCARED

### RAPID & AUTOMATED MICROBIOLOGY LABORATORY SYSTEM

- ▶ **Real-time and automated** system for infectious disease diagnosis, based on optical technology
- ▶ Designed for use by **major microbiological laboratories and hospitals**
- ▶ Meant to replace bacteria culturing (the current diagnosis method) which is **expensive, labor-intensive, & time-consuming**
- ▶ The system's first application: diagnosis of **urinary tract infection (UTI)**
- ▶ **Other potential applications** include swabs (throat, nasal and others), blood, sputum, and cerebrospinal fluid

**125m** urine cultures are performed each year in the U.S.

**70%** of urine cultures return negative, after antibiotics have been unnecessarily administered



## POCARED STATUS

- ▶ The system is CE certified since December 2011
- ▶ Pocared is currently conducting a trial to test the efficacy of the system's 1<sup>st</sup> application, UTI diagnosis
- ▶ The trial is expected to support Pocared's planned FDA submission
- ▶ The trial is being conducted at 4 of the world's leading medical centers, and is expected to collect 19,500 samples
- ▶ To date, Pocared has collected ~7,400 samples

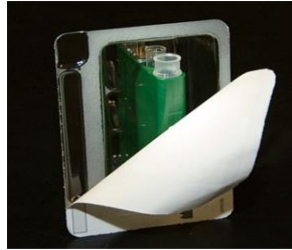
## CATALYST. 2015 ▶

**Pocared estimates that the FDA trial will be completed by the end of April 2015**

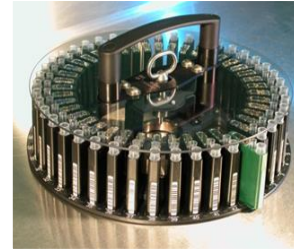
# FROM 48 HRS TO 48 MIN



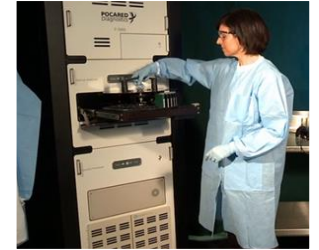
## POCARED



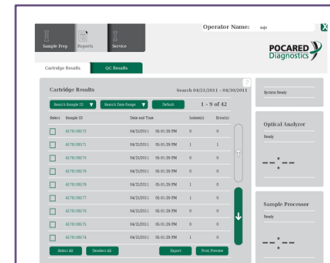
urine sample cartridge



a complete cartridge carousel



transfer carousel to optical analyzer module



results...

Elron's holding: 21%

Founded: 2000

First investment: 2003

Total investment: \$37m (\$8.5m by Elron)

Main partners: Evergreen, Ganot, Berman & Co



## NOTAL VISION

### REMOTE MONITORING OF PATIENTS WITH AGE-RELATED MACULAR DEGENERATION

- ▶ 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, & watching television
- ▶ There are 2 types of AMD, dry (non-neovascular) and wet (neovascular); about **90% of blindness** due to AMD is associated with the wet stage
- ▶ Notal Vision's ForeseeHome enables early detection of conversion to wet AMD, early treatment, & **prevention of vision loss**
- ▶ The ForeseeHome is the **first device of its type**



AMD is the **leading cause** of severe vision loss and blindness in adults over age 50 in the western world

**~9.1m individuals** with dry AMD in the U.S. are at risk of conversion to wet AMD



## NOTAL VISION STATUS

- ▶ Notal Vision began marketing the ForeseeHome in the U.S.
- ▶ The American Academy of Ophthalmology (AAO) adopted a recommendation in its clinical guidelines for early detection of wet AMD using Notal Vision's technology
- ▶ The ForeseeHome was granted 2 CPT codes
- ▶ Notal Vision is in negotiations with several regional Medicare carriers regarding coverage and payment
- ▶ At the same time, Notal Vision is in discussions with the CMS to receive overall coverage throughout the U.S.

## CATALYST. 2015 ▶

**A coverage decision from the regional Medicare carriers is expected during 2015**

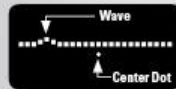
Sources: Brown DM, et al (2006). *New England Journal of Medicine* 355, 1432-44; Slakter JS & Stur M (2005). *Survey of Ophthalmology* 50, 263-73; Gehrs KM, et al (2006). *Annals of Medicine* 38, 450-71; Wittenborn JS & Rein DB. "The Future of Vision: Forecasting the Prevalence and Cost of Vision Problems." NORC at the University of Chicago. Prepared for Prevent Blindness, June 11, 2014.

# THANKS TO A 3 MIN TEST...



## NOTAL VISION

The device detects even small changes in vision



1. A series of targets flash on-screen and disappear. Each target appears as a dotted line.



2. Using a computer mouse, the patient clicks where he/she saw a distortion (such as a bump, hump, or wave) on the dotted line.



3. When the test is complete, the patient's results are automatically transmitted to the ForeseeHome Data Monitoring Center.

The Data Monitoring Center alerts patient & doctor



You prescribe ForeseeHome to your patients with dry AMD.



Patients perform a simple 3-minute test per eye at home. Daily testing is recommended.



We monitor your patients for changes in their visual field between office visits.

**The ForeseeHome Data Monitoring Center provides you with timely alerts to vision changes so a follow-up appointment can be scheduled.**

Elron's holding: 33%

Founded: 2009

First investment: 2012

Total investment: \$16m (\$6.3m by Elron)

Main partners: Accelmed, Access Medical



## CARTIHEAL

### IMPLANT FOR CARTILAGE & BONE REGENERATION IN THE KNEE

- ▶ Implant for **repairing cartilage and osteochondral defects** in loadbearing joints, such as the knee
- ▶ The implant has a **unique structure**, comprising of marine aragonite with biological modifications
- ▶ The implant biodegrades in the implantation site, and promotes the **regeneration of native (hyaline) cartilage and subchondral bone** in its place
- ▶ **No current treatment** has succeeded in regenerating native cartilage and bone
- ▶ Existing treatments have succeeded in regenerating "hyaline-like" cartilage only, which has limited loadbearing capabilities

Between 2004 and 2011 ~2m people in the U.S. have undergone a surgical procedure to repair cartilage in the knee



## CARTIHEAL STATUS

- ▶ The implant is CE certified since April 2011
- ▶ Preclinical studies demonstrated cartilage & bone regeneration at the implantation site
- ▶ A series of clinical trials are underway at well-known medical centers in Europe to test the implant's safety and efficacy
- ▶ Preliminary results have demonstrated a reduction in pain, and cartilage & bone regeneration at the implantation site
- ▶ To date ~100 patients have been implanted

## CATALYST. 2015 ▶

**Cartiheal is examining expanding the use of the implant for knee osteoarthritis**

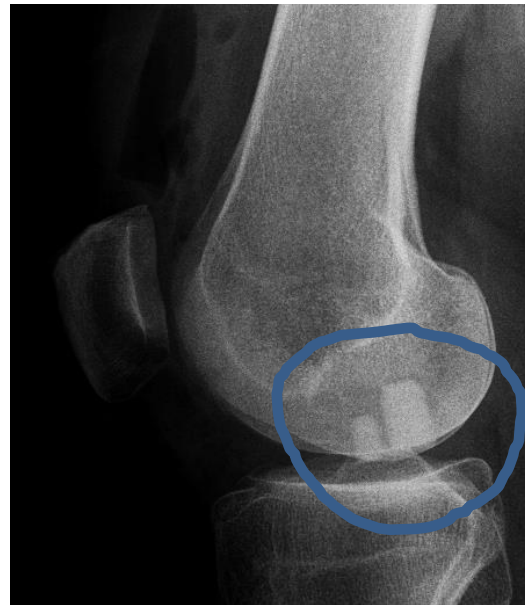
ELRON. INNOVATION

# TRUE CARTILAGE & BONE REGENERATED



## CARTIHEAL

1 day post-op:



6 months post-op:



- Book value of associates & consolidated companies: generally represents the amount invested in the companies less our share in their losses, which mainly include R&D costs

## SUMMARY OF ELRON'S ASSETS

<u>Holdings in companies</u> <sup>1</sup>	Book value at Dec. 31, 2014 (\$m)	Amount invested (\$m)
<i>Associates and consolidated companies:</i>		
Pocared <sup>2</sup>	6.1	41.8
BrainsGate <sup>2</sup>	2.3	24.5
Others <sup>2</sup>	6.5	20.0
<i>Companies presented at fair value:</i>		
Notal Vision	13.8	8.5
Jordan Valley	9.0	8.1
Others	4.6	18.6
<u>Total Holdings</u>	<u>42.3</u>	<u>121.5</u>
Debt (as of Mar. 10, 2015)	-	-
Cash (as of Mar. 10, 2015) <sup>3</sup>	<b>114.2</b>	<b>114.2</b>
<u>TOTAL</u> <sup>4</sup>	<u><b>156.5</b></u>	<u><b>235.7</b></u>
Price per share on TASE (in \$) (as of Mar. 10, 2015)		4.48
Elron's market value (as of Mar. 10, 2015)		133.4

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

<sup>2</sup> Includes investments made after Dec. 31, 2014.

<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.

## THE BOTTOM LINE

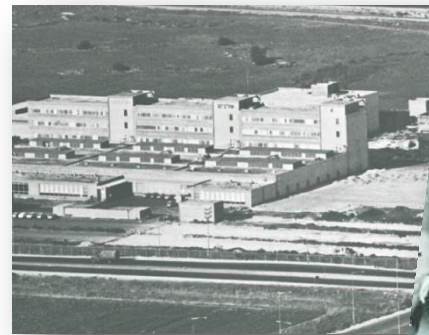
- ▶ Proven expertise in identifying opportunities, building technology leaders, and exiting holdings
- ▶ Operational holding company with the ability to provide its group companies long-term commitment
- ▶ Strategic partnership with Rafael – access to state-of-the-art military technologies, and exclusive rights to commercialize them in civilian markets
- ▶ Proven strategy of hands-on involvement in day-to-day operations of group companies
- ▶ Mature and diverse portfolio of companies with significant exit potential
- ▶ Focus on a growing field with a clear M&A bent – medical devices

## THANK YOU



*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. OPPORTUNITY

Thank you.  
[elron.com](http://elron.com)