

DISCOVER. INNOVATION

ELRON - INVESTOR PRESENTATION

May 2018

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 Israel Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995.

Certain statements made over the course of this presentation may be forward-looking in nature, as defined 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.

These estimates, in whole or in part, may not materialize, or may materialize in a manner materially different than expected. The principal factors that may affect this are developments in Elron's and its group companies' fields of operation; failure to obtain regulatory approvals; failure to meet goals; failure or delay in recruiting the number of patients or samples necessary to complete clinical trials; failure or delay in correcting defects or the discovery of additional defects; clinical trial results; inability to realize technologies; modifications in technologies; modifications in work plan, goals and/or strategy; or if any risk associated with Elron and its group companies and the course of clinical trials and their results occurs.

DISCOVER. ELRON

OPERATIONAL HOLDING COMPANY IN THE VC SPACE

WE SPECIALIZE IN TECHNOLOGIES WITH SIGNIFICANT EXIT POTENTIAL

- + WE HAVE MORE THAN 55 YEARS EXPERIENCE IDENTIFYING OPPORTUNITIES, BUILDING TECHNOLOGY LEADERS, AND EXITING HOLDINGS
- + WE INVEST PRIMARILY IN EARLY STAGE COMPANIES
- + WE RELY ON A PROVEN STRATEGY OF HANDS-ON INVOLVEMENT IN THE DAY-TO-DAY OPERATIONS OF OUR GROUP COMPANIES

Elron was established in 1962 by Uzia Galil

THE IDEA: to bridge the gap between Israeli R&D and industry, and create "a knowledge-based industry" (later named hi-tech...)



SUMMARY OF OPERATIONS OVER LAST FIVE YEARS

\$352m

Exit proceeds in the last 5 years *

\$125m

Investments in the last 5 years *

\$125m

Dividends distributed in the last 5 years

2018: \$12.9m invested in 8 group companies*; exit proceeds of \$21m*; liquid resources balance of \$74.4m *; loss of \$5.3m in Q1/18

OUR MEDICAL DEVICE COMPANIES



BRAINSGATE recruited last patient for FDA trial in March 2018

+ Top-line results expected in Q3/18



POCARED expects to conduct FDA trial in Q3/18

+ The study design includes 3 trial sites; 1500 urine samples per site



CARTIHEAL recruited ~60 patients for FDA trial

+ Interim analysis expected to be conducted on the results of 250 patients

BRAINSGATE



Electrical stimulation-based treatment for ischemic stroke

30%

Our investment: \$29m

CARTIHEAL



Implant for cartilage and bone regeneration in load-bearing joints

31%

Our investment: \$16.9m

CORAMAZE



Transcatheter mitral valve repair system

36%

Our investment: €5.2m

POCARED



Rapid and automated microbiology laboratory system

69% by Elron & RDC

Our investment: \$73.2m

NOTAL VISION



Remote monitoring of patients with age-related macular degeneration

17%

Our investment: \$13.5m

NITINOTES



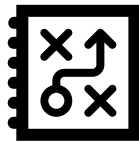
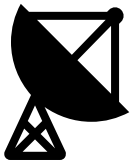
Endoscopic procedure that mimics gastric sleeve surgery

32%

Our investment: \$3m



REVEALING OUR CYBER INVESTMENT ACTIVITIES



FOCUSED ON SECTORS THAT ARE ON THE RISE

CYBER: ACCORDING TO PROJECTIONS **\$1 TRILLION** WILL BE SPENT GLOBALLY ON CYBERSECURITY FROM 2017 TO 2021 AND CRIME DAMAGE COSTS WILL HIT **\$6 TRILLION** ANNUALLY BY 2021

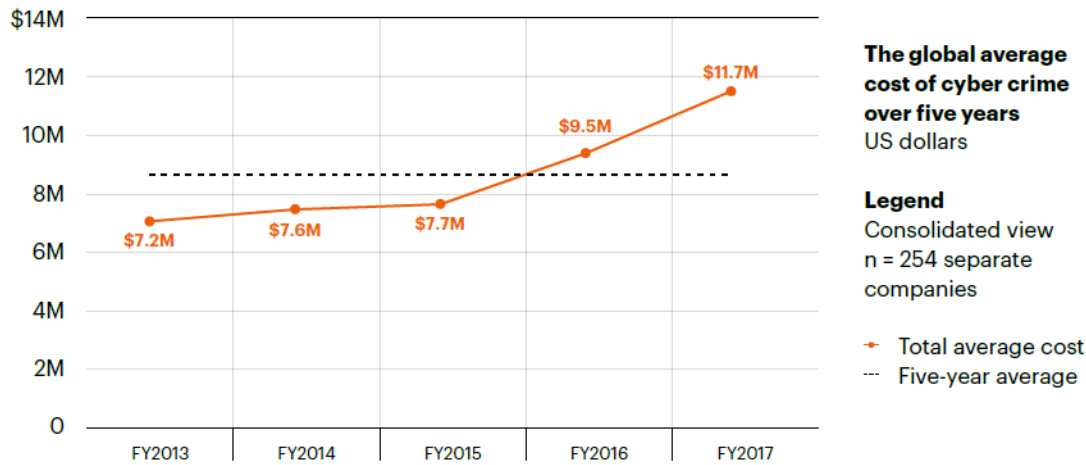
+ The cybersecurity market grew by roughly **35X** over 13 years, and is the fastest growing tech sector

+ U.S. gov't spending on cybersecurity has increased at an average annual rate of **14.5%** between FY 2006 and FY 2017

*"While all other tech sectors are driven by reducing inefficiencies and increasing productivity, cybersecurity spending is driven by cybercrime. The **unprecedented cybercriminal activity** we are witnessing is generating so much cyber spending, it's become nearly impossible for analysts to accurately track."*

CYBER CRIME COSTS ON THE RISE

- + The global average cost of cyber crime per company reached **\$11.7M** in 2017, an increase of **62%** from 2013 and **27.4%** from 2016

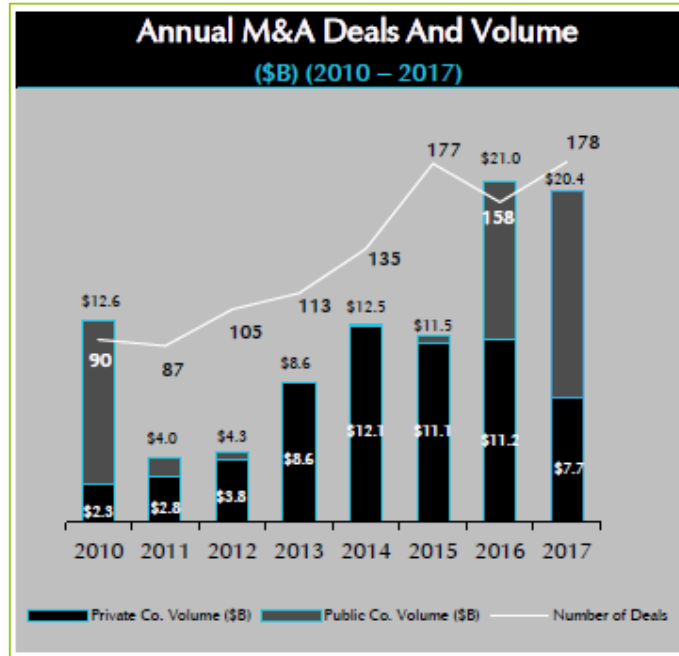


- + In a sample of 254 organizations, successful breaches per company each year rose more than 27%, from an average of 102 to 130

Frequency of discernible cyber attacks over six years

Year of study	Sample size	Total number of attacks	Successful attacks per company each week
FY 2017	254	635	2.5
FY 2016	237	465	2.0
FY 2015	252	477	1.9
FY 2014	257	429	1.7
FY 2013	234	343	1.4
FY 2012	199	262	1.3

CYBERSECURITY – GLOBAL M&A AND FINANCING VOLUMES



2017:

\$20.4 billion
M&A volume

178
M&A transactions


\$5.1 billion
financing volume

326
financing transactions

> \$2B deals topped M&A activity in the cybersecurity sector in Q4 of 2017

ISRAELI CYBERSECURITY COMPANIES EXITED FOR ~\$1.3B IN 2017, WITH AN AVERAGE EXIT VALUATION OF \$130M

OUR CYBER INVESTMENT FOOTPRINT

- 
- + Through RDC (Elron & Rafael JV) we leverage Rafael's vast cyber knowhow & organizational footprint to evaluate technologies and support their development
 - + Leadership- Zohar Rozenberg, VP Cyber Investments: Over 20 years of experience; previously Head of the IDF's Cyber Department; joined Elron in order to lead our cyber activities
 - + Portfolio- **7 promising cybersecurity/IT portfolio companies**, over **\$25M invested** in the last 2.5 years, and **2 exits** during the last year

OUR CYBER/IT CO'S

SECDO

SECDO

Automatic detection, investigation and remediation of security alerts

22% by RDC

Our investment: \$5m

SOLD!

OPENLEGACY



API integration platform that speeds digital transformation

39% by RDC

Our investment: \$6.2m

SIXGILL



Cyber intelligence platform that analyzes the dark web

22%

Our investment: \$3.5m

SECURETOUCH



Behavioral biometrics-based user authentication for mobile apps

29% by RDC

Our investment: \$4.5m

IRONSCALES



Protecting enterprises from cyber phishing attacks

24% by RDC

Our investment: \$2.5m

ALCIDE



Universal security and management platform for hybrid data centers

26%

Our investment: \$3.9m

CYNERIO



Protecting the connected medical device ecosystem from cyber threats

24% by RDC

Our investment: \$1.5m

KINDITE

KINDITE

Encryption platform that makes the cloud blind to data & encryption keys

31% by RDC

Our investment: \$2.5m

DISCOVER. SECDO

SECDO: OUR 2ND EXIT IN THE CYBER/IT FIELD



OUR INVESTMENT \$5M	TOTAL INVESTMENT \$14M	OUR SHARE IN EXIT PROCEEDS \$18M	ROI 3.5x IN 18 MONTHS
-------------------------------	----------------------------------	--	------------------------------------

2015 Founded

2016 Initial sales

2017 Raised \$2m from new investor



2016 We led \$6m financing round

2016 deal valued at several hundred thousand \$'s with Rafael- 1st major customer

2017 partnership with Marubeni- up to \$20m over 3 yrs

2018
EXIT

DISCOVER. SIXGILL

SIXGILL

OUR
INVESTMENT:
\$3.5M

ESTABLISHED: 2014
FIRST INVESTMENT: 2016
TOTAL INVESTMENT: \$4.5M
MAIN PARTNERS: Terra Venture Partners



VISION: To expose cybercrime on the Dark Web at the design & planning stages, and to provide enterprises with early threat signals & actionable intelligence

PRODUCT: A cyber intelligence platform that detects & defuses threats before they become cyberattacks by continuously crawling the Dark Web

STATUS: Sales

MARKET: The global threat intelligence market is expected to grow to ~\$11B in 2023

OUR
HOLDING:
22%

96% OF WEB CONTENT IS INACCESSIBLE TO GOOGLE CRAWLERS AND NOT INDEXED BY TRADITIONAL SEARCH ENGINES

PART OF THAT WEB CONTENT IS CALLED THE **DARK WEB** WHICH IS AN ANONYMOUS AND ENCRYPTED NETWORK THAT IS THE HOME BASE FOR CRIMINALS

THE DARK WEB IS AN ENVIRONMENT...

- ▶ that requires very little technical expertise
- ▶ that makes it difficult for an enterprise's threat intelligence program to determine which threat poses a realistic risk to the organization
- ▶ where criminals are "armed" with powerful automated tools



MONITORING AND COLLECTING DARK WEB DATA FOR THREAT INTELLIGENCE IS A CRITICAL FACTOR IN DEFENDING ORGANIZATIONS FROM SOPHISTICATED ATTACKS, BUT POSES PRACTICAL CHALLENGES

RESOURCE BARRIERS

The Dark Web can't be crawled & indexed, so relevant nodes need to be identified manually

ACCESS BARRIERS

Sites are rarely open and generally require users to go through a vetting process to gain membership

LANGUAGE BARRIERS

Dark node operators speak a variety of different languages, making communication difficult

THE DARK-i SOLUTION- YOUR EYES IN THE DARK WEB

DARK WEB INTELLIGENCE AUTOMATION IS KEY FOR EFFICIENT SECURITY

AUTOMATICALLY AND COVERTLY MONITOR THE DARK WEB TO:

- + **PREVENT** attacks before they occur
- + **DETECT** and **CONTROL** organizational data leaks
- + **OBSERVE** the attacker and planning process
- + **GENERATE** customized & actionable intelligence



THE DARK-i SOLUTION PERFORMS:



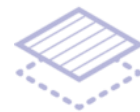
COVERTLY

Sixgill is invisible to cyber criminals



CONTINUOUSLY

SixGill traces malicious activity back to their original sources



COMPREHENSIVELY

SixGill monitors criminal activity along the entire cyber crime cycle



AUTOMATICALLY

Sixgill employs fully automated intelligent monitoring algorithms

DISCOVER. SECUREDTOUCH

SECURETOUCH



OUR
INVESTMENT:
\$4.5M

ESTABLISHED: 2015

FIRST INVESTMENT: 2016

TOTAL INVESTMENT: \$11.3M

MAIN PARTNERS: Global Village Advisory, Upwest Labs

VISION: To say goodbye to passwords & security questions, by providing real time identity verification for digital and mobile transactions

PRODUCT: Solution that profiles users based on their physical behavior with devices, allowing for seamless and persistent identity verification

STATUS: Initial sales

MARKET: The global mobile biometrics market is expected to grow to ~\$49B by 2022

OUR
HOLDING:
29%

CUSTOMERS WANT MOBILE PAYMENTS THAT ARE QUICK AND EASY... THEY ALSO DEMAND A VERY HIGH LEVEL OF FRAUD PREVENTION AND DETECTION

BEHAVIORAL BIOMETRICS – WHY?

[Behavioral biometrics = the uniquely identifying and measurable patterns in human interaction with a device]



Speed and ease of use rank among the top 3 criteria to make a payment solution attractive

REDUCE FRICTION WITH SEAMLESS IDENTIFICATION



Online shopping presents the greatest fraud opportunity according to an identity fraud study

CONTINUOUSLY DETECT STOLEN CREDENTIALS



Overprotective anti-fraud measures cause customers to abandon transactions

IMPROVE FUNCTIONALITY

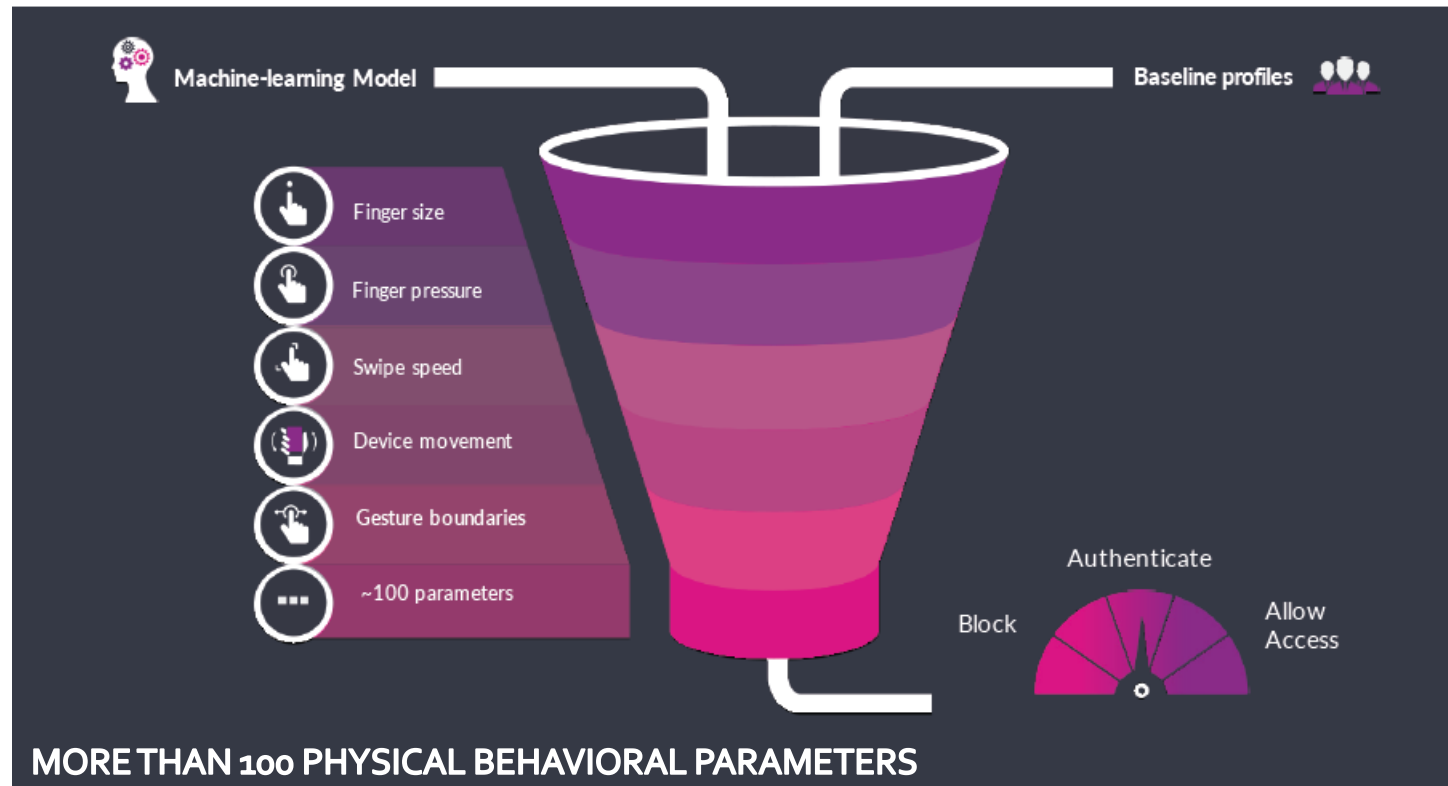


In 2017, there was a sharp rise in automated fraud attacks against financial institutions

DETECT EMULATORS AND BOTS

SECURETOUCH: STRENGTHEN SECURITY AND REDUCE FRAUD WHILE IMPROVING CUSTOMERS' DIGITAL EXPERIENCE

SecuredTouch creates a dynamic digital profile to confirm the user's identity and develop ongoing authentication



DISCOVER. IRONSCALES

IRONSCALES

OUR
INVESTMENT:
\$2.5M

ESTABLISHED: 2014

FIRST INVESTMENT: 2015

TOTAL INVESTMENT: \$7.5M

MAIN PARTNERS: K1 Investment Management



VISION: To protect enterprises from cyber phishing attacks

PRODUCT: Automatic anti-phishing prevention, detection and response platform

STATUS: Sales; Raised \$6M in a round led by K1 Investment Management in Oct. '17

MARKET: The global spear phishing market is expected to grow to ~\$1.7B in 2023

OUR
HOLDING:
24%

THE PHISHING EPIDEMIC

PHISHING =

Attempt to obtain sensitive information such as usernames, passwords, and credit card details (and indirectly, money), often for malicious reasons, by disguising as a trustworthy entity in an electronic communication



About **600,000** unique phishing attacks took place in the 1st half of 2017

90%-95% of all cyberattacks begin with spear-phishing



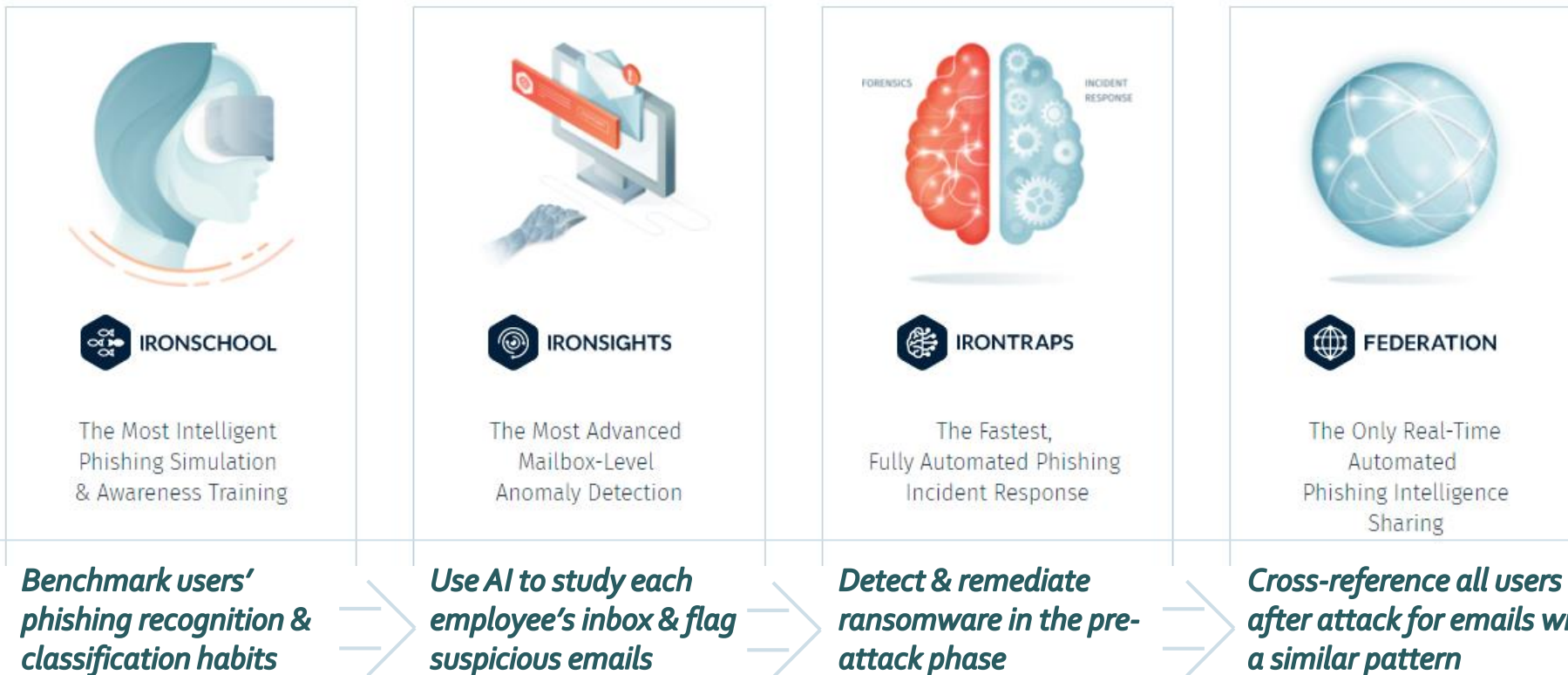
Business email compromise attacks are a **\$5.3b** industry



Sources: IronScales 2017 PHISHING TREND REPORT; <https://www.informationsecuritybuzz.com/expert-comments/business-email-compromise-attacks-exceed-9b-2018-ironscales/>; <https://www.scmagazineuk.com/the-phishing-lifecycle--before-during-and-after-an-attack/article/736425/>

COMBATING MODERN EMAIL PHISHING ATTACKS

IRONSCALES combines human intelligence with machine learning to prevent, detect and respond automatically to email phishing attacks before and after they land in the inbox



DISCOVER. ALCIDE

ALCIDE



OUR
INVESTMENT:
\$3.9M

ESTABLISHED: 2016

FIRST INVESTMENT: 2016

TOTAL INVESTMENT: \$11.4M

MAIN PARTNERS: Intel Capital, Israel Innovation Fund

VISION: To provide universal security for hybrid, multi-cloud and multi-compute data centers

PRODUCT: Network security platform for any combination of container, VM and bare metal data centers across private and public cloud environments

STATUS: Pre-sales; Raised \$6M from a new investor in Apr. '18

OUR
HOLDING:
26%

PROTECTING THE MODERN DATA CENTER

Nowadays, organizations' computing processes have fragmentary architectures, are scattered across locations, and use diverse technologies – CREATING NEW SECURITY CHALLENGES

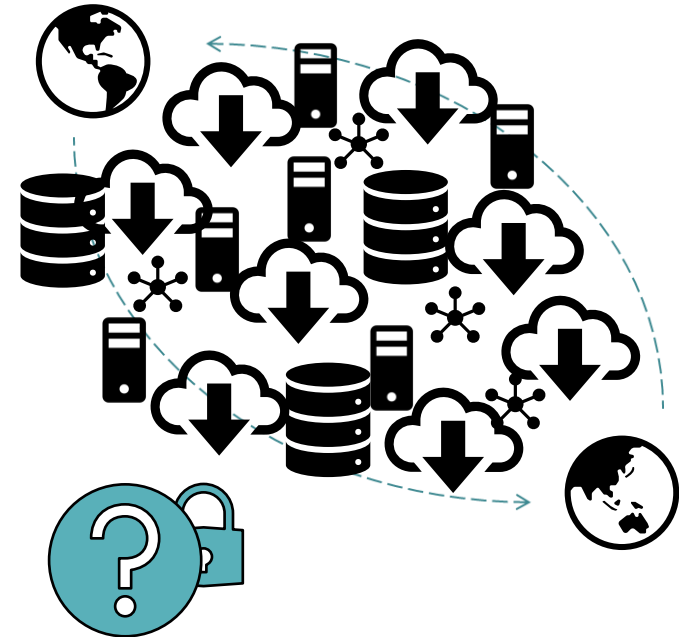
THEN:

- + 1 APP > CONSISTED OF 1 PROGRAM FILE
- + 1 NETWORK > RAN ALL APPS



NOW:

- + 1 APP >
- + CONSISTS OF TENS TO HUNDREDS OF MICROSERVICES >
- + RUNNING ON DIFFERENT TECHNOLOGY PLATFORMS (physical servers, VMs, containers) >
- + IN NUMEROUS ENVIRONMENTS (corporate site, public cloud, private cloud)



ALCIDE: THE FIRST UNIVERSAL NETWORK SECURITY PLATFORM FOR MODERN DATA CENTERS



PROVIDING SIMPLIFIED AND AUTONOMOUS CONTROL TO MANAGE AND SECURE THE EVOLVING DATA CENTER AND HYBRID CLOUD

- *A firewall per microservice* -



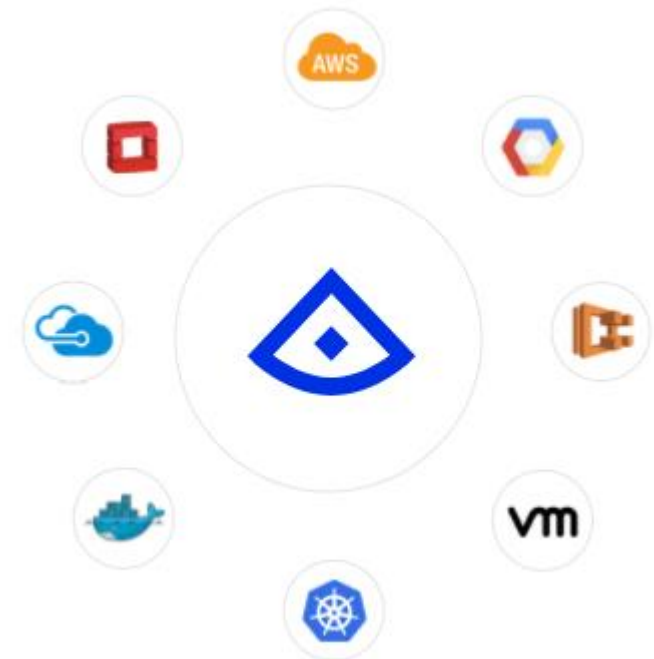
> Real-time visibility of the whole data center – infrastructure and applications



> Works with any combination of platforms (container, serverless, VM, bare metal) and IT environment (hybrid, multi-compute, multi-cloud)



> Secures the data center against cyber attacks, including internal threats and data exfiltration



DISCOVER. OPENLEGACY

OPENLEGACY



OUR INVESTMENT:
\$6.2M

ESTABLISHED: 2013
FIRST INVESTMENT: 2014
TOTAL INVESTMENT: \$12.7M
MAIN PARTNERS: Entrepreneurs




VISION: To simplify the delivery of any core application as a digital service
PRODUCT: Automatic API generation for rapidly extracting the services and information from legacy systems, and transforming them into mobile, web, & cloud applications
STATUS: Revenue growth

OUR HOLDING:
39%

NUMEROUS ENTERPRISES RUN ON IT SYSTEMS THAT ARE FROZEN IN TIME

LEGACY SYSTEM = AN OUTDATED COMPUTER SYSTEM, SOMETIMES DATING BACK TO THE 1970s-1980s

WHY DO ENTERPRISES RELY ON OUTDATED IT SYSTEMS FOR CRITICAL APPLICATIONS?

-  Legacy systems preserve **valuable business knowledge**
-  Replacing/upgrading IT systems involves significant **costs** and **risks** (security, compatibility, data loss)
-  While replacing/upgrading legacy systems is **highly complex**, documentation is poor, and skill with these systems in short supply

THE COST OF MAINTAINING LEGACY SYSTEMS

In both the public and private sectors in the U.S. (e.g. federal agencies & banks), maintaining legacy systems consumes **three-quarters of IT budgets**

OPENLEGACY: SPEEDS DIGITAL TRANSFORMATION OF CORE APPLICATIONS WITH API INTEGRATION

OPENLEGACY REVOLUTIONIZES LEGACY MODERNIZATION, OFFERING INDEPENDENCE FROM EXPENSIVE VENDORS, AND ELIMINATING HIGH COSTS AND HIGH RISK

GENERATES APIs
IN MINUTES
INSTEAD OF
MONTHS

ELIMINATES THE
NEED FOR A
COMPLEX
TECHNOLOGY STACK

UNLIMITED FLEXIBILITY
DRAMATICALLY
REDUCES RISK OF
FAILURE

Rapid time
to execution

Easy to
adopt

Low
risk

API MARKET TRENDS

STRATEGIC INTEREST IN THE API MANAGEMENT SPACE ▶

GOOGLE
acquires APIGEE
for \$625m
Sep 2016

API ADOPTION CONSIDERED IMPERATIVE BY GLOBAL BANKS ▶

IBM and ANZ Bank
complete integration
of 20 new APIs after **1**
year, as part of \$315m
partnership
Oct 2016

API INTEGRATION PLATFORMS VALUED HIGHLY ▶

SALESFORCE
acquires
MULESOFT for
\$6.5b (after going public
at \$2b valuation in Mar 2017)
Mar 2018

Source: publicly available information

OUR BUDDING COMPANIES

CYNERIO

OUR INVESTMENT:

\$1.5M

ESTABLISHED: 2017

FIRST INVESTMENT: 2017

TOTAL INVESTMENT: \$3M

MAIN PARTNERS: Accelmed



VISION: To protect connected healthcare from cyber attacks

PRODUCT: Security platform that combines device behavior learning with medical workflow analysis to ensure patient safety & data protection

OUR HOLDING:

24%

KINDITE

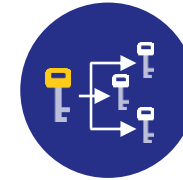
OUR INVESTMENT:

\$2.5M

ESTABLISHED: 2017

FIRST INVESTMENT: 2017

TOTAL INVESTMENT: \$2.5M



VISION: Open up the cloud for enterprises and regulated organizations, overcoming risks of privacy, compliance and control

PRODUCT: Cloud encryption platform that enables processing data without seeing it

MARKET: The global cloud encryption market is expected to grow to ~\$3B in 2023

OUR HOLDING:

31%

ELRON. OPPORTUNITY

Thank you.
elron.com

VALUE POTENTIAL

<u>Holdings in companies</u> ¹	Book value at Mar. 31, 2018 (\$m)	Amount invested (\$m)
Associates and consolidated companies:		
Pocared (60%)	11.3	65.3
BrainsGate (30%)	0.7	29.1
CartiHeal (31%)	5.2	16.9
Others	12.6	28.5
Companies presented at fair value:		
Notal Vision (17%)	11.0	13.5
Others	5.3	19.3
<u>Total Holdings</u>	<u>46.1</u>	<u>172.6</u>
Fair value of contingent consideration from sale of companies ²	1.8	1.8
Cash (as of May 23, 2018) ²	31.5	31.5
Financial assets, net (as of May 23, 2018) ²	20.4	20.4
<u>TOTAL</u> ³	<u>99.8</u>	<u>226.3</u>
Price per share on TASE (in \$) (as of May 23, 2018)		3.95
Elron's market value (as of May 23, 2018)		117.6

¹ Includes Elron's direct holdings and its effective indirect holdings through RDC. Includes investments made after Mar. 31, 2018.

² Includes Elron's balance and 50.1% of RDC's balance.

³ 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.