

DISCOVER. INNOVATION

ELRON - INVESTOR PRESENTATION

September 2017

Forward-Looking Information

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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

\$350m

Exit proceeds in the last 5 years *

\$125m

Investments in the last 5 years *

\$68m


Aggregate profit in the last 5 years

\$140m

Dividends in the last 5 years

H1-2017: \$14m invested in 7 group companies*; liquid resources balance of \$67m at period end*; loss of \$15m


OUR MEDICAL DEVICE COMPANIES

BRAINSGATE  **BrainsGate**
A new Path to Hope

Electrical stimulation-based treatment for ischemic stroke

30%


Our investment: \$29m

POCARED 

Rapid and automated microbiology laboratory system

69% by Elron & RDC

Our investment: \$73m

CARTIHEAL 

Implant for cartilage and bone regeneration in load-bearing joints

34%


Our investment: \$13.4m

NOTAL VISION 

Remote monitoring of patients with age-related macular degeneration

19%


Our investment: \$13.5m

CORAMAZE 

Transcatheter mitral valve repair system

31%

Our investment: €5.2m

NITINOTES 

Endoscopic procedure that mimics gastric sleeve surgery

24%

Our investment: \$1.5m

DISCOVER. BRAINSGATE

BRAINSGATE

OUR
INVESTMENT:

\$29M

ESTABLISHED: 2000

FIRST INVESTMENT: 2005

TOTAL INVESTMENT: \$97M

MAIN PARTNERS: Johnson & Johnson, Boston Scientific, Medtronic, Pitango, Cipro Partners

VISION: To increase the potential number of stroke victims who receive treatment from ~7% to ~80%

PRODUCT: Electrode used to electrically stimulate a nerve center behind the nasal cavity (the SPG), to induce dilation of cerebral blood vessels and increase blood flow to the brain

OUR
HOLDING:

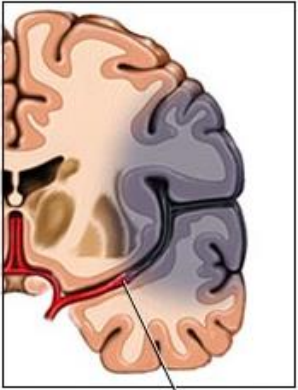
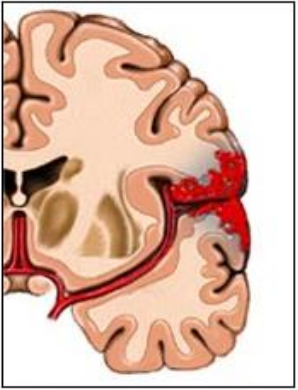
30%

~800,000 PEOPLE SUFFER A STROKE EACH YEAR IN THE U.S.

STROKE: INTERRUPTION OF BLOOD FLOW TO THE BRAIN

- ▶ When blood flow to an area of the brain is cut off **blood cells begin to die**
- ▶ When brain cells die, functions controlled by that part of the brain (e.g. memory, muscle control) **are lost**
- ▶ **THE EFFECTS OF A STROKE DEPEND ON HOW MUCH DAMAGE TO THE BRAIN OCCURRED**

THERE ARE 2 TYPES OF STROKE.

Ischemic stroke	HEMORRHAGIC STROKE
	
<p>Blood flow to the brain is blocked by a blood clot</p> <p>87% of strokes are ischemic</p> <p>BRAINSGATE'S DEVICE IS INTENDED TO TREAT ISCHEMIC STROKE</p>	<p>Blood leaks into the brain from a ruptured blood vessel</p> <p>13% of strokes are hemorrhagic</p>
<p>A clot blocks blood flow to an area of the brain</p>	<p>Bleeding occurs inside or around brain tissue</p>

15-30% OF STROKE SURVIVORS ARE LEFT PERMANENTLY DISABLED

THE GOAL OF ALL STROKE TREATMENTS IS TO RESTORE BLOOD FLOW TO THE AFFECTED AREA AS QUICKLY AS POSSIBLE, AND PREVENT BRAIN CELL DEATH

- Cells in the affected area die almost immediately, and cannot be salvaged
- ✚ However, surrounding the blockage are regions of viable tissue at risk – the ischemic penumbra – which can be salvaged if blood flow is restored in time

CURRENT METHODS FOR RESTORING BLOOD FLOW TO THE AFFECTED AREA:

tPA: CLOT-BUSTING DRUG (GOLD STANDARD)

Only FDA-approved treatment for ischemic stroke

Very effective

Treatment window is limited to **3-4.5 hours** from symptom onset

ENDOVASCULAR THERAPY: CLOT-REMOVAL WITH A STENT RETRIEVER

AHA guideline: do the procedure within **6 hours** of symptom onset, by qualified neurointerventionalists at experienced stroke centers, only after tPA is administered

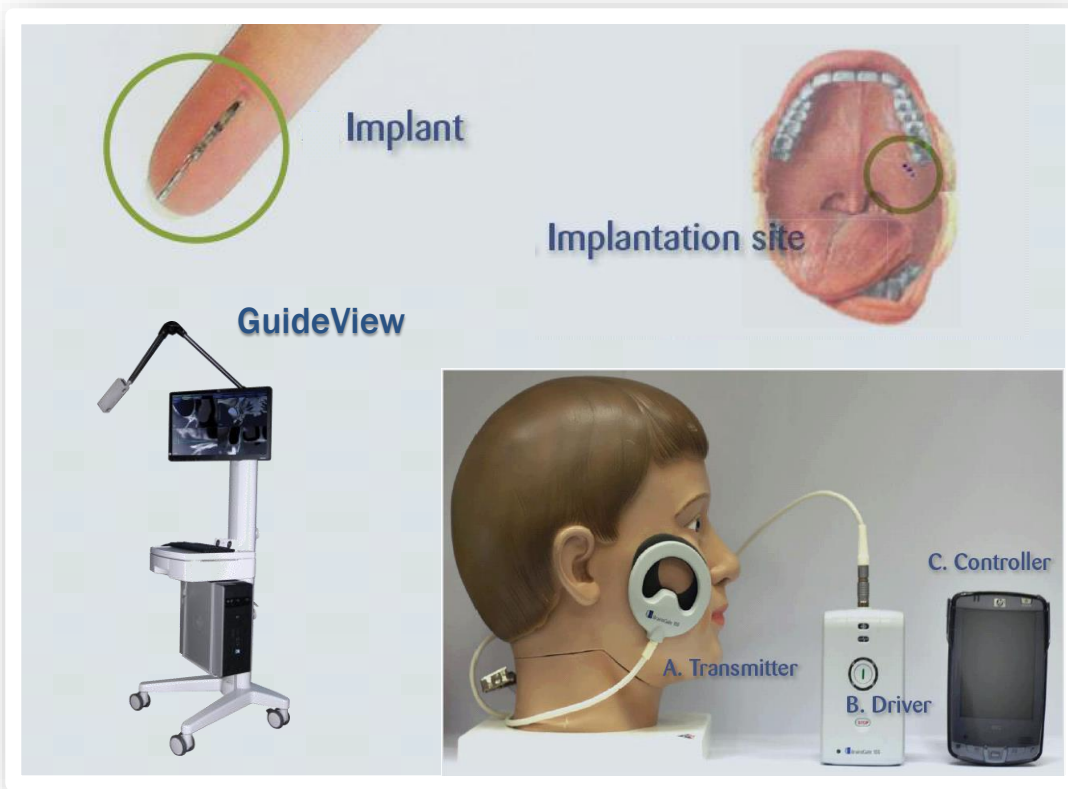
Very effective among certain stroke victims

BRAINSGATE: NEUROSTIMULATION TO INCREASE BLOOD FLOW

Miniature implant used to electrically stimulate the SPG, a nervous center behind the nose, to increase blood flow in the brain

May expand the treatment window to **24 hours** from symptom onset: currently in trial

ISS: THE ISCHEMIC STROKE SYSTEM



TREATMENT REGIMEN:

- ▷ 5 daily stimulation sessions, of 4 hours each
- ▷ The neurologist performs the implantation (which is brief and simple), with the aid of a navigation system

SPG (sphenopalatine ganglion) = supplies parasympathetic innervation to the anterior cerebral circulation and some of the posterior circulation

Transmitter = emits RF waves which energize the implant

Implant = delivers electrical pulses to the SPG

GuideView = helps navigate the implant through the canal to its correct position near the SPG using a patient's CT

STATUS

BRAINSGATE IS CONDUCTING AN **FDA TRIAL** FOR U.S. MARKETING APPROVAL OF THE ISS, ON 800-1000 PATIENTS:

JUN '11	FDA trial commences
APR '14	Green light from DSMB (Data Safety and Monitoring Board) to continue the trial based on an interim analysis of the safety results of 350 patients
MAY '16	Green light from DSMB to continue the trial based on a second (and final) interim analysis of 600 patients
AUG '16	First implantation with new injectable implant
Q1/18	Patient recruitment expected to be completed (as of Sep '17, 890 patients have been recruited)

DISCOVER. POCARED

POCARED



OUR
INVESTMENT:

\$73M

ESTABLISHED: 2004
FIRST INVESTMENT: 2007
TOTAL INVESTMENT: \$117M
MAIN PARTNER: SCP Vitalife

VISION: To promote antibiotic stewardship and significantly reduce lab costs by providing a method for rapid infectious diseases diagnostics

PRODUCT: Rapid and automated microbiology lab system for infectious diseases diagnosis

OUR
HOLDING:

69%

THE METHODS USED IN ORGANISM IDENTIFICATION HAVEN'T CHANGED IN MORE THAN 100 YEARS

BACTERIA CULTURING: THE DIAGNOSTICS OF YESTERDAY

Since the 19th century, microbiology testing has been done by culturing bacteria in petri dishes



- ▶ **Expensive:** Requires reagents and skilled lab technicians
- ▶ **Manual:** Prone to human error, limited throughput
- ▶ **Inefficient:** Large lab footprint
- ▶ **Lengthy:** Diagnosis that relies on culturing bacteria to reach sufficient concentration levels takes days

CONSEQUENCES

Over-/mis-prescribing antibiotics while awaiting lab results (promotes antibiotic resistance)

Costly lab tests

AUTOMATED LAB SYSTEM: THE DIAGNOSTICS OF TOMORROW

In the 21st century, **POCARED** developed a technology for automatically identifying bacteria in body fluids, by identifying their optical "fingerprint"

RAPID & AFFORDABLE TESTING



POCARED'S AUTOMATED LAB SYSTEM

A DIAGNOSTIC TEST BASED ON OPTICAL TECHNOLOGY

- + Micro-organisms are identified based on their unique optical signatures in response to different UV wavelengths
- + Culture-free, lab assistant operated
- + Gold standard accuracy
- + A full batch of 42 samples takes 2 hours to diagnose



STEP 1: SAMPLE PREPARATION

Filtration using “wet foam” technology to isolate micro-organisms

Sample Processor



STEP 2: FLUORESCENCE ANALYSIS

The Analyzer employs algorithms that determine which wavelength to choose, and detect the organism’s “optical fingerprint”

P-1000 Analyzer



STAGE 3: REPORTING

A report with data on specimen screening (positive/negative), organism identification and enumeration is received

User interface



STATUS

Q1/18

Pocared expects to commence its FDA trial for marketing clearance of its 1st application: diagnosis of urinary tract infection (UTI)

Q2/18

Pocared expects to complete the FDA trial in April 2018

DISCOVER. CARTIHEAL

CARTIHEAL

OUR
INVESTMENT:

\$13M

ESTABLISHED: 2009

FIRST INVESTMENT: 2012

TOTAL INVESTMENT: \$36M

MAIN PARTNERS: Johnson & Johnson, Accelmed, aMoon (Marius Nacht)



VISION: To treat joint surface lesions, and to halt the progression of knee osteoarthritis and delay or prevent knee replacement

PRODUCT: Implant for cartilage and bone regeneration in the joint

OUR
HOLDING:

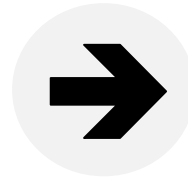
34%

OSTEOARTHRITIS AFFECTS ~14% OF ADULTS AGED 25 YEARS AND OLDER IN THE U.S.

CARTILAGE DEFECTS ARE PAINFUL AND IMPAIR PHYSICAL ACTIVITY

- ▶ Cartilage does not possess spontaneous healing potential

No current treatment has succeeded in regenerating native cartilage



CARTILAGE DEFECTS LEFT UNTREATED MAY PROGRESS TO OSTEOARTHRITIS

- ▶ There are no treatments that halt the progression of osteoarthritis (OA)

Patients who do not respond to pain relievers and are not yet candidates for knee replacement lack a solution

KNEE PROCEDURES IN THE U.S.

During 2004-2011 **~2 million** people underwent a surgical procedure addressing a cartilage defect in the knee

The most common procedures: microfracture and debridement

In 2010 **~720,000** total knee replacements were performed

Persons with knee OA spend ~50% of their postdiagnosis life expectancy in between treatments **while waiting for total knee replacement**

AGILI-C: IMPLANT FOR CARTILAGE & BONE REGENERATION IN JOINTS

The implant has a unique structure, composed of calcium carbonate with hyaluronic acid



▶ 3 weeks post-op

▶ 6 weeks post-op

▶ 12 months post-op

CARTIHEAL'S AGILI-C HAS BEEN IMPLANTED IN OVER **250** PATIENTS TO DATE TO TREAT TRAUMATIC AND DEGENERATIVE LESIONS IN THE KNEE, GREAT TOE & ANKLE

STATUS

2017

CartiHeal is preparing to conduct a clinical trial for FDA approval

CLINICAL TRIAL PROTOCOL:

- + **Multicenter** (US and EU)
- + **Will enroll up to 500 patients**, depending on interim analyses (1st interim analysis: 250 patients enrolled)
- + **Primary endpoint:** superiority vs. the surgical standard of care (microfracture or debridement) over a follow-up period of 2 years
- + **Intended use:** treatment of joint surface lesions in mild & moderate osteoarthritic knees, and in knees without degenerative changes

CYBER 2016-2017

1

NEW VP CYBER APPOINTED

2

5 NEW INVESTMENTS IN CYBER COMPANIES

3

SYNERGISTIC WITH RAFAEL ADVANCED DEFENSE SYSTEMS' ACTIVITIES IN CYBER SPACE

4

ELRON-CELLCOM COOPERATION LAUNCHED TO SEEK CYBER/IOT INVESTMENTS

OUR CYBER COMPANIES

IRONSCALES

Protecting enterprises from cyber phishing attacks

27% by RDC

Our investment:
\$1.5m

SIXGILL

Cyber intelligence platform that analyzes the dark web

22%

Our investment:
\$2.5m

SECURETOUCH

Real time identity verification for mobile apps and mobile websites

29% by RDC

Our investment:
\$2.5m

ALCIDE

Security and management tools for hybrid data centers

26%

Our investment:
\$2.3m

SECDO

Automatic detection and investigation of security alerts

22% by RDC

Our investment:
\$4m



DISCOVER. SECDO

SECDO

OUR
INVESTMENT:

\$4M

ESTABLISHED: 2014

FIRST INVESTMENT: 2016

TOTAL INVESTMENT: \$10.8M

MAIN PARTNERS: Marius Nacht (CheckPoint), Ehud (Udi) Weinstein (Anobit, Libit), Ofir Shalvi (Anobit, Libit), LYN Holdings



VISION: To help enterprise security teams cope with the mounting intensity of cyberattacks by automating the most difficult and time-consuming aspects of incident response

PRODUCT: Incident response platform that investigates, validates and remediates all cybersecurity alerts in seconds

OUR
HOLDING:

22%

31.9% OF IT SECURITY PROFESSIONALS IGNORE ALERTS SOMETIMES BECAUSE THERE ARE SO MANY FALSE POSITIVES

ALERT FATIGUE...

- ⚠️ There are simply too many alerts to investigate in a timely manner
- ⚠️ Finding out what actually happened is complicated and takes too long
- ⚠️ When a threat is discovered, isolating it and removing it is difficult at best

- ▶ THOUSANDS OF ALERTS
- ▶ NOT ENOUGH TIME
- ▶ NOT ENOUGH INFO
- ▶ NOT ENOUGH SKILL

21,000
HOURS ARE SPENT BY CO'S EACH
YEAR ANALYZING FALSE ALERTS

19%
OF SECURITY ALERTS ARE
DEEMED RELIABLE

4%
OF SECURITY ALERTS ARE
ACTUALLY INVESTIGATED

40.4%
OF ALERTS LACK ACTIONABLE
INFO NEEDED TO INVESTIGATE

80.4%
OF IT PROFESSIONALS RATED INCIDENT
RESPONSE AS THE MOST IMPORTANT
SKILL IN THE NEXT 5 YEARS

SECDO: INCIDENT RESPONSE DONE RIGHT

THE SECDO SOLUTION COMPRISES 3 COMPONENTS: 1. OBSERVER 2. ANALYZER 3. RESPONDER



OBSERVER

Always be aware

Observer continuously records every activity on every endpoint and server in the network, and stores them on a centralized server where they can be retained for years.

Enables investigating any alert

**COMPLETE FORENSIC RECORD
THREAD-LEVEL (NOT JUST PROCESS-
LEVEL) VISIBILITY**



ANALYZER

Focus on alerts that matter

Analyzer continuously & automatically connects the dots between millions of events to identify the causality chain behind every alert, providing a graphical timeline back to the root cause.

Enables weeding out false positives

**AUTOMATIC VALIDATION OF EVERY
SINGLE ALERT
AUTOMATED FORENSIC INVESTIGATION**



RESPONDER

Respond quickly & precisely

Responder gives security and IT people the ability to remotely access and surgically resolve any threat on any host without disrupting the user or impacting productivity.

Tools for remediating threats immediately

**REQUIRES MINIMAL TIME & RESOURCES
FULLY AUTOMATABLE RESPONSE
CAPABILITIES**

STATUS

2016 |

SECDO completed the year with **\$1.5m** in sales

2017 |

SECDO Wins 2017 Cybersecurity Excellence Awards | SECDO Wins 2017 Cyber Defense Magazine INFOSEC Awards



OUR IT COMPANIES

SOLD!




CLOUDYN

SaaS tools for cloud business management and optimization

34% by RDC

Our investment: \$6m



OPENLEGACY

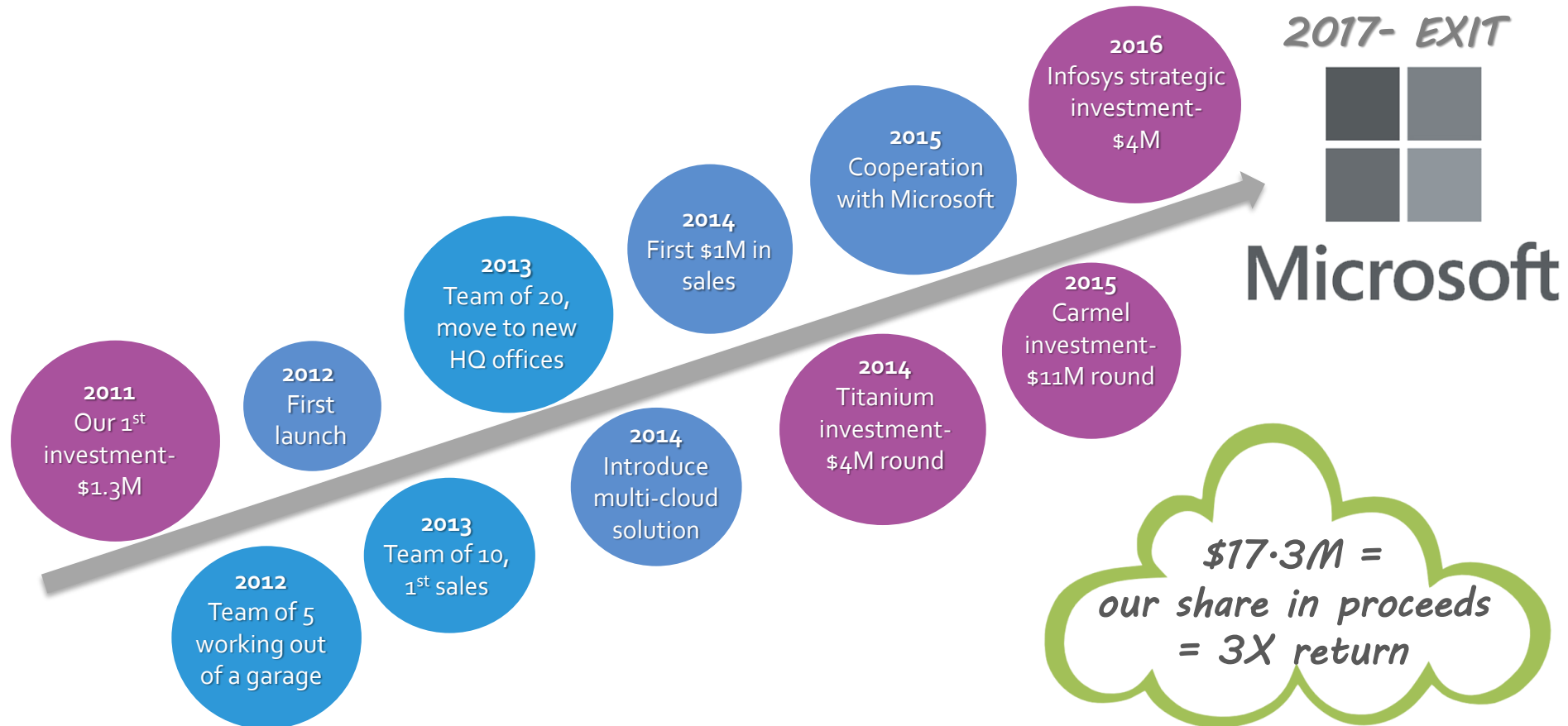
API integration platform that speeds digital transformation

39% by RDC

Our investment: \$5.2m

DISCOVER. CLOUDYN

SUMMARY OF A 6-YEAR JOURNEY: 2011-2017



DISCOVER. OPENLEGACY

OPENLEGACY



OUR
INVESTMENT:

\$5.2M

ESTABLISHED: 2013
FIRST INVESTMENT: 2014
TOTAL INVESTMENT: \$10.8M
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




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?

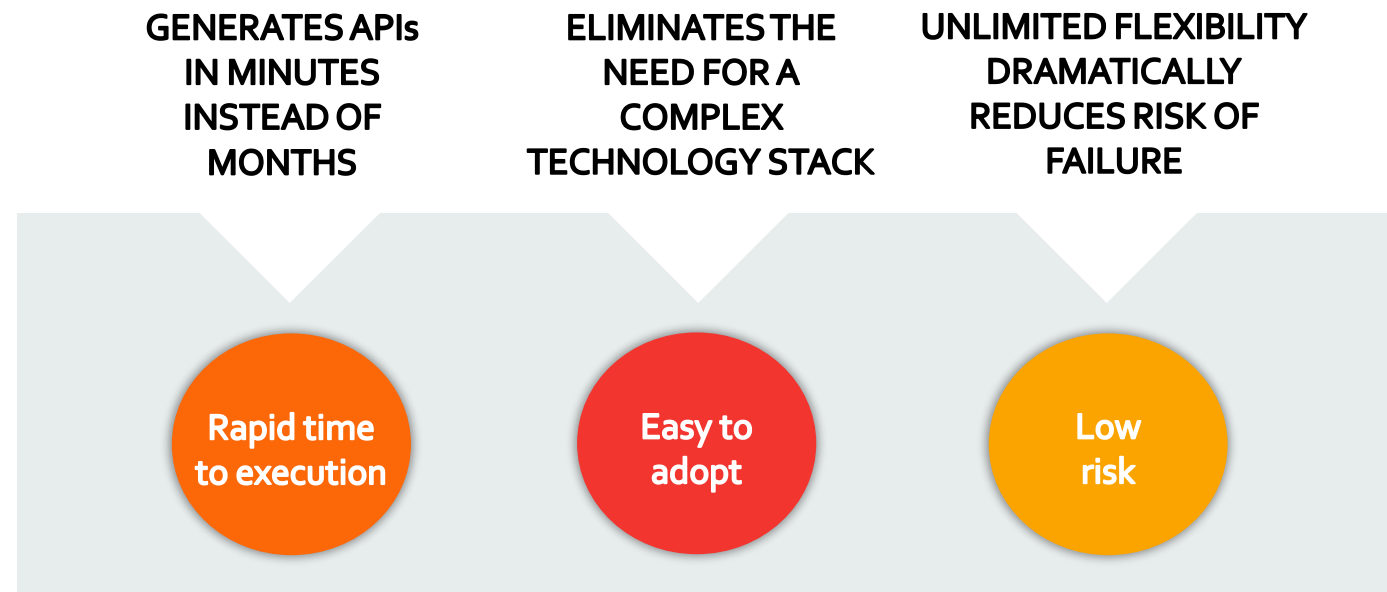
-  Legacy systems preserve **valuable business knowledge**
-  Replacing/upgrading IT systems involves significant **costs** and **risks** (security, compatibility, data loss)
-  While replacing/upgrading legacy systems is **highly complex**, documentation is poor, and skill with these systems in short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



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 ▶

MULESOFT goes
public at \$2b
valuation (currently
traded at ~\$2.8b)
Mar 2017

ELRON. OPPORTUNITY

Thank you.
elron.com

VALUE POTENTIAL

<u>Holdings in companies</u> ¹	Book value at June 30, 2017 (\$m)	Amount invested (\$m)
Associates and consolidated companies:		
Pocared (60%)	17.7	65.3
BrainsGate (30%)	2.3	29.1
CartiHeal (34%)	4.2	13.4
PLYmedia (23%)	-	2.5
Others	7.6	19.7
Companies presented at fair value:		
Notal Vision (21%)	14.0	13.5
Others	4.6	18.6
<u>Total Holdings</u>	<u>50.4</u>	<u>162.1</u>
Fair value of contingent consideration from sale of companies ²	3.2	3.2
Cash (as of Aug. 27, 2017) ²	35.6	35.6
Financial assets, net (as of Aug. 27, 2017) ²	21.9	21.9
<u>TOTAL</u> ³	<u>111.1</u>	<u>222.8</u>
Price per share on TASE (in \$) (as of Sep. 13, 2017)		4.73
Elron's market value (as of Sep. 13, 2017)		140.60

¹ Includes Elron's direct holdings and its effective indirect holdings through RDC and RDSeed. Includes investments made after June 30, 2017.

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.